

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2020

OR

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

For the transition period from [] to []

Commission file number 001-38025

U.S. WELL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
organization)

81-1847117

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

1360 Post Oak Boulevard, Suite 1800, Houston, TX

(Address of principal executive offices)

77056

(Zip Code)

Registrant's telephone number, including area code (832) 562-3730

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 SHARES \$0.0001, par value WARRANTS	USWS USWSW	NASDAQ Capital Market NASDAQ Capital Market

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

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

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

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

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

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

As of October 31, 2020, the registrant had 71,766,358 shares of Class A Common Stock and 2,302,936 shares of Class B Common Stock outstanding.

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U.S. WELL SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(unaudited)

ASSETS	September 30, 2020	December 31, 2019
CURRENT ASSETS:		
Cash and cash equivalents	\$ 519	\$ 33,794
Restricted cash	519	7,610
Accounts receivable (net of allowance for doubtful accounts of \$9,000 and \$22 as of September 30, 2020 and December 31, 2019, respectively)	36,416	79,542
Inventory, net	7,321	9,052
Prepays and other current assets	10,443	13,332
Total current assets	<u>55,218</u>	<u>143,330</u>
Property and equipment, net	242,810	441,610
Intangible assets, net	13,708	21,826
Goodwill	4,971	4,971
Deferred financing costs, net	1,196	1,045
TOTAL ASSETS	<u>\$ 317,903</u>	<u>\$ 612,782</u>
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 35,745	\$ 70,170
Accrued expenses and other current liabilities	12,142	40,481
Notes payable	1,867	8,068
Current portion of long-term equipment financing	3,473	5,564
Capital lease obligation	6,201	10,474
Current portion of long-term debt	-	6,250
Total current liabilities	<u>59,428</u>	<u>141,007</u>
Long-term equipment financing	10,243	10,501
Long-term debt	250,831	274,391
Other long-term liabilities	1,598	215
TOTAL LIABILITIES	<u>322,100</u>	<u>426,114</u>
Commitments and contingencies (NOTE 16)		
MEZZANINE EQUITY		
Series A Redeemable Convertible Preferred Stock, par value \$ 0.0001 per share; 55,000 shares authorized; 52,000 shares and 55,000 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively; aggregate liquidation preference of \$ 61,006 and \$59,050 as of September 30, 2020 and December 31, 2019, respectively	50,907	38,928
Series B Redeemable Convertible Preferred Stock, par value \$ 0.0001 per share; 22,050 shares 0 shares authorized, issued and outstanding as of September 30, 2020 and December 31, 2019, respectively; aggregate liquidation preference of \$23,398 and \$0 as of September 30, 2020 and December 31, 2019, respectively	21,984	-
STOCKHOLDERS' EQUITY (DEFICIT)		
Class A Common Stock, par value of \$ 0.0001 per share; 400,000,000 shares authorized; 71,413,883 shares and 62,857,624 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	7	5
Class B Common Stock, par value of \$ 0.0001 per share; 20,000,000 shares authorized; 2,302,936 shares and 5,500,692 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	-	1
Additional paid in capital	240,547	248,302
Accumulated deficit	(317,642)	(111,201)
Total stockholders' equity (deficit) attributable to U.S. Well Services, Inc.	<u>(77,088)</u>	<u>137,107</u>
Noncontrolling interest	-	10,633
Total Stockholders' Equity (Deficit)	<u>(77,088)</u>	<u>147,740</u>
TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 317,903</u>	<u>\$ 612,782</u>

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

U.S. WELL SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 44,042	\$ 130,884	\$ 195,914	\$ 422,075
Costs and expenses:				
Cost of services (excluding depreciation and amortization)	31,157	90,792	145,321	307,841
Depreciation and amortization	16,393	39,723	65,759	117,888
Selling, general and administrative expenses	6,098	8,216	30,376	24,474
Impairment of long-lived assets	-	-	147,543	-
Loss on disposal of assets	755	4,976	5,852	15,884
Loss from operations	(10,361)	(12,823)	(198,937)	(44,012)
Interest expense, net	(5,744)	(8,449)	(19,357)	(21,384)
Loss on extinguishment of debt	-	-	-	(12,558)
Other income	30	62	81	1,774
Loss before income taxes	(16,075)	(21,210)	(218,213)	(76,180)
Income tax expense (benefit)	(87)	39	(824)	469
Net loss	(15,988)	(21,249)	(217,389)	(76,649)
Net loss attributable to noncontrolling interest	(51)	(4,280)	(10,948)	(15,929)
Net loss attributable to U.S. Well Services, Inc.	(15,937)	(16,969)	(206,441)	(60,720)
Dividends accrued on Series A preferred stock	(1,854)	(1,670)	(5,450)	(2,330)
Dividends accrued on Series B preferred stock	(681)	-	(1,347)	-
Deemed and imputed dividends on Series A preferred stock	(467)	(4,406)	(11,220)	(5,966)
Net loss attributable to U.S. Well Services, Inc. common stockholders	\$ (18,939)	\$ (23,045)	\$ (224,458)	\$ (69,016)
Loss per common share (See Note 12):				
Basic and diluted	\$ (0.28)	\$ (0.45)	\$ (3.46)	\$ (1.36)
Weighted average common shares outstanding:				
Basic and diluted	66,667	50,250	63,431	49,182

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

U.S. WELL SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (217,389)	\$ (76,649)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	65,759	117,888
Impairment of long-lived assets	147,543	-
Provision for losses on accounts receivable	9,031	307
Provision for losses on inventory obsolescence	603	-
Loss on disposal of assets	5,852	15,884
Amortization of discount on debt	2,355	1,373
Deferred financing costs amortization	1,017	1,049
Loss on extinguishment of debt	-	12,558
Share-based compensation expense	4,519	5,672
Changes in assets and liabilities:		
Accounts receivable	34,096	(50,331)
Inventory	1,128	(2,036)
Prepays and other current assets	5,979	1,795
Accounts payable	(22,375)	2,243
Accrued liabilities	(8,360)	1,487
Accrued interest	(10,669)	11,090
Net cash provided by operating activities	19,089	42,330
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(43,948)	(194,114)
Proceeds from sale of property and equipment	15,778	706
Net cash used in investing activities	(28,170)	(193,408)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facility	25,723	49,134
Repayment of revolving credit facility	(51,034)	(65,000)
Proceeds from issuance of long-term debt	10,000	285,000
Repayments of long-term debt	(2,500)	(75,000)
Payment of fees related to debt extinguishment	-	(6,560)
Proceeds from issuance of note payable	-	9,117
Repayments of notes payable	(6,201)	(4,560)
Repayments of amounts under equipment financing	(2,349)	(66,872)
Principal payments under finance lease obligation	(4,272)	(12,494)
Proceeds from issuance of preferred stock and warrants, net	19,596	54,524
Deferred financing costs	(20,248)	(13,451)
Net cash provided by (used in) financing activities	(31,285)	153,838
Net increase (decrease) in cash and cash equivalents and restricted cash	(40,366)	2,760
Cash and cash equivalents and restricted cash, beginning of period	41,404	30,036
Cash and cash equivalents and restricted cash, end of period	<u>\$ 1,038</u>	<u>\$ 32,796</u>

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

U.S. WELL SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2020	2019
Supplemental cash flow disclosure:		
Interest paid	\$ 25,865	\$ 7,853
Income tax paid	144	353
Non-cash investing and financing activities:		
Issuance of Class A common stock to senior secured term loan lenders	1,438	-
Issuance of Series B preferred stock to senior secured term loan lenders	1,050	-
Beneficial conversion feature of Series A preferred stock	-	20,132
Issuance of warrants to purchase common stock associated with Series A preferred stock offering	-	10,720
Conversion of Series A preferred stock to Class A common stock	4,691	-
Deemed and imputed dividends on Series A preferred stock	11,220	5,966
Accrued Series A preferred stock dividends	5,450	2,330
Accrued Series B preferred stock dividends	1,347	-
Changes in accrued and unpaid capital expenditures	12,149	13,045
Assets under finance lease obligations	-	10,451
Financed equipment purchases	-	66,342

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

U.S. WELL SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except share amounts)
(unaudited)

	Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Accumulated Deficit	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2018	49,254,760	\$ 5	13,937,332	\$ 1	\$ 204,928	\$ (17,383)	\$ 52,798	\$ 240,349
Adoption of ASC 606 as of January 1, 2019	-	-	-	-	-	95	27	122
Exercise of warrants	2,925,712	-	-	-	-	-	-	-
Conversion of Class B common stock to Class A common stock	161,932	-	(161,932)	-	-	-	-	-
Restricted stock granted to employees	2,218,183	-	-	-	-	-	-	-
Class A common stock granted to board members	46,875	-	-	-	331	-	87	418
Share-based compensation	-	-	-	-	4,265	-	1,094	5,359
Restricted stock forfeitures	(18,687)	-	-	-	-	-	-	-
Issuance of warrants to purchase common stock associated with preferred stock offering	-	-	-	-	10,720	-	-	10,720
Beneficial conversion feature of Series A preferred stock	-	-	-	-	20,132	-	-	20,132
Deemed and imputed dividends on Series A preferred stock	-	-	-	-	(5,966)	-	-	(5,966)
Accrued Series A preferred stock dividends	-	-	-	-	(2,330)	-	-	(2,330)
Net loss	-	-	-	-	-	(60,720)	(15,929)	(76,649)
Balance, September 30, 2019	<u>54,588,775</u>	<u>\$ 5</u>	<u>13,775,400</u>	<u>\$ 1</u>	<u>\$ 232,080</u>	<u>\$ (78,008)</u>	<u>\$ 38,077</u>	<u>\$ 192,155</u>

	Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Accumulated Deficit	Noncontrolling Interest	Total Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2019	62,857,624	\$ 5	5,500,692	\$ 1	\$ 248,302	\$ (111,201)	\$ 10,633	\$ 147,740
Class A common stock issuance	5,530,022	1	-	-	1,437	-	-	1,438
Conversion of Class B common stock to Class A common stock	3,197,756	1	(3,197,756)	(1)	-	-	-	-
Conversion of Series A preferred stock to Class A common stock	523,973	-	-	-	4,691	-	-	4,691
Share-based compensation	-	-	-	-	4,204	-	315	4,519
Tax withholding related to vesting of share-based compensation	(154,253)	-	-	-	(70)	-	-	(70)
Restricted stock forfeitures	(541,239)	-	-	-	-	-	-	-
Deemed and imputed dividends on Series A preferred stock	-	-	-	-	(11,220)	-	-	(11,220)
Accrued Series A preferred stock dividends	-	-	-	-	(5,450)	-	-	(5,450)
Accrued Series B preferred stock dividends	-	-	-	-	(1,347)	-	-	(1,347)
Net loss	-	-	-	-	-	(206,441)	(10,948)	(217,389)
Balance, September 30, 2020	<u>71,413,883</u>	<u>\$ 7</u>	<u>2,302,936</u>	<u>\$ -</u>	<u>\$ 240,547</u>	<u>\$ (317,642)</u>	<u>\$ -</u>	<u>\$ (77,088)</u>

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

U.S. WELL SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (continued)
(in thousands, except share amounts)
(unaudited)

	<u>Class A Common Stock</u>		<u>Class B Common Stock</u>		<u>Additional Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Noncontrolling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance, June 30, 2019	54,607,462	\$ 5	13,775,400	\$ 1	\$ 236,398	\$ (61,039)	\$ 41,914	\$ 217,279
Share-based compensation	-	-	-	-	1,758	-	443	2,201
Restricted stock forfeitures	(18,687)	-	-	-	-	-	-	-
Deemed and imputed dividends on Series A preferred stock	-	-	-	-	(4,406)	-	-	(4,406)
Accrued Series A preferred stock dividends	-	-	-	-	(1,670)	-	-	(1,670)
Net loss	-	-	-	-	-	(16,969)	(4,280)	(21,249)
Balance, September 30, 2019	<u>54,588,775</u>	<u>\$ 5</u>	<u>13,775,400</u>	<u>\$ 1</u>	<u>\$ 232,080</u>	<u>\$ (78,008)</u>	<u>\$ 38,077</u>	<u>\$ 192,155</u>

	<u>Class A Common Stock</u>		<u>Class B Common Stock</u>		<u>Additional Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Noncontrolling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance, June 30, 2020	68,361,213	\$ 7	5,014,897	\$ -	\$ 237,872	\$ (301,705)	\$ -	\$ (63,826)
Class A common stock issuance	400	-	-	-	-	-	-	-
Conversion of Class B common stock to Class A common stock	2,711,961	-	(2,711,961)	-	-	-	-	-
Conversion of Series A preferred stock to Class A common stock	523,973	-	-	-	4,691	-	-	4,691
Share-based compensation	-	-	-	-	986	-	51	1,037
Restricted stock forfeitures	(183,664)	-	-	-	-	-	-	-
Deemed and imputed dividends on Series A preferred stock	-	-	-	-	(467)	-	-	(467)
Accrued Series A preferred stock dividends	-	-	-	-	(1,854)	-	-	(1,854)
Accrued Series B preferred stock dividends	-	-	-	-	(681)	-	-	(681)
Net loss	-	-	-	-	-	(15,937)	(51)	(15,988)
Balance, September 30, 2020	<u>71,413,883</u>	<u>\$ 7</u>	<u>2,302,936</u>	<u>\$ -</u>	<u>\$ 240,547</u>	<u>\$ (317,642)</u>	<u>\$ -</u>	<u>\$ (77,088)</u>

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

U.S. WELL SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – DESCRIPTION OF BUSINESS

U.S. Well Services, Inc. (the “Company”), f/k/a Matlin & Partners Acquisition Corp (“MPAC”), is a Houston, Texas-based technology-focused oilfield service company focused on hydraulic fracturing for oil and natural gas exploration and production (“E&P”) companies in the United States. 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 mineral formation to fracture or crack. 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, 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 Company’s fleets consist of mobile hydraulic fracturing units and other auxiliary heavy equipment to perform fracturing services. The Company has two designs for hydraulic fracturing units: (1) Conventional Fleets, which are powered by diesel fuel and utilize traditional internal combustion engines, transmissions, and radiators and (2) Clean Fleet®, which replaces the traditional engines, transmissions, and radiators with electric motors powered by electricity generated by natural gas-fueled turbine generators. Both designs utilize high-pressure hydraulic fracturing pumps mounted on trailers. The Company refers to the group of pump trailers and other equipment necessary to perform a typical fracturing job as a “fleet” and the personnel assigned to each fleet as a “crew”.

MPAC was incorporated in Delaware in March 2016 as a special purpose acquisition company, formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or other similar business combination with one or more target businesses.

On November 9, 2018, MPAC acquired USWS Holdings LLC, a Delaware limited liability company (“USWS Holdings”), pursuant to the Merger and Contribution Agreement, dated as of July 13, 2018, and subsequently amended (as amended, the “Merger and Contribution Agreement”). The acquisition, together with the other transactions contemplated by the Merger and Contribution Agreement are referred to herein as the “Transaction”. In connection with the closing of the Transaction, MPAC changed its name to U.S. Well Services, Inc.

Following the completion of the Transaction, substantially all of the Company’s assets and operations are held and conducted by U.S. Well Services, LLC (“USWS LLC”), a wholly owned subsidiary of USWS Holdings, and the Company’s only assets are equity interests representing 97% ownership of USWS Holdings as of September 30, 2020.

Unless the context otherwise requires, “the Company”, “we,” “us,” and “our” refer, for periods prior to the completion of the Transaction, to USWS Holdings and its subsidiaries and, for periods upon or after the completion of the Transaction, to U.S. Well Services, Inc. and its subsidiaries, including USWS Holdings and its subsidiaries.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, these financial statements do not include all information or notes required by GAAP for annual financial statements and should be read in conjunction with the annual financial statements included in the Company’s 2019 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 5, 2020 (the “Annual Report”).

The accompanying unaudited condensed consolidated financial statements and accompanying notes present the consolidated financial position, results of operations, cash flows, and equity (deficit) of the Company as of the dates and for the periods presented. The interim data includes all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods. The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the results of operations expected for the entire fiscal year ended December 31, 2020.

Principles of Consolidation

The condensed consolidated financial statements comprise the financial statements of the Company, its wholly owned subsidiaries, and its subsidiaries that it controls due to ownership of a majority voting interest. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company. All significant intercompany balances and transactions are eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We regularly evaluate estimates and judgments based on historical experience and other relevant facts and circumstances. Significant estimates included in these financial statements primarily relate to allowance for doubtful accounts, allowance for inventory obsolescence, estimated useful lives and valuation of property and equipment and intangible assets, impairment assessments of goodwill and long-lived assets, Level 2 inputs used in fair value estimation of term loans, and the assumptions used in our Black-Scholes and Monte Carlo option pricing models associated with the valuation of share-based compensation and certain equity instruments. Actual results could differ from those estimates.

Restricted Cash

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements, or are reserved for a specific purpose, and not readily available for immediate or general use are recorded in restricted cash in our condensed consolidated balance sheets. The restricted cash in our condensed consolidated balance sheet represents cash transferred into a trust account to support our workers' compensation obligations and cash held for use in capital expenditures related to approved fleet expansion in amounts of \$0.5 million and a nominal amount, respectively, as of September 30, 2020, and \$0.5 million and \$7.1 million, respectively, as of December 31, 2019.

The following table provides a reconciliation of the amount of cash and cash equivalents reported on the condensed consolidated balance sheets to the total of cash and cash equivalents and restricted cash shown on the condensed consolidated statements of cash flows (*in thousands*):

	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 519	\$ 33,794
Restricted cash	519	7,610
Cash and cash equivalents and restricted cash	<u>\$ 1,038</u>	<u>\$ 41,404</u>

Inventory

Inventory consists of proppant, chemicals, and other consumable materials and supplies used in our high-pressure hydraulic fracturing operations. Inventories are stated at the lower of cost or net realizable value. Cost is determined principally on a first-in-first-out cost basis. All inventories are purchased for use by the Company in the delivery of its services with no inventory being sold separately to outside parties. Inventory quantities on hand are reviewed regularly and write-downs for obsolete inventory are recorded based on our forecast of the inventory item demand in the near future. As of September 30, 2020 and December 31, 2019, the Company had reserves of \$0.4 million and \$0.6 million, respectively, for obsolete and slow-moving inventory.

Property and Equipment

Property and equipment are carried at cost, with depreciation provided on a straight-line basis over their estimated useful lives. Expenditures for renewals and betterments that extend the lives of the assets are capitalized. Amounts spent for maintenance and repairs, which do not improve or extend the life of the related asset, are charged to expense as incurred.

The Company separately identifies and accounts for certain critical components of its hydraulic fracturing units including the engine, transmission, and pump, which requires us to separately estimate the useful lives of these components. For our other service equipment, we do not separately identify and track depreciation of specific original components. When we replace components of these assets, we typically estimate the net book values of the components that are retired, which are based primarily upon their replacement costs, their ages and their original estimated useful lives.

In the first quarter of 2020, our review of impairment of long-lived assets (refer to “Note 5 – Goodwill and Intangible Assets”) necessitated a review of the useful lives of our property and equipment. Current trends in hydraulic fracturing equipment operating conditions, such as increasing treating pressures and higher pumping rates, along with the increase in daily pumping time are shortening the useful life of certain critical components we use. We determined that the average useful life of fluid ends and fuel injectors is now less than one year, resulting in our determination that costs associated with the replacement of these components will no longer be capitalized, but instead expensed as they are used in operations. This change in accounting estimate was made effective in March 2020 and accounted for prospectively.

Goodwill

Goodwill is not amortized, but is reviewed for impairment annually, or more frequently when events or changes in circumstances indicate that the carrying value may not be recoverable. Judgements regarding indicators of potential impairment are based on market conditions and operational performance of the business.

As of December 31 of each year, or as required, the Company performs an impairment analysis of goodwill. The Company may assess its goodwill for impairment initially using a qualitative approach to determine whether conditions exist that indicate it is more likely than not that a reporting unit’s carrying value is greater than its fair value, and if such conditions are identified, then a quantitative analysis will be performed to determine if there is any impairment. The Company may also elect to perform a single step quantitative analysis in which the carrying amount of the reporting unit is compared to its fair value, which the Company estimates using a guideline public company method, a form of the market approach. The guideline public company method utilized the trading multiples of similarly traded public companies as they related to the Company’s operating metrics. An impairment charge would be recognized for the amount by which the carrying amount of the reporting unit exceeds the reporting unit’s fair value, and only limited to the total amount of goodwill allocated to the reporting unit.

Fair Value of Financial Instruments

Fair value is defined under Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels are defined as follows:

Level 1—inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3—inputs are unobservable for the asset or liability.

The following is a summary of the carrying amounts and estimated fair values of our financial instruments as of September 30, 2020 and December 31, 2019:

Senior Secured Term Loan. The fair value of the Senior Secured Term Loan is \$193.9 million and approximates carrying value as of September 30, 2020 and December 31, 2019, respectively.

Equipment financing. The carrying value of the equipment financing approximates fair value as its terms are consistent with and comparable to current market rates as of September 30, 2020 and December 31, 2019, respectively.

Revenue Recognition

The Company recognizes revenue based on the customer’s ability to benefit from the services rendered in an amount that reflects the consideration expected to be received in exchange for those services.

The Company’s performance obligations are satisfied over time, typically measured in number of stages completed or the number of pumping days a fleet is available to pump for a customer in a month. All revenue is recognized when a contract with a customer exists, collectability of amounts subject to invoice is probable, the performance obligations under the contract have been satisfied over time, and the amount to which the Company has the right to invoice has been determined. A portion of the Company’s contracts contain variable consideration; however, this variable consideration is typically unknown at the time of contract inception, and is not known until the job is complete, at which time the variability is resolved.

The Company has elected to use the “as invoiced” practical expedient to recognize revenue based upon the amount it has a right to invoice upon the completion of each performance obligation per the terms of the contract.

Accounts Receivable

Accounts receivable are recorded at their outstanding balances adjusted for an allowance for doubtful accounts. The allowance for doubtful accounts is determined by analyzing the payment history and credit worthiness of each customer. Receivable balances are charged off when they are considered uncollectible by management. Recoveries of receivables previously charged off are recorded as income when received. The Company held a reserve for doubtful accounts of \$9.0 million and a nominal amount as of September 30, 2020 and December 31, 2019, respectively. The reserve was recorded due to growing uncertainty as to collectability of billed amounts from customers weakened by the recent collapse in crude oil prices. We are continuing to work with our customers on collecting these receivables.

Major Customer and Concentration of Credit Risk

The concentration of our customers in the oil and natural gas industry may impact our overall exposure to credit risk, either positively or negatively, in that customers may be similarly affected by changes in economic and industry conditions. We perform ongoing credit evaluations of our customers and do not generally require collateral in support of our trade receivables.

The following table shows the percentage of revenues from our significant customers for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,	
	2020	2019
Customer A	*	21.8%
Customer B	23.6%	*
Customer C	21.5%	10.1%
Customer D	*	16.1%
Customer E	18.0%	*
Customer F	26.0%	*
Customer G	*	20.0%
	Nine Months Ended September 30,	
	2020	2019
Customer A	13.5%	16.3%
Customer B	17.1%	*
Customer C	17.5%	*
Customer D	*	17.4%
Customer E	13.7%	*
Customer F	17.1%	*
Customer G	*	16.9%
Customer I	*	10.9%

An asterisk indicates that revenue is less than ten percent.

The following table shows the percentage of trade receivables from our significant customers as of September 30, 2020 and December 31, 2019:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Customer A	*	12.0%
Customer B	25.9%	10.3%
Customer C	14.6%	*
Customer D	*	12.1%
Customer E	14.0%	*
Customer F	13.4%	*
Customer G	23.5%	34.5%
Customer H	*	15.9%

An asterisk indicates that trade receivable is less than ten percent.

Income Taxes

The Company, under ASC 740, uses the asset and liability method of accounting for income taxes, under which deferred tax assets and liabilities are recognized for the future tax consequences of (i) temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and (ii) operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are based on enacted tax rates applicable to the future period when those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period the rate change is enacted. A valuation allowance is provided for deferred tax assets when it is more likely than not the deferred tax assets will not be realized.

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at September 30, 2020. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

NOTE 3 – ACCOUNTING STANDARDS

Except as discussed below, there have been no recent accounting pronouncements or changes in accounting pronouncements during the nine months ended September 30, 2020, as compared to the recent accounting pronouncements described in the Annual Report, that are of significance, or potential significance to the Company.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates the second step of the previous two-step quantitative test of goodwill impairment. Under the new guidance, the quantitative test consists of a single step in which the carrying amount of the reporting unit is compared to its fair value. An impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the amount of the impairment would be limited to the total amount of goodwill allocated to the reporting unit. The guidance does not affect the existing option to perform the qualitative assessment for a reporting unit to determine whether the quantitative impairment test is necessary. The new guidance will be effective for emerging growth companies for fiscal years beginning after December 15, 2021; however, early adoption is permitted. The Company early adopted this guidance during the first quarter of 2020. The Company's impairment analysis did not result in any impairment of goodwill.

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) - Effective Dates for Certain Entities*, which provided deferral of the effective dates for implementing previously issued Topic 606 and Topic 842 for one year to give some relief for businesses and the difficulties they are facing during the COVID-19 coronavirus pandemic. The Company adopted Topic 606 on January 1, 2019. We expect to adopt Topic 842 using the effective date of January 1, 2022 as the date of our initial application of the standard.

NOTE 4 – PREPAIDS AND OTHER CURRENT ASSETS

Prepays and other current assets as of September 30, 2020 and December 31, 2019 consisted of the following *(in thousands)*:

	September 30, 2020	December 31, 2019
Prepaid insurance	\$ 3,847	\$ 11,127
Income tax receivable	1,567	810
Other current assets	5,029	1,395
Total prepaid expenses and other current assets	<u>\$ 10,443</u>	<u>\$ 13,332</u>

During the third quarter of 2020, certain pieces of equipment were damaged. The Company has insurance coverage in place covering, among other things, property damage up to certain specified amounts. Other current assets include recoverable costs from insurance amounting to \$3.1 million, which represents net book value of the equipment damaged.

NOTE 5 – GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill represents the difference between the purchase price and the estimated fair value of identifiable assets acquired and liabilities assumed. The Company performs an impairment analysis related to goodwill as of December 31 of each year, or when the Company identifies certain triggering events or circumstances that would more likely than not reduce the estimated fair value of the goodwill below its carrying amount.

In the first quarter of 2020, the Company performed an impairment analysis of goodwill and long-lived assets. This impairment analysis was triggered by the sudden and drastic decline in oil prices in March 2020 and the corresponding decrease in the Company's stock price, operating results and revised forecasts. The Company performed a quantitative goodwill impairment test utilizing the single-step approach to compare the carrying value of the reporting unit to its estimated fair value. The estimated fair value of the reporting unit was determined using a guideline public company method, a form of the market approach. The guideline public company method utilized the trading multiples of similarly traded public companies as they related to our operating metrics. Based on the impairment test, the Company determined that goodwill was not impaired as the reporting unit's carrying value, after accounting for the impairment charges of long-lived assets, did not exceed the reporting unit's fair value.

Intangible Assets

A summary of intangible assets as of September 30, 2020 and December 31, 2019 consisted of the following *(in thousands)*:

	Estimated Useful Life (in years)	Gross Carrying Value	Accumulated Amortization	Net Book Value
As of September 30, 2020				
Trademarks	10	\$ 1,415	\$ 104	\$ 1,311
Patents	20	12,776	379	12,397
		<u>\$ 14,191</u>	<u>\$ 483</u>	<u>\$ 13,708</u>
As of December 31, 2019				
Trademarks	10	\$ 3,132	\$ 913	\$ 2,219
Patents	20	22,955	3,348	19,607
		<u>\$ 26,087</u>	<u>\$ 4,261</u>	<u>\$ 21,826</u>

The intangible assets are amortized over the period the Company expects to receive the related economic benefit. Amortization expense related to amortizable intangible assets for the three months ended September 30, 2020 and 2019 was \$0.2 million and \$1.9 million, respectively, and was included as part of depreciation and amortization in the condensed consolidated statements of operations. Amortization expense related to amortizable intangible assets for the nine months ended September 30, 2020 and 2019 was \$0.8 million and \$5.7 million, respectively.

As discussed above, the Company identified a triggering event in the first quarter of 2020 and performed a quantitative impairment test on long-lived assets. The expected present value method, a form of the income approach, was utilized to determine the fair value of long-lived assets. This method is based on expected cash flows using a risk-adjusted discount rate, which reflects the weighted average cost of capital of similarly traded public companies. As a result of the impairment test performed, the Company recorded in the first quarter of 2020 an impairment charge of \$7.2 million to reduce the carrying value of intangible assets from \$21.4 million to \$14.2 million, representing its fair value on the date of impairment.

The estimated amortization expense for future periods is as follows (*in thousands*):

Fiscal Year	Estimated Amortization Expense
Remainder of 2020	\$ 242
2021	966
2022	966
2023	966
2024	966
Thereafter	9,602
Total	\$ 13,708

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment as of September 30, 2020 and December 31, 2019 consisted of the following (*in thousands*):

	Estimated Useful Life	September 30, 2020	December 31, 2019
Fracturing equipment	1.5 to 25 years	\$ 258,218	\$ 651,162
Light duty vehicles	5 years	2,184	8,188
Furniture and fixtures	5 years	67	277
IT equipment	3 years	1,676	6,724
Auxiliary equipment	2 to 20 years	12,720	38,502
Leasehold improvements	Term of lease	287	725
		275,152	705,578
Less: Accumulated depreciation and amortization		(32,342)	(263,968)
Property and equipment, net		\$ 242,810	\$ 441,610

Depreciation and amortization expense related to property and equipment for the three months ended September 30, 2020 and 2019 was \$6.2 million and \$37.8 million, respectively. Depreciation and amortization expense related to property and equipment for the nine months ended September 30, 2020 and 2019 was \$64.9 million and \$112.2 million, respectively.

As a result of the impairment test on long-lived assets described in “Note 5 – Goodwill and Intangible Assets,” the Company recorded in the first quarter of 2020 an impairment charge of \$140.3 million to reduce the carrying value of property and equipment from \$414.1 million to \$273.8 million, representing its fair value on the date of impairment.

NOTE 7 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as of September 30, 2020 and December 31, 2019 consisted of the following(*in thousands*):

	September 30, 2020	December 31, 2019
Accrued payroll and benefits	\$ 5,011	\$ 9,356
Accrued taxes	5,013	9,817
Accrued interest	217	18,190
Other current liabilities	1,901	3,118
Accrued expenses and other current liabilities	<u>\$ 12,142</u>	<u>\$ 40,481</u>

NOTE 8 – NOTES PAYABLE

Notes payable represents premium finance agreements with a credit finance institution to pay the premiums on insurance policies for the Company's directors' and officers' liability, general liability, workers' compensation, umbrella, auto and pollution coverage needs. These premium finance agreements had total balances of \$ 1.9 million and \$8.1 million as of September 30, 2020 and December 31, 2019, respectively.

NOTE 9 – DEBT

Long-term debt as of September 30, 2020 and December 31, 2019 consisted of the following(*in thousands*):

	September 30, 2020	December 31, 2019
Senior Secured Term Loan	\$ 247,500	\$ 250,000
ABL Credit Facility	14,939	40,090
PPP Loan	10,000	-
Equipment financing	13,716	16,065
Capital leases	6,201	10,474
Total debt principal balance	292,356	316,629
Unamortized discount on debt and debt issuance costs	(21,608)	(9,449)
Current maturities	(9,674)	(22,288)
Net Long-term debt	<u>\$ 261,074</u>	<u>\$ 284,892</u>

Senior Secured Term Loan

During the first quarter of 2020, the Company made principal and interest payments amounting to \$2.5 million and \$24.3 million, respectively. The interest payments consisted of \$17.9 million of accrued interest as of December 31, 2019, and \$6.4 million of interest incurred in the first quarter of 2020.

On April 1, 2020, the Company, USWS LLC, as the borrower, and all of the other subsidiaries of the Company entered into a Second Amendment (the "Term Loan Amendment") to the senior secured term loan with CLMG Corp., as administrative and collateral agent, and the lenders party thereto.

Pursuant to the Term Loan Amendment, the interest rate on amounts outstanding under the senior secured term loan was reduced to 0.0% and scheduled principal amortization payments were suspended for the period beginning April 1, 2020 and ending March 31, 2022. Beginning April 1, 2022, the senior secured term loan, as amended by the Term Loan Amendment, will resume incurring interest at the applicable LIBOR rate, subject to a 2.0% floor, plus 8.25%, and scheduled principal amortization payments equal to 0.5% of the initial principal balance of the term loans will resume on a quarterly basis commencing June 30, 2022. Additionally, pursuant to the Term Loan Amendment, certain other covenants were amended including, but not limited to, covenants relating to collateral inspections and excess cash flow, and the maturity date of the senior secured term loan was extended to December 5, 2025.

The Company accounted for the Term Loan Amendment as a troubled debt restructuring under ASC 470-60, *Troubled Debt Restructurings by Debtors*, due to the level of concession provided by the lenders under the senior secured term loan. Under this guidance, the future undiscounted cash flows of the senior secured term loan, as amended, exceeded the carrying value, and accordingly, no gain was recognized and no adjustment was made to the carrying value of the debt. Interest expense on the amended senior secured term loan was computed using a new effective rate that equated the present value of the future cash payments specified by the new terms with the carrying value of the debt under the original terms.

In exchange for entering into the Term Loan Amendment, the lenders under the senior secured term loan received an extension fee comprised of a \$20.0 million cash payment, 1,050 shares of Series B preferred stock valued at \$1.1 million based on the stated liquidation preference of \$1,000 per share, and 5,529,622 shares of Class A common stock valued at \$1.4 million based on the closing price of the Class A common stock at the date of issuance. The Series B preferred stock issued to the lenders under the senior secured term loan had the same terms as the Series B preferred stock issued to certain institutional investors as described in “Note 10 – Mezzanine Equity”.

The total fair value of cash and non-cash consideration transferred to the lenders under the senior secured term loan were accounted for as discount on debt issuance and amortized using the effective interest method.

On July 30, 2020, the Company, USWS LLC, as the borrower, and all of the other subsidiaries of the Company entered into a Second Amendment (the “Third Term Loan Amendment”) to the senior secured term loan with CLMG Corp., as administrative and collateral agent, and the lenders party thereto.

Pursuant to the Third Term Loan Amendment, the agents and the lenders agreed to make certain modifications and amendments to the senior secured term loan in order to, among other things, consent to the entry into the PPP Loan, subject to the amended terms and conditions specified for the same in the Third Term Loan Amendment.

Additionally, the Third Term Loan Amendment made certain modifications to the senior secured term loan which limits the Company’s ability to deploy and use collateral outside of the continental United States and other than in connection with oil and gas fracking and exploration without the prior consent of the administrative agent. In the Third Term Loan Amendment the Company further agreed to specific conditions and covenants regarding a turbine rental and services agreement entered into on June 19, 2020 and which affect the equipment which is the subject thereof.

ABL Credit Facility

In April and August of 2020, the Company, USWS LLC, and all of the other subsidiaries of the Company entered into the First Amendment (the “ABL Amendment”) and Second Amendment (the “Second ABL Amendment”), respectively, to the ABL Credit Facility with the lenders party thereto and Bank of America, N.A., as the administrative agent, swing line lender and letter of credit issuer.

Pursuant to the ABL Amendment, the aggregate revolving commitment under the ABL Credit Facility was reduced from \$75.0 million to \$60.0 million, the maturity date was extended from May 7, 2024 to April 1, 2025, and the interest rate margin applicable to borrowings under the ABL Credit Facility was increased by 0.50% per annum and a LIBOR floor of 1% was added. In addition, the borrowing base under the ABL Credit Facility was amended to include a FILO Amount (as defined in the ABL Amendment) which increases borrowing base availability by up to the lesser of (i) \$4.0 million and (ii) 5.0% of the value of eligible accounts receivable, subject to scheduled monthly reductions. Loans under the ABL Credit Facility which are advanced in respect of the FILO Amount accrue interest at a rate that is 1.50% higher than the rate applicable to other loans under the ABL Credit Facility, and may be repaid only after all other loans under the ABL Credit Facility have been repaid.

Pursuant to the Second ABL Amendment, the aggregate revolving commitment under the ABL Credit Facility was reduced from \$60.0 million to \$50.0 million and certain modifications were made to eligible accounts in the borrowing base and to the applicable thresholds in the cash dominion trigger period and financial covenant trigger period, among other things. The Company’s option to request an increase in commitments under the accordion feature was also removed under the terms of the Second ABL Amendment.

Under ASC 470-50, *Modifications and Extinguishments*, the Company accounted for each of the ABL Amendment and Second ABL Amendment as a modification of debt. Under the ABL Amendment, the borrowing capacity of the amended ABL Credit Facility was greater than the borrowing capacity of the old ABL Credit Facility and there was no change in the lenders. Accordingly, any unamortized deferred financing costs associated with the old ABL Credit Facility and fees in connection with the amended ABL Credit Facility were deferred and amortized over its remaining term. Under the Second ABL Amendment, the borrowing capacity of the amended ABL Credit Facility was less than the borrowing capacity of the old ABL Credit Facility. Accordingly, unamortized deferred financing cost amounting to \$ 0.2 million, which was calculated in proportion to the decrease in the borrowing capacity of the old Credit Facility, was written off and recorded as interest expense in the condensed consolidated statements of operations. Any fees in connection with the Second ABL Amendment were deferred and amortized over its remaining term.

The ABL Credit Facility is subject to a borrowing base which is calculated based on a formula referencing the Company's eligible accounts receivables. As of September 30, 2020, the borrowing base was \$25.7 million and the outstanding revolver loan balance was \$14.9 million, classified as long-term debt in the condensed consolidated balance sheets.

Paycheck Protection Program (PPP) Loan

In July 2020, the Company received an unsecured \$10.0 million loan (the "PPP Loan") that bears interest at a rate of 1.0% per annum and matures in five years under the Paycheck Protection Program from a commercial bank. The Paycheck Protection Program was established under the Coronavirus Aid, Relief and Economic Security Act (as amended, the "CARES Act") and is administered by the U.S. Small Business Administration. Under the terms of the CARES Act, loan recipients can apply for and be granted forgiveness for all or a portion of the loan. Forgiveness is determined, subject to certain limitations, based on the use of the loan proceeds for payroll costs, interest on mortgages or other debt obligations, rents and utilities. At least 60% of the proceeds must be used for payroll costs. No assurance can be given that the Company will obtain forgiveness of the PPP Loan either in whole or in part. Accordingly, the Company accounted for the PPP Loan as part of long-term debt in the condensed consolidated balance sheets.

Equipment Financing

In March 2020, the Company entered into an agreement with a lender to consolidate various individual equipment financing agreements, which represented substantially all of our equipment financing notes, with the same lender into four notes. The amendments under the consolidated equipment financing agreements pertain to maturity date, interest rate, and date of first installment payment. The Company evaluated the debt modification in accordance with ASC 470-50 and concluded that the debt modification did not result in a substantially different debt, and accordingly, no gain or loss was recorded.

The total outstanding balance of the consolidated equipment financing agreements as of September 30, 2020 was \$13.7 million, payable in equal monthly installments through May 1, 2024, at an interest rate of 5.7%.

The weighted average interest rate of amounts outstanding under the equipment financing agreements was 5.7% and 6.4% per annum as of September 30, 2020 and December 31, 2019, respectively.

Payments of Debt Obligations due by Period

Presented in the following table is a schedule of the repayment requirements of long-term debt as of September 30, 2020 (*in thousands*):

	Principal Amount of Long-term Debt
Remainder of 2020	\$ 7,052
2021	3,519
2022	7,462
2023	8,930
2024	6,705
Thereafter	258,688
Total	\$ 292,356

NOTE 10 – MEZZANINE EQUITY

Series A Redeemable Convertible Preferred Stock

The following table summarizes the Company's Series A Redeemable Convertible Preferred Stock, par value \$0.0001 per share ("Series A preferred stock") activities for the nine months ended September 30, 2020 (in thousands, except share amounts):

	<u>Shares</u>	<u>Amount</u>
Series A preferred stock as of December 31, 2019	55,000	\$ 38,928
Deemed and imputed dividends on Series A preferred stock	-	11,220
Accrued Series A preferred stock dividends	-	5,450
Conversion of Series A preferred stock to Class A common stock	(3,000)	(4,691)
Series A preferred stock as of September 30, 2020	<u>52,000</u>	<u>\$ 50,907</u>

In accordance with the Series A preferred stock purchase agreement, subject to there being Series A preferred stock outstanding, the Company will issue an additional 4,399,992 warrants to the purchasers of Series A preferred stock in quarterly installments of 488,888 warrants beginning nine months after May 24, 2019. During the nine months ended September 30, 2020, the Company issued 1,466,664 additional warrants to the purchasers of Series A preferred stock.

In the third quarter of 2020, a holder of the Series A preferred stock converted 3,000 shares of Series A preferred stock and accrued dividends into 523,973 shares of Class A common stock pursuant to the certificate of designations authorizing and establishing the rights, preferences and privileges of the Series A preferred stock. Accordingly, the Company recorded a reduction of \$4.7 million in the carrying value of the Series A preferred stock.

As of September 30, 2020, 52,000 shares of Series A preferred stock were outstanding and convertible into 9,146,254 shares of Class A common stock, and dividends accrued and outstanding with respect to the Series A preferred stock were \$9.5 million and reflected in the carrying value of Series A preferred stock.

Series B Redeemable Convertible Preferred Stock

The following table summarizes the Company's Series B Redeemable Convertible Preferred Stock, par value \$0.0001 per share ("Series B preferred stock") activities for the nine months ended September 30, 2020 (in thousands, except share amounts):

	<u>Shares</u>	<u>Amount</u>
Series B preferred stock as of December 31, 2019	-	\$ -
Proceeds from issuance of Series B preferred stock	21,000	21,000
Issuance of Series B preferred stock to senior secured term loan lenders	1,050	1,050
Issuance cost associated with Series B preferred stock	-	(1,413)
Accrued Series B preferred stock dividends	-	1,347
Series B preferred stock as of September 30, 2020	<u>22,050</u>	<u>\$ 21,984</u>

On March 31, 2020, the Company entered into a purchase agreement with certain institutional investors (collectively, the "Purchasers"), pursuant to which the Company agreed to issue and sell in a private placement 21,000 shares of Series B preferred stock, for an aggregate purchase price of \$21.0 million. On April 1, 2020 (the "Series B Closing Date"), the Purchasers purchased the Series B preferred stock. Two of the purchasers of the Series B preferred stock were affiliates of Crestview Partners, which held, prior to the issuance, an aggregate 36.67% ownership interest in the Company and is entitled to designate for nomination by the Company for election two directors to serve on the Company's Board of Directors.

The Series B preferred stock ranks senior to the Class A common stock and Class B common stock and in parity with the Series A preferred stock, with respect to distributions. The Series B preferred stock has only specified voting rights, including with respect to the issuance or creation of senior securities, amendments to the Company's Second Amended and Restated Certificate of Incorporation that negatively impact the rights of the Series B preferred stock and the payment of dividends on, or repurchase or redemption of, Class A common stock.

The Company has the option, but no obligation, to redeem the Series B preferred stock for cash. If the Company notifies the holders that it has elected to redeem the Series B preferred stock, a holder may instead elect to convert its shares of Series B preferred stock at the specified conversion price, which is initially \$0.308 per share. The Series B preferred stock converted in response to a redemption notice will net settle for a combination of cash and Class A common stock.

Each holder of Series B preferred stock may convert all or any portion of its Series B preferred stock into Class A common stock based on the then-applicable liquidation preference, subject to anti-dilution adjustments, at any time, but not more than once per quarter, so long as any conversion is for at least \$1.0 million based on the liquidation preference on the date of the conversion notice.

Following the eighteen-month anniversary of the Series B Closing Date, the Company may cause the conversion of all or any portion of the Series B preferred stock into Class A common stock if (i) the closing price of the Class A common stock is greater than 130% of the conversion price for 20 days over any 30-day trading period; (ii) the average daily trading volume of the Class A common stock exceeded 250,000 for 20 days over any 30-day trading period; and (iii) the Company has an effective registration statement on file with the Securities and Exchange Commission covering resales of the underlying Class A common stock to be received upon such conversion.

The Series B preferred stock was recorded as Mezzanine Equity, net of issuance cost, on the condensed consolidated balance sheets because it has redemption features upon certain triggering events that are outside the Company's control, such as change in control.

As of September 30, 2020, 22,050 shares of Series B preferred stock were outstanding and convertible into 75,966,724 shares of Class A common stock, and dividends accrued and outstanding with respect to the Series B preferred stock was \$1.3 million and reflected in the carrying value of Series B preferred stock.

NOTE 11 – STOCKHOLDERS' EQUITY

Shares Authorized and Outstanding

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of \$0.0001 per share with such designation, rights and preferences as may be determined from time to time by the Company's Board of Directors. See "Note 10 – Mezzanine Equity" for the discussion of preferred stock issued and outstanding.

Class A Common Stock

The Company is authorized to issue 400,000,000 shares of Class A common stock with a par value of \$0.0001 per share. At September 30, 2020 and December 31, 2019, there were 71,413,883 and 62,857,624 shares of Class A common stock issued and outstanding, respectively. At September 30, 2020, 1,000,000 outstanding shares of Class A common stock were subject to cancellation on November 9, 2024, unless the closing price per share of the Class A common stock has equaled or exceeded \$12.00 for any 20 trading days within any 30-trading day period, and 609,677 outstanding shares of Class A common stock were subject to the same cancellation provision, but at a closing price per share of \$13.50.

On June 26, 2020, the Company entered into an Equity Distribution Agreement (the "ATM Agreement") with Piper Sandler & Co. relating to the Company's shares of Class A common stock. In accordance with the terms of the ATM Agreement, the Company may offer and sell over a period of time, up to \$10.3 million of our Class A common stock. The ATM Agreement relates to an "at-the-market" offering program. Under the ATM Agreement, the Company will pay Piper Sandler an aggregate commission of up to 3% of the gross sales price per share of Class A common stock sold under the ATM Agreement. The Company sold 400 shares of Class A common stock for total net proceeds of two hundred and two dollars and seventy six cents under this ATM Agreement as of September 30, 2020. The Company paid six dollars and twenty four cents in commission with respect to this sale.

Class B Common Stock

The Company is authorized to issue 20,000,000 shares of Class B common stock with a par value of \$0.0001 per share. The shares of Class B common stock are non-economic; however, holders are entitled to one vote per share. Each share of Class B common stock, together with one unit of USWS Holdings, is exchangeable for one share of Class A common stock or, at the Company's election, the cash equivalent to the market value of one share of Class A common stock.

As of September 30, 2020 and December 31, 2019, there were 2,302,936 and 5,500,692 shares of Class B common stock issued and outstanding, respectively.

During the nine months ended September 30, 2020, 3,197,756 shares of Class B common stock were converted to an equivalent number of shares of Class A common stock.

Warrants

As of September 30, 2020, 9,994,635 public warrants and 15,500,000 private placement warrants were outstanding, and exercisable for an aggregate of 12,747,318 shares of Class A common stock. In addition, as of September 30, 2020, 4,399,997 warrants were outstanding pursuant to the Series A preferred stock purchase agreement, and exercisable for 4,399,997 shares of Class A common stock.

Noncontrolling Interest

The Company's noncontrolling ownership interest in consolidated subsidiaries is presented in the condensed consolidated balance sheet within stockholders' equity (deficit) as a separate component and represents approximately 3% ownership of USWS Holdings as of September 30, 2020.

Long-Term Incentive Plan

An aggregate of 8,160,500 shares of Class A common stock were initially available for issuance under the 2018 Long Term Incentive Plan ("LTIP"). Shares issued under the LTIP are further discussed in "Note 13 - Share-Based Compensation". The aggregate number of shares available for issuance as of September 30, 2020 was 5,053,961.

NOTE 12 – EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed in the same manner as basic earnings per share except that the denominator is increased to include the number of additional common shares that could have been outstanding assuming the exercise of stock options, exercise of warrants, conversion of Series A and Series B preferred stock, conversion of Class B common stock and vesting of restricted shares of Class A common stock.

Basic and diluted net income (loss) per share excludes the income (loss) attributable to and shares associated with the 1,609,677 shares of Class A common stock that are subject to cancellation on November 9, 2024 if certain market conditions have not been met. The Company has included in the calculation accrued dividends on Series A and Series B preferred stock and deemed dividends resulting from the amortization of discounts related to the Series A preferred stock.

The following table sets forth the calculation of basic and diluted earnings per share for the periods indicated based on the weighted average number of shares of Class A common stock outstanding for the period (*in thousands, except share and per share amounts*).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Basic Net Income (Loss) Per Share				
Numerator:				
Net loss attributable to U.S. Well Services, Inc.	\$ (15,937)	\$ (16,969)	\$ (206,441)	\$ (60,720)
Net loss attributable to cancellable Class A common stock	376	527	5,109	1,924
Basic net loss attributable to U.S. Well Services, Inc. shareholders	(15,561)	(16,442)	(201,332)	(58,796)
Dividends accrued on Series A preferred stock	(1,854)	(1,670)	(5,450)	(2,330)
Dividends accrued on Series B preferred stock	(681)	-	(1,347)	-
Deemed and imputed dividends on Series A preferred stock	(467)	(4,406)	(11,220)	(5,966)
Basic net loss attributable to U.S. Well Services, Inc. Class A common shareholders	<u>\$ (18,563)</u>	<u>\$ (22,518)</u>	<u>\$ (219,349)</u>	<u>\$ (67,092)</u>
Denominator:				
Weighted average shares outstanding	68,276,671	51,859,283	65,040,390	50,791,787
Cancellable Class A common stock	(1,609,677)	(1,609,677)	(1,609,677)	(1,609,677)
Basic and diluted weighted average shares outstanding	<u>66,666,994</u>	<u>50,249,606</u>	<u>63,430,713</u>	<u>49,182,110</u>
Basic and diluted net income (loss) per share attributable to Class A common shareholders	<u>\$ (0.28)</u>	<u>\$ (0.45)</u>	<u>\$ (3.46)</u>	<u>\$ (1.36)</u>

A summary of securities excluded from the computation of diluted earnings per share is presented below for the applicable periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Dilutive earnings per share:				
Anti-dilutive stock options	877,266	1,068,162	877,266	1,068,162
Anti-dilutive warrants	17,147,315	15,680,651	17,147,315	15,680,651
Anti-dilutive restricted stock	1,492,161	2,729,496	1,492,161	2,729,496
Anti-dilutive Class B common stock convertible into Class A common stock	2,302,936	13,775,400	2,302,936	13,775,400
Anti-dilutive Series A preferred stock convertible into Class A common stock	9,146,254	8,595,172	9,146,254	8,595,172
Anti-dilutive Series B preferred stock convertible into Class A common stock	75,966,724	-	75,966,724	-
Potentially dilutive securities excluded as anti-dilutive	<u>106,932,656</u>	<u>41,848,881</u>	<u>106,932,656</u>	<u>41,848,881</u>

NOTE 13 – SHARE-BASED COMPENSATION

Share-based compensation expense consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Restricted stock	\$ 819	\$ 1,937	\$ 3,832	\$ 4,788
Unrestricted stock	-	104	-	312
Stock options	218	265	687	572
Total	<u>\$ 1,037</u> (1)	<u>\$ 2,306</u> (2)	<u>\$ 4,519</u> (3)	<u>\$ 5,672</u> (4)

(1) (\$97) was presented as part of cost of services and \$1,134 was presented as part of selling, general and administrative expenses in the condensed consolidated statement of operations.

(2) \$757 was presented as part of cost of services and \$1,549 was presented as part of selling, general and administrative expenses in the condensed consolidated statement of operations.

(3) \$1,106 was presented as part of cost of services and \$3,413 was presented as part of selling, general and administrative expenses in the condensed consolidated statement of operations.

(4) \$1,835 was presented as part of cost of services and \$3,837 was presented as part of selling, general and administrative expenses in the condensed consolidated statement of operations.

Restricted Stock

The following table summarizes the restricted stock activity for the nine months ended September 30, 2020:

	Unvested shares	Weighted-average grant-date fair value per share
Non-vested restricted stock as of December 31, 2019	2,723,637	\$ 8.87
Granted	-	-
Vested	(690,237)	8.87
Forfeited	(541,239)	8.85
Non-vested restricted stock as of September 30, 2020	<u>1,492,161</u>	\$ 8.88

Stock Options

The following table summarizes the stock option activity for the nine months ended September 30, 2020:

	Number of shares	Weighted average exercise price (per share data)	Weighted Average Remaining Contractual Life (years)
Outstanding as of December 31, 2019	1,068,162	\$ 8.91	6.21
Exercised	-	-	-
Forfeited/Expired	(190,896)	8.91	-
Outstanding as of September 30, 2020	<u>877,266</u>	\$ 8.91	5.46
Exercisable as of September 30, 2020	<u>219,317</u>	\$ 8.91	5.46

As of September 30, 2020, total unrecognized compensation cost related to stock-based compensation grants under the LTIP was \$10.7 million. We expect to recognize these costs over a weighted average period of 2.4 years.

NOTE 14 – EMPLOYEE BENEFIT PLAN

In 2013, the Company established the U.S. Well Services 401(k) Plan. The Company matched 100% of employee contributions up to 6% of the employee's salary, subject to cliff vesting after two years of service. At the end of the first quarter of 2020, the Company suspended its match of employee contributions. For the three months ended September 30, 2020 and 2019, matching contributions were \$0.0 million and \$1.1 million, respectively. For the nine months ended September 30, 2020 and 2019, matching contributions were \$1.0 million and \$3.8 million, respectively. The matching contributions were included in cost of services and selling, general and administrative expenses in the condensed consolidated statement of operations.

NOTE 15 – INCOME TAXES

On March 27, 2020, the President signed the CARES Act into law. The CARES Act contains several corporate income tax provisions, including, among other things, providing a 5-year carryback of net operating loss ("NOL") tax carryforwards generated in tax years 2018, 2019, and 2020, removing the 80% taxable income limitation on utilization of those NOLs if carried back to prior tax years or utilized in tax years beginning before 2021, temporarily liberalizing the interest deductions rules under Section 163(j) of the Tax Cuts and Jobs Act of 2017, and making corporate alternative minimum tax credits immediately refundable. During the second quarter of 2020, the Company filed an application to carry back its 2018 NOLs, claiming a refund of approximately \$0.8 million. The Company continues to evaluate other potential effects of the CARES Act.

The Company files income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions and is subject to examination by the taxing authorities.

The Company's effective tax rate on continuing operations for the nine months ended September 30, 2020 was 0.38%. The difference between the effective tax rate and the U.S. federal statutory rate is due to state taxes, flow-through income not subject to tax, and a valuation allowance.

We follow guidance issued by the FASB in accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the consolidated financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the condensed consolidated financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

We have considered our exposure under the standard at both the federal and state tax levels. We did not record any liabilities for uncertain tax positions as of September 30, 2020 or December 31, 2019. We record income tax-related interest and penalties, if any, as a component of income tax expense. We did not incur any material interest or penalties on income taxes.

After consideration of all the information available, management determined that a valuation allowance was appropriate, as it is more likely than not that the Company will not utilize its net deferred tax assets.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Litigation

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Sand Purchase Agreements

The Company entered into agreements for the supply of proppant for use in its hydraulic fracturing operations. Under the terms of these agreements, the Company is subject to minimum purchase quantities on a monthly, quarterly, or annual basis at fixed prices or may pay penalties in the event of any shortfall. As of September 30, 2020, we estimated and accrued for a shortfall in quantities. This accrual is presented as part of accrued liabilities on the condensed consolidated balance sheets.

The following is a schedule of the contracted volumes in dollars and minimum commitments under the proppant supply purchase agreements as of September 30, 2020 (*in thousands*):

	Contracted	Minimum Commitments
Remainder of 2020	\$ 7,758	\$ 4,027
2021	11,340	960
Total	<u>\$ 19,098</u>	<u>\$ 4,987</u>

The minimum commitments represent the aggregate amounts that we would be obligated to pay in the event we procured no additional proppant under the contracts subsequent to September 30, 2020.

During the first quarter of 2019, we became involved in a contract dispute with a proppant vendor resulting in the cancellation of the contract. Accordingly, as of September 30, 2020, we have excluded \$47.1 million and \$48.0 million of contracted and minimum commitments, respectively, related to this contract. The litigation involving the contract in dispute is in the discovery stage, and as such no prediction can be made as to the outcome of the case at this time and we are unable to reasonably estimate the potential losses or range of losses resulting from this litigation, if any.

Operating Lease Agreements

The Company has various operating leases for facilities with terms ranging from 24 to 76 months.

Rent expense was \$0.7 million for each of the three months ended September 30, 2020 and 2019, of which \$0.4 million and \$0.6 million, respectively, are recorded as part of cost of services and \$0.3 million, and \$0.1 million, respectively, are recorded as part of selling, general and administrative expenses in the condensed consolidated statements of operations.

Rent expense for the nine months ended September 30, 2020 and 2019 was \$1.8 million and \$2.0 million, respectively, of which \$1.1 million and \$1.6 million, respectively, are recorded as part of cost of services and \$0.7 million and \$0.4 million, respectively, are recorded as part of selling, general administrative expenses in the condensed consolidated statements of operations.

The following is a schedule of minimum future payments on non-cancellable operating leases as of September 30, 2020 (*in thousands*):

Remainder of 2020	\$	358
2021		1,114
2022		828
2023		308
2024		258
Thereafter		67
Total minimum future rentals	<u>\$</u>	<u>2,933</u>

On April 1, 2020, the Company entered into an agreement to extend the lease on one of its facilities. The extended term of the lease is for a period of 6 months commencing on April 1, 2020, with rent throughout the term totaling \$0.7 million.

Capital Lease Agreements

The total amount of future minimum lease payments related to the capital leases as of September 30, 2020 was \$6.4 million, all of which is due in the remainder of 2020. This amount includes imputed interest totaling \$0.2 million.

Self-insurance

The Company established a self-insured plan for employees' healthcare benefits except for losses in excess of varying threshold amounts. The Company charges to expense all actual claims made during each reporting period, as well as an estimate of claims incurred, but not yet reported. The amount of estimated claims incurred, but not reported was \$0.3 million and \$0.6 million as of September 30, 2020 and December 31, 2019, respectively, and was reported as accrued expenses in the condensed consolidated balance sheets. The Company believes that the liabilities recorded are appropriate based on the known facts and circumstances and does not expect further losses materially in excess of the amounts already accrued for existing claims.

NOTE 17 – RELATED PARTY TRANSACTIONS

On April 1, 2020, Crestview Partners purchased 11,500 shares of Series B preferred stock for a total payment of \$11.5 million. The TCW Group, Inc. purchased 6,500 shares of Series B preferred stock for a total payment of \$6.5 million and David Matlin, a member of the Company's Board of Directors, purchased 1,878 shares of Series B preferred stock for a total payment of \$1.9 million.

NOTE 18 – SUBSEQUENT EVENTS

On November 5, 2020, pursuant to the Amended and Restated U.S. Well Services, Inc. 2018 Stock Incentive Plan (the "A&R LTIP"), the Company made grants of deferred stock units and certain performance incentive awards that will provide for potential future payments to be made to certain key employees of the Company. The A&R LTIP, which was approved by the Board of Directors, upon the recommendation of the Compensation Committee of the Board of Directors on September 21, 2020, is expected to be included in the Company's Proxy Statement for its 2021 Annual Meeting of Stockholders for approval by the Company's stockholders. The details of these grants are further discussed in "Part II, Item 5 – Other Information". The Company is still in the process of evaluating the accounting impact of these grants.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management discussion and analysis ("MD&A") of the financial condition and results of operations of U.S. Well Services, Inc. together with its subsidiaries for the three and nine months ended September 30, 2020 should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Report") contains "forward-looking statements" as defined in Section 27A of the United States Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements usually relate to future events, conditions and anticipated revenues, earnings, cash flows or other aspects of our operations or operating results. Forward-looking statements are often identified by words such as "believes," "expects," "intends," "estimates," "projects," "anticipates," "will," "plans," "may," "should," "would," "foresee," or the negative thereof. The absence of these words, however, does not mean that these statements are not forward-looking. These are based on our current expectation, belief and assumptions concerning future developments and business conditions and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All of our forward-looking statements involve risks and uncertainties (some of which are significant or beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. These factors include geological, operating and economic factors and declining prices and market conditions, including reduced expected or realized oil and gas prices (including the recent significant decline in oil prices since the beginning of 2020) and demand for oilfield services and changes in supply or demand for maintenance, repair and operating products, equipment and service; the effectiveness of management's strategies and decisions; our ability to obtain financing, raise capital and continue as a going concern; our ability to implement our internal growth and acquisition growth strategies; general economic and business conditions specific to our primary customers; our ability to collect accounts receivable; compliance with our debt agreements and equity-related securities; volatility in market prices; changes in government regulations; our ability to effectively integrate businesses we may acquire; new or modified statutory or regulatory requirements; availability of materials and labor; inability to obtain or delay in obtaining government or third-party approvals and permits; non-performance by third parties of their contractual obligations; unforeseen hazards such as natural disasters, catastrophes and severe weather conditions, including floods, hurricanes and earthquakes; public health crises, such as a pandemic, including the recent COVID-19 pandemic; and acts of war or terrorist acts and the governmental or military response thereto; cyber-attacks adversely affecting our operation. This Report identifies other factors that could cause such differences. There can be no assurance that these are all of the factors that could cause actual results to vary materially from the forward-looking statements. Factors that could cause or contribute to such differences also include, but are not limited to, those discussed in our filings with the SEC, including under "Risk Factors" in this Report and in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 5, 2020. We caution you not to place undue reliance on any forward-looking statements, which speak only as of the date hereof. We assume no obligation and do not intend to update these forward-looking statements. Unless the context otherwise requires, references in this Report to the "Company", "USWS", "we", or "our" shall mean U.S. Well Services, Inc. and its subsidiaries.

Overview

We provide high-pressure, hydraulic fracturing services in oil and natural gas basins. Both our conventional and Clean Flee® hydraulic fracturing fleets are among the most reliable and highest performing fleets in the industry, with the capability to meet the most demanding pressure and pump rate requirements. We operate in many of the active shale and unconventional oil and natural gas basins of the United States and our clients benefit from the performance and reliability of our equipment and personnel. Specifically, all of our fleets operate on a 24-hour basis and have the ability to withstand the high utilization rates, which results in more efficient operations. Our senior management team has extensive industry experience providing pressure pumping services to exploration and production companies across North America.

How the Company Generates Revenue

We generate revenue by providing hydraulic fracturing services to our customers. We own and operate a fleet of hydraulic fracturing units to perform these services. We seek to enter into contractual arrangements with our customers or fleet dedications, which establish pricing terms for a fixed duration. Under the terms of these agreements, we charge our customers base monthly rates, adjusted for activity and provision of materials such as proppant and chemicals, or we charge a variable rate based on the nature of the job including pumping time, well pressure, sand and chemical volumes and transportation.

Our Costs of Conducting Business

The principal costs involved in conducting our hydraulic fracturing services are labor, maintenance, materials, and transportation costs. A large portion of our costs are variable, based on the number and requirements of hydraulic fracturing jobs. We manage our fixed costs, other than depreciation and amortization, based on factors including industry conditions and the expected demand for our services.

Materials include the cost of sand delivered to the basin of operations, chemicals, and other consumables used in our operations. These costs vary based on the quantity and quality of sand and chemicals utilized when providing hydraulic fracturing services. Transportation represents the costs to transport materials and equipment from receipt points to customer locations. Labor costs include payroll and benefits related to our field crews and other employees, as well as severance costs. A majority of our employees are paid on an hourly basis. During the nine months ended September 30, 2020, our labor cost included approximately \$2.3 million of severance expense. Maintenance costs include preventative and other repair costs that do not require the replacement of major components of our hydraulic fracturing fleets. Maintenance and repair costs are expensed as incurred. During the nine months ended September 30, 2020, our maintenance costs included \$0.4 million related to the disposal of obsolete inventory.

The following table presents our cost of services for the three and nine months ended September 30, 2020 and 2019 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Materials	\$ 978	\$ 18,136	\$ 13,916	\$ 63,726
Transportation	1,117	9,881	12,088	37,219
Labor	12,548	29,384	55,829	97,081
Maintenance	8,699	16,356	31,340	50,246
Other (1)	7,815	17,035	32,148	59,569
Cost of services	\$ 31,157	\$ 90,792	\$ 145,321	\$ 307,841

(1) Other consists of fuel, lubes, equipment rentals, travel and lodging costs for our crews, site safety costs and other costs incurred in performing our operating activities.

Significant Trends

The global health and economic crisis sparked by the COVID-19 pandemic and the associated decrease in commodity prices has significantly impacted industry activity in 2020. Weaker economic activity and lower demand for crude oil, driven by the persistence of the COVID-19 pandemic, has adversely impacted our business, resulting in a reduction in our active fleet count and fleet utilization levels. As such, we are experiencing considerable uncertainty in our near-term business prospects and ability to forecast future financial performance.

In response to the challenging business and operating environment created by the COVID-19 pandemic, we have taken proactive measures to safeguard the physical health of our employees and the financial health of our business. Employees capable of working from home were mandated to do so until conditions improve making it safe for their return on a voluntary basis. Additionally, all individuals entering into a Company facility or work location undergo a screening process. Beginning in February 2020, we took swift action to reduce costs, rationalizing the size of the organization to match activity through reductions-in-force, furloughing employees, reducing compensation levels across the board, and closing facilities. We also worked with customers to accelerate the collections of accounts receivables in certain cases and worked with suppliers to reduce our cost of goods and ensure the availability of supply. During the second quarter of 2020, we completed an offering of redeemable convertible preferred equity concurrent with the amendment of certain terms of our debt instruments in order to provide us with greater liquidity and financial flexibility (See "Note 9 - Debt" and "Note 10 - Mezzanine Equity" in the Notes to Condensed Consolidated Financial Statements). In addition, we have also taken advantage of relief offered by the CARES Act with the deferral of the employer portion of social security taxes, the carryback of our 2018 NOLs to prior year taxable income and in July 2020, the receipt of a \$10.0 million PPP Loan. We also expect to substantially limit growth capital expenditures for the foreseeable future.

We expect hydraulic fracturing activity to remain depressed relative to historic levels throughout the remainder of 2020 but believe that industry activity should accelerate as overall economic conditions improve.

Results of Operations

Three months ended September 30, 2020, compared to three months ended September 30, 2019
(in thousands, except percentages)

	Three Months Ended September 30,				Variance	% Variance
	2020	% (1)	2019	% (1)		
Revenue	\$ 44,042	100.0%	\$ 130,884	100.0%	\$ (86,842)	(66.4)%
Costs and expenses:						
Cost of services (excluding depreciation and amortization)	31,157	70.7%	90,792	69.4%	(59,635)	(65.7)%
Depreciation and amortization	16,393	37.2%	39,723	30.3%	(23,330)	(58.7)%
Selling, general and administrative expenses	6,098	13.8%	8,216	6.3%	(2,118)	(25.8)%
Loss on disposal of assets	755	1.7%	4,976	3.8%	(4,221)	(84.8)%
Loss from operations	(10,361)	(23.5)%	(12,823)	(9.8)%	2,462	* (2)
Interest expense, net	(5,744)	(13.0)%	(8,449)	(6.5)%	2,705	(32.0)%
Other income	30	0.1%	62	0.0%	(32)	* (2)
Income tax expense (benefit)	(87)	(0.2)%	39	0.0%	(126)	* (2)
Net loss	\$ (15,988)	(36.3)%	\$ (21,249)	(16.2)%	\$ 5,261	* (2)

(1) As a percentage of revenues. Percentage totals or differences in the above table may not equal the sum or difference of the components due to rounding.

(2) Not meaningful.

Revenue. The decrease in revenue was primarily attributable to the decline in business activity, as our average active fleet count during the period decreased to 5 fleets compared to 9 fleets in the prior comparable period. Revenue was also affected to a lesser extent by the continuing trend of customers self-sourcing lower margin consumables such as sand, chemicals, and sand transportation. We anticipate revenue to continue to be depressed in future quarters as long as the industry conditions discussed in “Significant Trends” above continue. In addition, we expect the trend of customers self-sourcing consumables to continue, resulting in lower revenues from consumables as compared to periods in which we provided these consumables to customers.

Cost of services, excluding depreciation and amortization. The decrease in cost of services, excluding depreciation and amortization, was attributable to the decline in business activity and significant cost cutting measures implemented in response to current industry conditions as described in “Significant Trends” above as well as a reduction in consumables costs as a result of increased customer self-sourcing. Similar to revenues, we anticipate cost of services, excluding depreciation and amortization, to remain at reduced levels as long as the industry conditions and cost cutting measures described in “Significant Trends” above continue.

Depreciation and amortization. The decrease in depreciation and amortization was primarily due to the lower cost basis of depreciating long-lived assets as a result of impairment losses recorded in the first quarter of 2020, and fully depreciated long-lived assets since the end of the prior comparable quarter.

Selling, general and administrative expenses. The decrease in selling, general, and administrative expenses was primarily attributable to reductions-in-force, furloughing employees, and reduction of employee compensation levels in response to current industry conditions as described in “Significant Trends” above.

Loss on disposal of assets. The amount of loss on disposal of assets fluctuates period over period due to differences in the operating conditions of our hydraulic fracturing equipment, such as wellbore pressure and rate of barrels pumped per minute, that impact the timing of disposals of our hydraulic fracturing pump components and the amount of gain or loss recognized. The decrease in the loss on disposal of assets was primarily attributable to the significant decrease in loss on disposal related to fluid ends, due to a change in accounting estimate related to their useful life (See Property and Equipment in “Note 2 – Significant Accounting Policies” in the Notes to Condensed Consolidated Financial Statements). Beginning in the second quarter of 2020, fluid ends are expensed as they are used in operations, due to their shortened useful life estimate.

Interest expense, net. The decrease was primarily attributable to a lower average debt balance and lower effective interest rates compared to the prior period.

Nine months ended September 30, 2020, compared to nine months ended September 30, 2019
(in thousands, except percentages)

	Nine Months Ended September 30,				Variance	% Variance
	2020	% (1)	2019	% (1)		
Revenue	\$ 195,914	100.0%	\$ 422,075	100.0%	\$ (226,161)	(53.6)%
Costs and expenses:						
Cost of services (excluding depreciation and amortization)	145,321	74.2%	307,841	72.9%	(162,520)	(52.8)%
Depreciation and amortization	65,759	33.6%	117,888	27.9%	(52,129)	(44.2)%
Selling, general and administrative expenses	30,376	15.5%	24,474	5.8%	5,902	24.1%
Impairment of long-lived assets	147,543	75.3%	-	0.0%	147,543	100.0%
Loss on disposal of assets	5,852	3.0%	15,884	3.8%	(10,032)	(63.2)%
Loss from operations	(198,937)	(101.5)%	(44,012)	(10.4)%	(154,925)	* (2)
Interest expense, net	(19,357)	(9.9)%	(21,384)	(5.1)%	2,027	(9.5)%
Loss on extinguishment of debt	-	0.0%	(12,558)	(3.0)%	12,558	* (2)
Other income	81	0.0%	1,774	0.4%	(1,693)	* (2)
Income tax expense (benefit)	(824)	(0.4)%	469	0.1%	(1,293)	* (2)
Net loss	\$ (217,389)	(111.0)%	\$ (76,649)	(18.2)%	\$ (140,740)	* (2)

(1) As a percentage of revenues. Percentage totals or differences in the above table may not equal the sum or difference of the components due to rounding.

(2) Not meaningful.

Revenue. The decrease in revenue was primarily attributable to the decline in business activity, as our average active fleet count during the period decreased to 7 fleets compared to 11 fleets in the prior comparable period. The decrease in revenue was also attributable to an increased amount of self-sourcing by customers of lower-margin consumables such as sand, chemicals, and sand transportation. We expect the industry trend of E&P companies self-sourcing to continue, resulting in decreased revenues from consumables as compared to prior years in which we provided these consumables to our customers. In addition, we anticipate revenue to continue to be depressed in future quarters as long as industry conditions discussed in “Significant Trends” above continue.

Cost of services, excluding depreciation and amortization. The decrease in cost of services, excluding depreciation and amortization, was primarily attributable to the decline in business activity and significant cost cutting measures implemented in response to current industry conditions as described in “Significant Trends” above. The decrease in cost of services, excluding depreciation and amortization, was also due in part to the change in revenue mix discussed above, offset in part by \$2.3 million of severance recorded in the current period. Similar to revenues, we anticipate cost of services, excluding depreciation and amortization to remain at reduced levels as long as the industry conditions and cost cutting measures described in “Significant Trends” above continue.

Depreciation and amortization. The decrease in depreciation and amortization was primarily due to the lower cost basis of depreciating long-lived assets as a result of impairment losses recorded in the first quarter of 2020, and fully depreciated long-lived assets since the end of the prior comparable period.

Selling, general and administrative expenses. The increase in selling, general, and administrative expenses was primarily attributable to our recording of a bad debt reserve of \$9.0 million in the first quarter of 2020 due to growing uncertainty as to collectability of billed amounts from customers weakened by the recent collapse in crude oil prices. We are continuing to work with our customers on collecting these receivables. The increase in selling, general, and administrative expenses was offset in part by reduction of expenses due to reductions-in-force, furloughing employees, and reduction of employee compensation levels in response to current industry conditions as described in “Significant Trends” above.

Impairment of long-lived assets. As a result of impairment tests that we performed in the first quarter of 2020, we determined that the carrying value of long-lived assets exceeded their fair value, and recorded an impairment charge to reduce the carrying value of property and equipment, and finite-lived intangible assets to fair value (See “Note 5 – Goodwill and Intangible Assets” and “Note 6 – Property and Equipment, Net” in the Notes to Condensed Consolidated Financial Statements).

Loss on disposal of assets. The amount of loss on disposal of assets fluctuates period over period due to differences in the operating conditions of our hydraulic fracturing equipment, such as wellbore pressure and rate of barrels pumped per minute, that impact the timing of disposals of our hydraulic fracturing pump components and the amount of gain or loss recognized. The decrease in the loss on disposal of assets was primarily attributable to the significant decrease in loss on disposal related to fluid ends, due to a change in accounting estimate related to their useful life (See Property and Equipment in “Note 2 – Significant Accounting Policies” in the Notes to Condensed Consolidated Financial Statements). Beginning in the second quarter of 2020, fluid ends are expensed as they are used in operations, due to their shortened useful life estimate.

Liquidity and Capital Resources

Our primary sources of liquidity and capital resources are cash on the balance sheet, cash flow generated from operating activities, proceeds from the issuance of equity, borrowings under our revolving credit facility, senior secured term loan and PPP Loan, and borrowing capacity under our revolving credit facility.

On March 31, 2020, we entered into a purchase agreement with certain institutional investors (collectively, the “Purchasers”), pursuant to which we agreed to issue and sell in a private placement 21,000 shares of Series B Redeemable Convertible preferred stock, par value \$0.0001 per share (“Series B preferred stock”), for an aggregate purchase price of \$21.0 million. On April 1, 2020, the Purchasers purchased the Series B preferred stock. We used substantially all of the proceeds from the Series B preferred stock to obtain the amendment on our senior secured term loan described below.

On April 1, 2020, we entered into agreements to amend our existing senior secured term loan and revolving credit facility. Pursuant to the amendment to our senior secured term loan, the interest rate on the outstanding loan was reduced to 0.0% and the scheduled principal amortization payments were suspended for the period beginning April 1, 2020 and ending March 31, 2022. In addition, the maturity date of the senior secured term loan was extended to December 5, 2025. Pursuant to the amendment to our revolving credit facility, the aggregate revolving commitment was reduced from \$75.0 million to \$60.0 million, the maturity date was extended from May 7, 2024 to April 1, 2025, and the interest rate margin applicable to borrowings under our revolving credit facility was increased by 0.50% per annum. In addition, the borrowing base under the ABL Facility was amended to include a FILO Amount, which increases borrowing base availability by up to the lesser of (i) \$4.0 million and (ii) 5.0% of the value of eligible accounts receivables, subject to scheduled monthly reductions. Advances under the FILO amount accrue interest at a rate that is 1.50% higher than the rate applicable to other loans under the revolving credit facility and may be repaid only after all other revolving credit facility loans have been repaid.

In August 2020, we entered into an amendment to our revolving credit facility pursuant to which the aggregate revolving commitment under the facility was reduced from \$60.0 million to \$50.0 million and certain modifications were made to eligible accounts in the borrowing base and to the applicable thresholds in the cash dominion trigger period and financial covenant trigger period, among other things. Our option to request an increase in commitments under the accordion feature was also removed under the terms of the amendment.

For more information regarding the issuance of the Series B preferred stock and amendments to our senior secured term loan and revolving credit facility, please refer to “Note 9 – Debt” and “Note 10 – Mezzanine Equity” in the Notes to Condensed Consolidated Financial Statements.

As of September 30, 2020, our senior secured term loan is not subject to financial covenants but is subject to certain non-financial covenants, including but not limited to, reporting, insurance, notice and collateral maintenance covenants as well as limitations on the incurrence of indebtedness, permitted investments, liens on assets, dispositions of assets, paying dividends, transactions with affiliates, mergers and consolidations. In addition, all borrowings under our revolving credit facility are subject to the satisfaction of customary conditions, including the absence of a default and the accuracy of representations and warranties and certifications regarding sales of certain inventory, and to a borrowing base. As of September 30, 2020, the borrowing base was \$25.7 million and the outstanding revolver loan balance was \$14.9 million. As of September 30, 2020, we were in compliance with all of the covenants under our senior secured term loan and our revolving credit facility.

In July 2020, the Company received an unsecured \$10.0 million loan (the “PPP Loan”) that bears interest at a rate of 1.0% per annum and matures in five years under the Paycheck Protection Program from a commercial bank. The Paycheck Protection Program was established under the CARES Act and is administered by the U.S. Small Business Administration. Under the terms of the CARES Act, loan recipients can apply for and be granted forgiveness for all or a portion of the loan. Forgiveness is determined, subject to certain limitations, based on the use of the loan proceeds for payroll costs, interest on mortgages or other debt obligations, rents and utilities. At least 60% of the proceeds must be used for payroll costs. No assurance can be given that the Company will obtain forgiveness of the PPP Loan either in whole or in part. Monthly principal and interest payments will commence after an initial deferral period as specified under the Paycheck Protection Program on any unforgiven loan proceeds.

We believe that our current cash position, working capital balance, cash generated from operations, favorable payment terms under our amended senior secured term loan, borrowing capacity under our revolving credit facility, deferral of the employer portion of social security tax under the CARES Act, proceeds from our PPP Loan will be sufficient to satisfy the anticipated cash requirements associated with our existing operations for at least the next twelve months. While we are focused on maintaining adequate liquidity to fund our operations, service our debt and fund capital expenditures, sustained weakness or further deterioration in industry activity may make it difficult for us to do so.

Cash Flows

(in thousands)

	Nine Months Ended September 30,	
	2020	2019
Net cash provided by (used in):		
Operating activities	\$ 19,089	\$ 42,330
Investing activities	(28,170)	(193,408)
Financing activities	(31,285)	153,838

Net Cash Provided by Operating Activities. Net cash provided by operating activities primarily represents the results of operations exclusive of non-cash expenses, including depreciation, amortization, interest, impairment losses, losses on disposal of assets, and share-based compensation, and the impact of changes in operating assets and liabilities. Net cash provided by operating activities was \$19.1 million for the nine months ended September 30, 2020, a decrease of \$23.2 million from the prior corresponding period. This decrease was primarily attributable to interest payments amounting to \$24.3 million related to our senior secured term loan, which represented interest from May 7, 2019 through March 31, 2020. With the entry into the amendment to our senior secured term loan on April 1, 2020, we have no interest coming due on the senior secured term loan over the next twelve months.

Net Cash used in Investing Activities. Net cash used in investing activities decreased by \$165.2 million from the prior corresponding period, primarily due to reduced growth and maintenance capital expenditures as a result of a decline in business activity. Net cash used in investing activities was \$28.2 million for the nine months ended September 30, 2020, primarily due to purchases of property and equipment amounting to \$43.9 million, \$18.8 million of which related to maintaining and supporting our existing hydraulic fracturing equipment, \$0.3 million of which related to fleet enhancements, and \$24.8 million of which related to growth. This was offset in part by proceeds of \$15.8 million from the sale of certain property and equipment.

Net Cash Provided by Financing Activities. During the nine months ended September 30, 2020, cash used in financing activities reflects payments of amounts outstanding under our revolving credit facility, long term debt, note payable, equipment financing arrangements, finance leases, and payment of senior secured term loan amendment fee amounting to \$51.0 million, \$2.5 million, \$6.2 million, \$2.4 million, \$4.3 million, and \$20.0 million, respectively, offset in part by proceeds under our revolving credit facility of \$25.7 million, net proceeds from issuance of Series B preferred stock of \$19.6 million, and proceeds from the PPP Loan of \$10.0 million. With the entry into the amendment to our senior secured term loan on April 1, 2020, we have no scheduled quarterly principal payments due over the next twelve months.

Capital Expenditures. Our business requires continual investments to upgrade or enhance existing property and equipment and to ensure compliance with safety and environmental regulations. Capital expenditures primarily relate to maintenance capital expenditures, growth capital expenditures and fleet enhancement capital expenditures. Maintenance capital expenditures include expenditures needed to maintain and to support our current operations. Growth capital expenditures include expenditures to generate incremental distributable cash flow. Fleet enhancement capital expenditures include expenditures on new equipment related to existing fleets that increase the productivity of the fleet. Capital expenditures for growth and fleet enhancement initiatives are discretionary.

We classify maintenance capital expenditures as expenditures required to maintain or supplement existing hydraulic fracturing fleets. We budget maintenance capital expenditures based on historical run rates and current maintenance schedules. Growth capital expenditures relate to adding additional hydraulic fracturing fleets and are based on quotes obtained from equipment manufacturers and our estimate for the timing of placing orders, disbursing funds and receiving the equipment. Fleet enhancement capital expenditures relate to technology enhancements to existing fleets that increase their productivity and are based on quotes obtained from equipment manufacturers and our estimate for the timing of placing orders, disbursing funds and receiving the equipment.

We continuously evaluate our capital expenditures and the amount we ultimately spend will depend on a number of factors, including expected industry activity levels and company initiatives. As discussed in “Significant Trends” above, we expect to substantially limit growth capital expenditures for the foreseeable future. We intend to fund the majority of our capital expenditures, contractual obligations and working capital needs with cash on hand, cash generated from operations, borrowing capacity under our revolving credit facility and other financing sources.

Contractual Obligations

We enter into certain contractual obligations in the normal course of our business. The following table summarizes our known contractual commitments as of September 30, 2020 (in thousands):

	<u>Less than 1 year</u>	<u>1 - 3 Years</u>	<u>3 - 5 Years</u>	<u>Thereafter</u>	<u>Total</u>
Senior Secured Term Loan	\$ -	\$ 7,500	\$ 10,000	\$ 230,000	\$ 247,500
ABL Credit Facility	-	-	14,939	-	14,939
PPP Loan	-	-	10,000	-	10,000
Equipment financing	3,474	7,533	2,709	-	13,716
Notes payable	1,867	-	-	-	1,867
Capital lease obligations (1)	6,201	-	-	-	6,201
Estimated interest payments (2)	1,507	40,192	50,570	4,322	96,591
Operating lease obligations (3)	1,250	1,297	386	-	2,933
Purchase commitments (4)	1,999	-	-	-	1,999
Sand purchase agreements (5)	4,747	240	-	-	4,987
Total	<u>\$ 21,045</u>	<u>\$ 56,762</u>	<u>\$ 88,604</u>	<u>\$ 234,322</u>	<u>\$ 400,733</u>

- (1) Capital lease obligations consist of our obligations on capital leases of fracturing equipment.
- (2) Estimated interest payments are based on outstanding debt balances as of September 30, 2020.
- (3) Operating lease obligations are related to our facilities and office spaces.
- (4) Purchase commitments relate to purchase agreements with a vendor to purchase certain components for use by our fleets.
- (5) Sand purchase agreements relate to supply agreements with vendors for sand purchases. The purchase commitments disclosed represent the aggregate amounts that we would be obligated to pay in the event that the Company procured no additional proppant under the contracts subsequent to September 30, 2020.

Off-Balance Sheet Arrangements

The Company’s off-balance sheet arrangements include the operating leases and purchase commitments disclosed in the “Contractual Obligations” section herein. For further description of such operating leases and purchase commitments, see “Note 16 – Commitments and Contingencies” in the Notes to Condensed Consolidated Financial Statements.

The Company does not have any interest in entities referred to as variable interest entities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks from interest rate and commodity price fluctuations. We have not entered into any derivative financial instrument transactions to manage or reduce market risk for speculative purposes. Our operations are conducted entirely in the United States; therefore, we have no significant exposure to foreign currency exchange rate risk. The consolidated financial statements are subject to concentrations of credit risk consisting primarily of accounts receivable.

Beginning April 1, 2022, we will be subject to interest rate risk on our senior secured term loan. At that time, this loan will be subject to an annual interest rate that is indexed to the London Interbank Offered Rate (“LIBOR”). Refer to “Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” The impact of a 1% increase in interest rates on this debt would result in an increase in interest expense of approximately \$2.6 million annually.

Our material and fuel purchases expose us to commodity price risk. Our material costs primarily consist of proppants and chemicals that are consumed while providing hydraulic fracturing services. Our fuel costs primarily consist of diesel fuel used by our trucks and other equipment. Our material and fuel costs are variable and are impacted by changes in supply and demand. We generally pass along price increases to our customers; however, we may be unable to do so in the future. We do not engage in commodity price hedging activities. However, we have commitments in place with certain vendors to purchase sand. Some of these agreements have minimum purchase requirements. We could be required to purchase sand and pay prices in excess of market prices at the time of purchase. Refer to “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations” for the contractual commitments and obligations table as of September 30, 2020.

The concentration of our customers in the oil and gas industry may impact our overall exposure to credit risk in that customers may be similarly affected by changes in economic and industry conditions. We extend credit to customers and other parties in the normal course of our business. We manage our credit exposure by performing credit evaluations of our customers and maintaining an allowance for doubtful accounts. As of September 30, 2020, we recorded a reserve for doubtful accounts of \$9.0 million, which was primarily driven by growing uncertainty that we will be able collect billed amounts from customers weakened by the recent collapse in crude oil prices. We are continuing to work with our customers to collect on our receivables.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is 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 this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes made in our internal control over financial reporting during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II

Item 1. Legal Proceedings.

As described in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2019, we were named as a defendant in a case filed on January 14, 2019 in the Superior Court of the State of Delaware (Smart Sand, Inc. v. U.S. Well Services, LLC) seeking monetary damages arising out of the cancellation of a sand contract. The litigation is in the discovery stages. As such, no prediction can be made as to the outcome of the case at this time.

We are involved in various other pending or potential legal actions in the ordinary course of our business. Management is unable to predict the ultimate outcome of these actions because of the inherent uncertainty of litigation. However, management believes that the most probable, ultimate resolution of these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors.

No material changes have occurred from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, other than the risk factors disclosed below. See also Part I, Item 2 (Forward-Looking Statements) of this Quarterly Report on Form 10-Q.

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

The demand for our services is substantially influenced by current and anticipated crude oil and natural gas commodity prices and the related levels of capital spending and drilling activity in the areas in which we have operations. Volatility or weakness in crude oil and natural gas commodity prices (or the perception that crude oil and natural gas commodity prices will decrease) affects the spending patterns of our customers, and the products and services we provide are, to a substantial extent, deferrable in the event oil and natural gas companies reduce capital expenditures. As a result, we have and may continue to experience lower utilization of and may be forced to continue to lower our rates for our equipment and services.

Historical prices for crude oil and natural gas have been extremely volatile and are expected to continue to be volatile. The market prices for crude oil and natural gas depend on factors beyond our control, including worldwide and domestic supplies of crude oil and natural gas and actions taken by foreign oil and gas producing nations. For example, the price of oil has fallen significantly since the beginning of 2020, due to the COVID-19 coronavirus pandemic and its impact on the worldwide economy and global demand for oil. Weaker economic activity and lower demand for crude oil, driven by the onset of the COVID-19 coronavirus pandemic, has adversely impacted our business resulting in a sharp decrease in both our active fleet count and the utilization of our active fleets. As such, we are experiencing considerable uncertainty in our near-term business prospects and ability to forecast future performance. We expect hydraulic fracturing activity to be muted throughout the remainder of 2020 and that financial performance will be highly uncertain until global economic activity recovers. Beyond the current significant reduction in crude oil prices resulting from the COVID-19 coronavirus pandemic, we expect continued volatility in oil and natural gas prices, as well as in the level of exploration and development activities by our customers.

As a result of declines and volatility in commodity prices, exploration and production companies moved to significantly cut costs, both by decreasing drilling and completion activity and by demanding price concessions from their service providers, including providers of hydraulic fracturing services. In turn, service providers, including hydraulic fracturing service providers, were forced to lower their operating costs and capital expenditures, while continuing to operate their businesses in an extremely competitive environment. Prolonged periods of price instability in the oil and natural gas industry and any significant decline in exploration and development by our customers will adversely affect the demand for our products and services, our financial condition, prospects and results of operations and our ability to service our debt or fund capital expenditures.

Additionally, fuel conservation measures, alternative fuel requirements and increasing consumer demand for alternatives to oil and natural gas could reduce the demand for oil and natural gas products, creating downward pressure on commodity prices and the prices we are able to charge for our services.

A pandemic or epidemic, including the ongoing COVID-19 global pandemic, and the regulatory steps to reduce its transmission could have a material adverse effect on our business, financial condition, and results of operations.

The outbreak of the COVID-19 coronavirus, which has been declared by the World Health Organization to be a pandemic, has spread across the globe and is impacting worldwide economic activity, including the global demand for oil and natural gas. A pandemic, including the COVID-19 coronavirus or other public health epidemic, poses the risk that we or our employees, contractors, suppliers, customers and other partners may be prevented from conducting business activities for an indefinite period of time, including due to spread of the disease within these groups or due to restrictions that may be requested or mandated by governmental authorities, including quarantines of certain geographic areas, restrictions on travel and other restrictions that prohibit employees from going to work. The continued spread of the COVID-19 coronavirus and the related mitigation measures has resulted and may continue to result in a significant decrease in business from our customers and/or cause our customers to be unable to meet existing payment or other obligations to us. If the COVID-19 coronavirus continues to spread or the response to contain the COVID-19 coronavirus pandemic is unsuccessful, we could experience a material adverse effect on our business, financial condition, and results of operations.

We may not be entitled to forgiveness of our recently received PPP Loan, and our application for the PPP Loan could in the future be determined to have been impermissible or could result in damage to our reputation.

On July 28, 2020, we received proceeds of \$10.0 million from a loan under the Paycheck Protection Program of the CARES Act, a portion of which may be forgiven. We intend to use the proceeds to retain current employees, maintain payroll and make lease and utility payments. A portion of the PPP Loan may be forgiven by the Small Business Administration (the "SBA") upon our application in accordance with the forgiveness rules set out in the CARES Act. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered lease payments, covered mortgage interest and covered utilities during the twenty-four-week period beginning on the date the loan is advanced, but not to exceed December 31, 2020. Not more than 40% of the forgiven amount may be for non-payroll costs. In addition, the amount of the PPP Loan eligible for forgiveness related to payroll costs is subject to additional limitations as outlined in the CARES Act. Although we intend to use the entire PPP Loan for designated qualifying expenses and to apply for forgiveness in accordance with the terms of the Paycheck Protection Program, no assurance can be given that we will obtain forgiveness of the PPP Loan in whole or in part. Furthermore, on April 28, 2020, the Secretary of the U.S. Department of the Treasury stated that the SBA will perform a full review of any PPP loan over \$2.0 million before forgiving the loan.

We will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, through monthly principal and interest payments. These payments will commence following the end of the deferment period as defined in the PPP Loan. The PPP Loan matures on July 24, 2025 and bears interest at a rate of 1% per annum. We may prepay the principal at any time without penalty.

As part of our application for the PPP Loan, we were required to certify, among other things, that the current economic uncertainty made the PPP Loan request necessary to support our ongoing operations. We made this certification in good faith after analyzing, among other things, our financial situation and access to alternative forms of capital, and believe that we satisfied all eligibility criteria for the PPP Loan and that our receipt of the PPP Loan is consistent with the broad objectives of the Paycheck Protection Program of the CARES Act. The certification described above does not contain any objective criteria and is subject to interpretation. On April 23, 2020, the SBA issued guidance stating that it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith. The lack of clarity regarding loan eligibility under the Paycheck Protection Program has resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans. If, despite our good faith belief that given our Company's circumstances we satisfied all eligible requirements for the PPP Loan, we are later determined to have violated any of the laws or governmental regulations that apply to us in connection with the PPP Loan, such as the False Claims Act, or it is otherwise determined that we were ineligible to receive the PPP Loan, we may be subject to penalties, including significant civil, criminal and administrative penalties and could be required to repay the PPP Loan in its entirety. In addition, receipt of a PPP Loan may result in adverse publicity and damage to reputation, and a review or audit by the SBA or other government entity or claims under the False Claims Act could consume significant financial and management resources. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

Future sales or the availability for sale of substantial amounts of our Class A common stock, or the perception that these sales may occur, could adversely affect the trading price of our Class A common stock and could impair our ability to raise capital through future sales of equity securities.

Our Second Amended and Restated Certificate of Incorporation (as amended, the “Second Amended and Restated Charter”) authorizes us to issue 400,000,000 shares of Class A common stock, of which 71,766,358 shares were outstanding as of October 31, 2020, and 10,000,000 shares of preferred stock, of which 50,000 shares of Series A preferred stock and 22,050 shares of Series B preferred stock were outstanding as of October 31, 2020. The holders of the Series B preferred stock have the right to convert all or any portion of their shares of Series B preferred stock into shares of Class A common stock and the Series A preferred stock have the right to convert all or any portion of their shares of Series A preferred stock into shares of Class A common stock beginning in May 2020. In addition, as of October 31, 2020, warrants to purchase up to 17,147,315 shares of our Class A common stock were outstanding and immediately exercisable.

A large percentage of our shares of common stock are held by a relatively small number of investors. We entered into registration rights agreements (the “Registration Rights Agreements”) with certain of those investors in connection with the Transaction and in connection with their subsequent purchase of Series A preferred stock and the issuance of the Series B preferred stock pursuant to which we have filed registration statements with the SEC to facilitate potential future sales of such shares by them.

We may issue shares of our Class A common stock or other securities from time to time pursuant to our ATM Offering or as consideration for future acquisitions and investments. If any such acquisition or investment is significant, the number of shares of our Class A common stock, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial. We may also grant registration rights covering those shares of our Class A common stock or other securities in connection with any such acquisitions and investments.

We cannot predict the effect that future sales of our Class A common stock will have on the price at which our Class A common stock trades or the size of future issuances of our Class A common stock or the effect, if any, that future issuances will have on the market price of our Class A common stock. Sales of substantial amounts of our Class A common stock, or the perception that such sales could occur, may adversely affect the trading price of our Class A common stock and could impair our ability to raise capital through a future sale of, or pay for acquisitions using, our equity securities.

We are currently not in compliance with NASDAQ Capital Market listing standards. If our common stock is delisted, the market price and liquidity of our common stock and our ability to raise additional capital would be adversely impacted.

Our Class A common stock and warrants are currently listed on the NASDAQ Capital Market (“NASDAQ”). Continued listing of a security on NASDAQ is conditioned upon compliance with various continued listing standards. On April 21, 2020, we received a notice (the “Notice”) from NASDAQ stating we were not in compliance with the \$1.00 minimum bid price requirement for continued listing on Nasdaq, as set forth in Nasdaq Listing Rule 5550(a)(2) (the “Minimum Bid Price Rule”), because the bid price for our Class A common stock had closed below the minimum \$1.00 price per share requirement for the last thirty (30) consecutive business days. On August 14, 2020, we received another notice (the “Second Notice”) from NASDAQ stating that, based upon its review of our market value of listed securities for the last thirty consecutive business days, we do not meet the market value of listed securities requirement set forth under Nasdaq Listing Rule 5550(b)(2) (the “MVLS Requirement”). In addition, the Second Notice informed us that as of August 14, 2020, we did not meet the alternative compliance standards relating to stockholders’ equity or net income from continuing operations (the “Alternative Compliance Standards”).

The Notice and the Second Notice have no immediate effect on our listing on the NASDAQ Capital Market. Given the extraordinary market conditions, Nasdaq determined to toll the compliance periods for the bid price and market value of publicly held shares requirements (collectively, the “Price-based Requirements”) through June 30, 2020. Accordingly, the compliance periods for the Price-based Requirements was reinstated on July 1, 2020.

In accordance with Listing Rule 5810(c)(3)(A), we have a period of 180 calendar days from July 1, 2020, or until December 28, 2020, to regain compliance with the minimum bid price requirement set forth in the Minimum Bid Price Rule. To regain compliance, the closing bid price of our Class A common stock must meet or exceed \$1.00 per share for at least ten consecutive business days before the end of this 180-day period. We also have a period of 180 calendar days from the date of the Second Notice, or until February 10, 2021, to regain compliance with the MVLS Requirement. Compliance can be achieved by meeting the MVLS Requirement for a minimum of ten consecutive business days during the 180-day compliance period, unless NASDAQ exercises its discretion to extend this ten-day period.

If the Company does not regain compliance with the Minimum Bid Price Rule by December 28, 2020, the Company may be eligible for an additional 180 calendar day compliance period. To qualify, we would be required to meet the continued listing requirements for market value of publicly held shares and all other initial listing standards for NASDAQ, with the exception of the minimum bid price requirement, and provide written notice of our intention to cure the minimum bid price deficiency during the second compliance period, by effecting a reverse stock split, if necessary. If we meet these requirements, the Nasdaq staff will grant an additional 180 calendar days for us to regain compliance with the minimum bid price requirement. If the Nasdaq staff determines that we will not be able to cure the deficiency, or if we are otherwise not eligible for such additional compliance period, Nasdaq will provide notice that our Class A common stock will be subject to delisting. We would have the right to appeal a determination to delist our Class A common stock, and the Class A common stock would remain listed on Nasdaq until the completion of the appeal process.

We intend to actively monitor the bid price of our Class A common stock and may, as appropriate, consider available options to regain compliance with the Minimum Bid Price Rule or the MVLS Requirement. There can be no assurance we will be able to regain compliance with the Minimum Bid Price Rule or the MVLS Requirement by the end of the compliance period.

If our Class A common stock was to be delisted from NASDAQ, trading of our common stock most likely would be conducted in the over-the-counter market on an electronic bulletin board established for unlisted securities such as the OTCQX Market, OTCQB Market or OTC Bulletin Board. Such trading would likely reduce the market liquidity of our Class A common stock. As a result, an investor would find it more difficult to dispose of, or obtain accurate quotations for the price of, our Class A common stock. If our Class A common stock is delisted from NASDAQ and the trading price remains below \$5.00 per share, trading in our Class A common stock might also become subject to the requirements of certain rules promulgated under the Exchange Act, which require additional disclosure by broker-dealers in connection with any trade involving a stock defined as a “penny stock” (generally, any equity security not listed on a national securities exchange or quoted on NASDAQ that has a market price of less than \$5.00 per share, subject to certain exceptions). Many brokerage firms are reluctant to recommend low-priced stocks to their clients. Moreover, various regulations and policies restrict the ability of stockholders to borrow against or “margin” low-priced stocks, and declines in the stock price below certain levels may trigger unexpected margin calls. Additionally, because brokers’ commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher priced stocks, the current price of the Class A common stock can result in an individual stockholder paying transaction costs that represent a higher percentage of total share value than would be the case if our share price were higher. This factor may also limit the willingness of institutions to purchase our Class A common stock. Finally, the additional burdens imposed upon broker-dealers by these requirements could discourage broker-dealers from facilitating trades in our Class A common stock, which could severely limit the market liquidity of the stock and the ability of investors to trade our Class A common stock. As a result, the ability of our stockholders to resell their shares of Class A common stock, and the price at which they could sell their shares, could be adversely affected. The delisting of our Class A common stock from NASDAQ would also make it more difficult for us to raise additional capital.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Over the course of the year, the Compensation Committee of the Board of Directors (the “Board”) of the Company has evaluated means by which it can provide incentives for certain of the Company’s key employees to remain employed by the Company. After carefully evaluating many options, the Board, upon the recommendation of the Compensation Committee of the Board, has approved the grant of deferred stock units and certain performance incentive awards that will provide for potential future payments to be made to certain key employees of the Company, as summarized below. The Board believes that these awards will provide for a key retention pool that will benefit all of its stockholders. Specifically, the Board believes that these awards will enable the Company to: (i) enhance executive management’s and other key employees’ sense of participation in the Company; and (ii) provide incentives for continued employment. The Board also believes that these awards will further align the interests of executive management and key employees with those of the Company’s stockholders through the potential for increased stock ownership.

Deferred Stock Unit Awards

On November 5, 2020 (the “Grant Date”), the Company entered into Deferred Stock Unit Award Agreements (the “DSU Award Agreements”) with certain of its key employees, including Joel Broussard, the Company’s President and Chief Executive Officer, and Kyle O’Neill, the Company’s Chief Financial Officer. The DSU Award Agreements were made pursuant to the Amended and Restated U.S. Well Services, Inc. 2018 Stock Incentive Plan (the “A&R LTIP”), which was approved by the Board, upon the recommendation of the Compensation Committee of the Board, on September 21, 2020. The A&R LTIP is expected to be included in the Company’s Proxy Statement for its 2021 Annual Meeting of Stockholders for approval by the Company’s stockholders.

Pursuant to their respective DSU Award Agreements, Messrs. Broussard and O’Neill were granted 3,592,795 and 1,434,960 Deferred Stock Units (the “DSUs”), respectively. In addition, the other key employees were issued a total of 4,072,913 DSUs. Each DSU represents the right to receive one share of the Company’s Class A common stock, par value \$0.0001 per share, which right is conditioned upon the Company receiving stockholder approval of the A&R LTIP. In the event that the Company’s stockholders do not approve the A&R LTIP and the Company lacks sufficient shares of Class A common stock reserved for issuance under the 2018 Stock Incentive Plan to satisfy the DSU Award Agreements, then the unsatisfied portion of the DSU Award Agreements will be forfeited and void.

The DSUs are subject to vesting and the award recipients continued employment with the Company, and will vest 1/3 each year, beginning on the first anniversary of January 1, 2020 (the “Vesting Effective Date”), or in full upon the occurrence of a Change of Control (as defined in the DSU Award Agreement). If a recipient’s employment is terminated as the result of certain events, such as death, disability or retirement, the participant will vest in 1/3 of the DSUs.

Shares of Class A common stock issuable with respect to vested DSUs held by Messrs. Broussard and O’Neill will be issued on the earlier of the following: (i) the 60th day after their respective termination; (ii) upon a Change of Control (as defined in the DSU Award Agreement); or (iii) upon the fifth anniversary of the Grant Date.

The foregoing description of the DSU Award Agreements and the DSUs does not purport to be complete and is qualified in its entirety by reference to the complete text of the DSU Award Agreement, which is filed herewith as Exhibit 10.4.

Performance Awards (Pool A)

On the Grant Date, the Company entered into Performance Awards (Pool A) (the “Pool A Performance Award Agreements”) with certain of its key employees, including Messrs. Broussard and O’Neill, under the A&R LTIP.

Pursuant to their respective Pool A Performance Award Agreements, Messrs. Broussard and O’Neill were each granted an award (the “Pool A Performance Award”) with a designated cash value equal to \$0.9 million and \$0.4 million, respectively, which amounts increase by 12.0% until May 24, 2021 and 16.0% thereafter, compounding quarterly (the “Pool A Award Value”). The cash value awarded to all other employees equals \$1.0 million. The Pool A Award Value is subject to reduction if, in connection with any Change of Control (as defined in the Pool A Performance Award Agreements), the Company’s Series A Preferred Stock is redeemed for less than its redemption price. No payments will be made under a Pool A Performance Award prior to the date on which the Pool A Performance Award becomes vested and the restricted periods lapse, and payment date occurs, as summarized below.

The respective Pool A Performance Awards of Messrs. Broussard and O’Neill are subject to their continued employment and vest in full (i) on the first anniversary of the Vesting Effective Date or (ii) upon a Change of Control (as defined in the Pool A Performance Award Agreements). If the employment of either Messrs. Broussard or O’Neill is terminated prior to the first anniversary of the Vesting Effective Date or for certain events of cause, then the entire Pool A Performance Award held by such terminated executive will be forfeited, whether or not vested in the case of a for cause termination.

The vested Pool A Performance Award will be payable to Messrs. Broussard and O’Neill on the earlier of the following:

- a. Upon a Change of Control (as defined in the Pool A Performance Award Agreements), either:
 - i. If shares of Series A Preferred Stock receive consideration in connection with such Change of Control in exchange or redemption thereof, then in the applicable merger consideration as if the participant held shares of Series A Preferred Stock immediately prior to such Change of Control with an aggregate redemption price equal to the applicable Pool A Award Value, or
 - ii. If shares of Series A Preferred Stock do not receive such consideration, then (i) in cash in a transaction in which the holders of Common Stock receive no consideration, cash or consideration other than a combination of cash and securities or (ii) in shares of Class A common stock equal to the quotient of the applicable Pool A Award Value and

the Fair Market Value (as defined in the Pool A Performance Award Agreements) of a share of Class A common stock, upon a transaction in which the holders of Class A common stock receive securities or a combination of cash and securities.

- b. Upon the fixed payment date (as defined below) in, at the Company's election, (i) cash or (ii) shares of Class A common stock equal to the quotient of the Pool A Award Value and the Fair Market Value (as defined in the Pool A Performance Award Agreements) of a share of Class A common stock.

The fixed payment date (the "Fixed Payment Date") is the fifth anniversary of the Grant Date, unless the Company elects to defer the payment date, subject to the requirements set forth in the Pool A Performance Award Agreement or Pool B Performance Award Agreement, as applicable, for such a deferral, to a date not less than five years from, nor more than six years after, the initial Fixed Payment Date.

In the event that the Company's stockholders do not approve the A&R LTIP, then the Pool A Performance Awards cannot be paid in shares of Class A common stock and will, in such case, only be payable in cash.

The foregoing description of the Pool A Performance Award Agreements and the Pool A Performance Awards does not purport to be complete and is qualified in its entirety by reference to the complete text of the Pool A Performance Award Agreement, which is filed herewith as Exhibit 10.5.

Performance Awards (Pool B)

On the Grant Date, the Company entered into Performance Awards (Pool B) (the "Pool B Performance Award Agreements") with certain of its key employees, including Messrs. Broussard and O'Neill, under the A&R LTIP.

Pursuant to their respective Pool B Performance Award Agreements, Messrs. Broussard and O'Neill were each granted an award (the "Pool B Performance Award") with a designated cash value equal to \$0.6 million and \$0.2 million, respectively, which amounts increase by 12.0% until May 24, 2021 and 16.0% thereafter, compounding quarterly (the "Pool B Award Value"). The cash value awarded to all other employees equals \$0.7 million. The Pool B Award Value is subject to reduction if, in connection with any Change of Control (as defined in the Pool B Performance Award Agreements), the Company's Series B Preferred Stock is redeemed for less than its redemption price. No payments will be made under a Pool B Performance Award prior to the date on which the Pool B Performance Award becomes vested and the restricted periods lapse and payment date occurs, as summarized below.

The respective Pool B Performance Awards of Messrs. Broussard and O'Neill are subject to their continued employment and vest 1/3 each year, beginning on the first anniversary of the Vesting Effective Date, or in full upon the occurrence of a Change of Control (as defined in the Pool B Performance Award Agreement). If the employment of either Messrs. Broussard or O'Neill is terminated (i) due to death or disability, then he will vest in 1/3 of the Pool B Performance Award or (ii) due to retirement after the first anniversary of the Vesting Effective Date, then he will vest in 1/3 of the Pool B Performance Award. Upon the termination of their employment for any other reason or for certain events of cause, then the unvested portion of the Pool B Performance Award held by such terminated executive will be forfeited, and in the case of a for cause termination, the entire Pool B Performance Award will be forfeited, whether or not vested.

The vested Pool B Performance Award will be payable to Messrs. Broussard and O'Neill on the earlier of the following:

- a. Upon a Change of Control (as defined in the Pool B Performance Award Agreements), either:
 - i. If shares of Series B Preferred Stock receive consideration in connection with such Change of Control in exchange or redemption thereof, then in the applicable merger consideration as if the participant held shares of Series B Preferred Stock immediately prior to such Change of Control with an aggregate redemption price equal to the applicable Pool B Award Value, or
 - ii. If shares of Series B Preferred Stock do not receive such consideration, then (i) in cash in a transaction in which the holders of Class A common stock receive no consideration, cash or consideration other than a combination of cash and securities, in an amount equal to the greater of the Pool B Award Value and the value of that number of shares of Class A common stock equal to the quotient of the applicable Pool B Award Value and \$0.308 (the "Pool B Shares Fair Market Value") or (ii) in shares of Class A common stock equal to the quotient of the applicable Pool B Award Value and the Pool B Shares Fair Market Value, upon a transaction in which the holders of Class A common

stock receive securities or a combination of cash and securities.

- b. Upon the Fixed Payment Date in, at the Company's election, (i) cash or (ii) shares of Class A common stock equal to the quotient of the Pool B Award Value and the Pool B Shares Fair Market Value (as defined in the Pool B Performance Award Agreements) of a share of Class A common stock.

In the event that the Company's stockholders do not approve the A&R LTIP, then the Pool B Performance Awards cannot be paid in shares of Class A common stock and will, in such case, only be payable in cash.

The foregoing description of the Pool B Performance Award Agreements and the Pool B Performance Awards does not purport to be complete and is qualified in its entirety by reference to the complete text of the Pool B Performance Award Agreement, which is filed herewith as Exhibit 10.6.

Item 6. Exhibits

The exhibits required to be filed or furnished by Item 601 of Regulation S-K are listed below.

Exhibit No.	Description
<u>3.1</u>	<u>Second Amended and Restated Certificate of Incorporation of U.S. Well Services, Inc (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K (File no. 001-38025), filed with the SEC on November 16, 2018).</u>
<u>3.2</u>	<u>Certificate of Designations, dated May 24, 2019, of U.S. Well Services, Inc. (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K (File no. 001-38025), filed with the SEC on May 24, 2019.</u>
<u>3.3</u>	<u>Certificate of Designations, dated March 31, 2020, of U.S. Well Services, Inc. (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K (File no. 001-38025), filed with the SEC on April 2, 2020.</u>
<u>3.4</u>	<u>Amended and Restated Bylaws (incorporated by reference to Exhibit 3.4 of the Registration Statement on Form S-1 (File No. 333-216076), filed with the SEC on February 15, 2017).</u>
<u>4.1</u>	<u>Registration Rights Agreement, dated April 1, 2020, by and among U.S. Well Services, Inc. and the Purchasers party thereto (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K (File No. 001-38025), filed with the SEC on April 2, 2020).</u>
<u>10.1</u>	<u>Promissory Note, dated effective as of July 24, 2020, by and between U.S. Well Services, LLC and Bank of America, N.A. (incorporated by reference to Exhibit 10.12 of the Current Report on Form 8-K (File No. 001-38025), filed with the SEC on July 30, 2020).</u>
<u>10.2</u>	<u>Second Amendment to ABL Credit Agreement dated as of April 1, 2020, by and among U.S. Well Services, LLC, U.S. Well Services Inc., USWS Fleet 10, LLC, USWS Fleet 11, LLC, USWS Holdings, LLC, lenders party thereto, and Bank of America, N.A., as administrative agent, lender, swing line lender and letter of credit issuer (incorporated by reference to Exhibit 10.1. of the Current Report on Form 8-K (File No. 001-38025), filed with the SEC on August 20, 2020).</u>
<u>10.3*</u>	<u>Third Amendment to Senior Secured Term Loan Credit Agreement, dated July 30, 2020, among U.S. Well Services, LLC, U.S. Well Services, Inc., USWS Fleet 11, LLC, USWS Holdings LLC, CLMG Corp., as administrative agent and collateral agent, and the lenders party thereto.</u>
<u>10.4*</u>	<u>Form of Deferred Stock Unit Award under the U.S. Well Services, Inc. 2018 Long Term Incentive Plan.</u>
<u>10.5*</u>	<u>Form of Performance Award (Pool A) under the U.S. Well Services, Inc. 2018 Long Term Incentive Plan.</u>
<u>10.6*</u>	<u>Form of Performance Award (Pool B) under the U.S. Well Services, Inc. 2018 Long Term Incentive Plan.</u>
<u>10.7*</u>	<u>U.S. Well Services, Inc. Amended and Restated 2018 Long Term Incentive Plan.</u>
<u>31.1*</u>	<u>Certification of Chief Executive Officer pursuant to Rule 13(a)-14 and 15(d)-14 under the Securities Exchange Act of 1934.</u>
<u>31.2*</u>	<u>Certification of Chief Financial Officer pursuant to Rule 13(a)-14 and 15(d)-14 under the Securities Exchange Act of 1934.</u>
<u>32.1**</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.</u>
<u>32.2**</u>	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.</u>
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on November 6, 2020.

U.S. WELL SERVICES, INC.

By:

/s/ Joel Broussard

Name: Joel Broussard

Title: President, Chief Executive Officer, and Director

/s/ Kyle O'Neill

Name: Kyle O'Neill

Title: Chief Financial Officer

**THIRD AMENDMENT TO
SENIOR SECURED TERM LOAN CREDIT AGREEMENT**

This THIRD AMENDMENT TO SENIOR SECURED TERM LOAN CREDIT AGREEMENT, dated as of July 30, 2020 (this “Third Amendment”), is made by and among U.S. Well Services, LLC, a Delaware limited liability company (the “Borrower”), U.S. Well Services, Inc., a Delaware corporation (the “Parent”), USWS Fleet 10, LLC, a Delaware limited liability company (“USWS Fleet 10”), USWS Fleet 11, LLC, a Delaware limited liability company (“USWS Fleet 11”, together with USWS Fleet 10, the “Subsidiary Guarantors”), USWS Holdings LLC, a Delaware limited liability company (the “Holdings”, together with the Parent, the Borrower and the Subsidiary Guarantors, the “Loan Parties” and each a “Loan Party”), CLMG Corp., as Administrative Agent (the “Administrative Agent”), CLMG Corp., as Term Loan Collateral Agent (the “Collateral Agent”, and together with the Administrative Agent, the “Agents”), and the Lenders (defined below) party hereto as signatories, and is made with reference to that certain Senior Secured Term Loan Credit Agreement, dated as of May 7, 2019 (as may be amended, restated, supplemented, or otherwise modified from time to time, the “Credit Agreement”), among the Loan Parties, the Collateral Agent, the Administrative Agent, the lenders party thereto (the “Lenders”), and certain other financial institutions party thereto from time to time. Capitalized terms used herein without definition shall have the meaning assigned to such terms in the Credit Agreement.

RECITALS:

WHEREAS, the Loan Parties have informed the Administrative Agent and Lenders that the Borrower applied for loans from Bank of America, N.A. (the “PPP Lender”) under the “Paycheck Protection Program” in accordance with the terms of the Small Business Act (as defined below) and the CARES Act (as defined below), and that the Borrower has executed and delivered to the PPP Lender that certain Promissory Note dated July 23, 2020, in the original principal amount of \$10,000,000.00, pursuant to which the PPP Lender has made an unsecured loan to the Borrower, all on the terms and conditions set forth therein;

WHEREAS, the Loan Parties have requested that the Administrative Agent and Lenders (i) consent to the incurrence of debt under the PPP Loan (as defined below) and (ii) make certain modifications to the Credit Agreement, and Administrative Agent and Lenders have agreed to the foregoing requests of the Loan Parties, in each case on the terms and conditions set forth herein;

WHEREAS, the Loan Parties have furnished Administrative Agent with a copy of that certain Turbine Rental and Services Agreement entered into by the Borrower as lessor with Energy Rental Solutions, LLC, a Texas limited liability company (the “Lessee”) dated as of June 19, 2020 (the “Turbine Rental and Services Agreement”) pursuant to which the Borrower leased and deployed that certain turbine generator and related titled equipment (the “Leased Equipment”) for peaking power and other power generation needs to the Lessee in Mexicali, Mexico (the entering into such Turbine Rental and Services Agreement and consummation of the such transactions collectively, the “Turbine Lease Transaction”).

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

AGREEMENT:

SECTION 1. AMENDMENTS TO CREDIT AGREEMENT.

- (a) Section 1.01 of the Credit Agreement is amended to add the following new defined terms in their appropriate alphabetical order:

“Allowable Uses” means the “Allowable Uses of Covered Loans” set forth in Section 7(a)(36)(F) of the Small Business Act, as in effect on the date hereof.

“CARES Act” means The Coronavirus Aid, Relief, and Economic Security Act of 2020, as amended from time to time, and applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule, or regulation of the CARES Act shall be deemed to include any corresponding provisions of future law.

“PPP Loan” means the unsecured loan made pursuant to the “Paycheck Protection Program” of the Small Business Act and the CARES Act to the Borrower under that certain Promissory Note dated July 23, 2020, executed by the Borrower and made payable to Bank of America, N.A., as lender, in the original principal amount of \$10,000,000.00.

“Small Business Act” means the Small Business Act (15 U.S.C. 636(a)) after giving effect to the implementation of the CARES Act and any current or future regulations or official interpretations thereof.

“Third Amendment” means the Third Amendment to the Senior Secured Term Loan Credit Agreement, dated July 30, 2020, among the Loan Parties, the Agents and the Lenders.

(b) Section 5.01(h) of the Credit Agreement is amended to add a new *subsection (v)* at the end of such Section as follows:

“(v) Use, operate or deploy any Collateral or any portion thereof, at any time, solely for use, lease or deployment in connection with oil and gas fracking or exploration (and for no other purpose unless otherwise expressly consented to by the Administrative Agent in writing) and, in any event, consistent with the business of the Loan Parties conducted as of the Effective Date; *provided* that, in any event, all such Collateral shall be, and shall continue to be, (1) maintained and used in good working order and condition, ordinary wear and tear excepted, and in accordance with Prudent Industry Practice standards and in compliance with the Frac Fleet Preservation Program and any other requirement hereunder, and (2) at all times remain stored, located or deployed solely within the continental United States of America (excluding the Turbine Lease Transaction which is defined in and governed by the terms and conditions in the Third Amendment and, at all times, subject to Section 3 of the Third Amendment).”

(c) Section 5.01 of the Credit Agreement is amended to add a new *subsection (t)* at the end of such section as follows:

“(t) PPP Loan.

(i) Use best efforts to apply the proceeds of the PPP Loan first to Allowable Uses that qualify the PPP Loan for forgiveness under Section 1106 of the CARES Act, and second, to other Allowable Uses, (ii) promptly apply for and file all documentation necessary to qualify the PPP Loan for forgiveness under Section 1106 of the CARES Act, and (iii) keep detailed records of the Borrower’s utilization of the proceeds of the PPP Loan.

(ii) Will (i) use commercially reasonable efforts to satisfy the requirements for forgiveness of the PPP Loan, or the largest amount of the PPP Loan as is permitted under

the CARES Act, as set forth in Section 1106 of the CARES Act, and (ii) promptly file a request for loan forgiveness with respect to the PPP Loan in accordance with the CARES Act and Small Business Act.

(iii) Will promptly provide Administrative Agent with copies of all material correspondence and documentation regarding the PPP Loan.”

(d) Section 5.02(b) of the Credit Agreement is amended to (i) delete the “and” at the end of *subsection (xi)*, (ii) delete the period at the end of *subsection (xii)* and replace it with “;”, and (iii) add new *subsections (xiii)* and *(xiv)* as follows:

“(xiii)the PPP Loan, as in effect on July 23, 2020; and

(xiv) trade payables overdue (unless being contested in good faith by appropriate proceedings for which reserves and other appropriate provisions, if any, required by GAAP shall have been made) by more than one-hundred and twenty (120) days but less than one-hundred eighty (180) days incurred in the ordinary course of such Person’s business, or such longer period as is approved in writing by the Administrative Agent from time to time.”

(e) Section 5.02(j) of the Credit Agreement is amended and restated as follows:

“(j) Prepayments, Etc., of Debt. Prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, any Debt that is expressly subordinated to the Obligations hereunder, or that is secured and the Liens securing such Debt rank behind the Liens created by the Term Loan Collateral Documents, or permit any of its Subsidiaries to do any of the foregoing, in each case, except (a) the prepayment of Loans in accordance with the terms of this Agreement, (b) the prepayment of Credit Extensions in accordance with (and as defined in) the term of the ABL Credit Agreement as in effect on the date hereof, *provided* that this limitation shall not apply to mandatory or voluntary payments or prepayments of Debt (a) under the ABL Facility, (b) permitted under Section 5.02(b)(iii) or (v), (c) solely in the case of the Equipment Finance SPVs, the prepayment of Non-Lender Financed Capitalized Leases or Non-Lender Financed Equipment Financings solely with the proceeds of internally generated cash by such Equipment Finance SPV, (d) with Distributable Cash, or (e) forgiveness of all or any portion of the PPP Loan in accordance with Section 5.01(t) or the mandatory prepayment of any portion of the PPP Loan using only the proceeds of the PPP Loan if required by the CARES Act.”

(f) Section 6.01(c) of the Credit Agreement is amended by inserting the words “Section 3 of the Third Amendment” after the phrase “or Section 5.03(a)” and prior to the “;”:

(g) Notwithstanding anything in the Credit Agreement and the other Loan Documents to the contrary, the Administrative Agent, Lenders, and the Loan Parties acknowledge and agree that, for all purposes under the Credit Agreement and the other Loan Documents:

(i) the proceeds of the PPP Loan shall be disregarded for purposes of any mandatory prepayment under Section 2.04(b)(iii) and Section 2.04(b)(vii) of the Credit Agreement;

(ii) neither the incurrence of the PPP Loan nor any forgiveness of all or any portion of the PPP Loan shall, or shall be deemed to, result in any increase to net income or AGCE EBITDA under the Loan Documents;

(iii) at all times during the term of the Credit Agreement, any and all proceeds of the PPP Loan shall be disregarded in any determination of the aggregate cash available in or the unrestricted cash of the Loan Parties held in deposit accounts for any purpose under the Loan Documents; and

(iv) the Borrower may open and maintain one or more new deposit accounts containing only the proceeds of PPP Loan, which deposit accounts shall not be required to be subject to an Account Control Agreement.

SECTION 2. Condition to Effectiveness.

This Third Amendment shall become effective as of the date hereof (“Third Amendment Effective Date”) only upon (a) due execution of this Third Amendment by the Borrower, Administrative Agent, Collateral Agent, and the Lenders party hereto; (b) receipt of a certificate from the Responsible Officer (the “Officer’s Certificate”) certifying as to a true, correct and complete copy of the Turbine Rental and Services Agreement attached thereto and that there exists no default under the Turbine Rental and Services Agreement and which is in form and substance reasonably acceptable to Administrative Agent; and (c) payment, in full of the reasonable and documented out-of-pocket attorney’s fees incurred by the Administrative Agent.

Covenants

(a) In addition to and without limitation of all the covenants of each Loan Party in the Credit Agreement and the other Loan Documents, all of which are hereby reiterated, reaffirmed and reinstated, for and in consideration of the amendments provided hereby by the Administrative Agent, the Collateral Agent and the Lenders, each Loan Party hereby covenants that it shall, from and after the date hereof until a Repayment Event has occurred:

(i) strictly (not merely substantially) (A) enforce such Turbine Rental and Services Agreement against the Lessee, and (B) cause such Lessee to perform and observe all Contractual Obligations thereunder (including the timely dispatch and return of the Leased Equipment upon expiration of such agreement);

(ii) cause the Leased Equipment to be returned to the continental United States of America in good working order and condition, usable in the ordinary course of business, and otherwise in at least the same condition, subject to ordinary wear and tear, as such Leased Equipment was in prior to the initial effectiveness of the Turbine Rental and Services Agreement by no later than October 15, 2020 (the “Return Date”);

(iii) ensure and procure, at all times (including during the term of the Turbine Rental and Services Agreement), that the Leased Equipment is maintained in accordance with all requirements under the Frac Fleet Preservation Program and any other requirement set out in the Credit Agreement;

(iv) deliver, as soon as available and in any event within ten (10) Business Days (or such longer period as the Administrative Agent may agree in its discretion) of the Third Amendment Effective Date, to the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent:

(A) letters from the Borrower's insurance brokers or insurers stating with respect to each such insurance policy set out in this Section 3, that (1) such policy has been in full force and effect as of a date not later than June 19, 2020 (other than the Comprehensive Mobile Assets Insurance - Political Risks policy which was in effect as of July 3, 2020), (2) all premiums theretofore due and payable thereon have been paid, and (3) the underwriters of such insurance have agreed that the policies, when issued, will contain the provisions required under Section 5.01(d) of the Credit Agreement;

(B) promptly upon receipt from the insurance broker or insurer, and in any event within ten (10) Business Days (or such longer period as the Administrative Agent may agree in its discretion) of the Third Amendment Effective Date, copies of all certificates, agreements and documents representing the policies, endorsements, and other documents required under Section 5.01(d) of the Credit Agreement in effect as of the Third Amendment Effective Date (including with respect to the Leased Equipment), accompanied by a certificate of the Borrower signed by a Responsible Officer of the Borrower certifying that the copies of each of the policies, endorsements and other documents delivered pursuant to this Section 3 are true, correct and complete copies thereof (except that, the final Comprehensive Mobile Assets Insurance - Political Risks policy is required to be furnished promptly when issued/received, but in any event no later than twenty (20) calendar days of the Third Amendment Effective Date);

(C) evidence in form and substance reasonably satisfactory to the Lenders confirming that such required insurance is in full force and effect in accordance with the terms of the Credit Agreement; and

(D) to the extent any of the foregoing policies, endorsements and other documents are different from those previously delivered to the Administrative Agent on the Effective Date (the "Credit Agreement Effective Date"), a written explanation of any amendments, adjustments, differences, variance, inconsistencies, or other modifications, of the same;

(v) within thirty (30) Business Days of the Return Date, cause, at Borrower's own cost and expense, for the Leased Equipment to be examined in accordance with Prudent Industry Practice standards and to furnish the Administrative Agent a report certifying that the Leased Equipment is in good working order and condition and usable in the ordinary course of business and in compliance with the requirements of the Credit Agreement and Frac Fleet Preservation Program such that it complies with the requirements under Section 5.01(h) of the Credit Agreement; and

(vi) not to enter into any amendment, restatement, renewal, extension or other modification of such Turbine Rental and Services Agreement (including any renewal and/or extension of its term, scheduled termination date, the provision requiring the Lessee to return of the Leased Equipment by September 30, 2020 (subject to applicable transportation period provided in the Turbine Rental and Services Agreement and in any event no later than the Return Date), and any other milestone or provision thereunder), and the Loan Parties expressly agree that upon the expiration of such Turbine Rental and Services Agreement in accordance with its terms (or any

early termination thereof), such agreement shall terminate and be of no further force nor effect, and shall not be extended nor renewed) and/or enter into any other similar turbine rental and services agreement, in each case, without the consent of the Required Lenders; and

- (b) The Loan Parties hereby expressly acknowledge and agree that, in the event of (i) any condition described in this Third Amendment not being satisfied in full (for any reason or for none) on or prior to the expiration of any applicable time period, or (ii) any Loan Party's failure at any time to perform or observe any term, representation, covenant or agreement described herein, each such event shall constitute an "Event of Default" under the Credit Agreement.

REPRESENTATION AND WARRANTY

Each Loan Party hereby represents and warrants to the Administrative Agent, Collateral Agent, and Lenders party hereto that (i) after giving effect to this Third Amendment all representations and warranties of each Loan Party contained in Article IV of the Credit Agreement are true and correct in all material respects (except to the extent any such representation and warranty itself is qualified by "materiality", "Material Adverse Effect" or similar qualifier, in which case, it shall be true and correct in all respects) on and as of the date of this Third Amendment as if made on and as of the date of this Third Amendment (or if stated to have been made at an earlier date, were true and correct in all material respects as of such earlier date);(ii) as of the Third Amendment Effective Date, the Turbine Rental and Services Agreement has not been amended or otherwise modified from the form attached to the Officer's Certificate and there exists no default under the Turbine Rental and Services Agreement; and (iii) as of the Third Amendment Effective Date, no Default or Event of Default has occurred and is continuing.

SECTION 5.EFFECT ON AND RATIFICATION OF LOAN DOCUMENTS.

- (a) Ratification of Transaction Documents. The Credit Agreement, Loan Documents and all related ancillary and collateral documentation shall remain in full force and effect and are hereby ratified, reaffirmed, and confirmed. In addition, all terms, conditions, covenants, representations and warranties contained in the Credit Agreement and other Loan Documents, and all rights of the Lenders and the Administrative Agent, shall remain in full force and effect, and all of the Obligations remain in full force and effect. Each of the Borrower and the other Loan Parties hereby confirms that no such party has any right of setoff, recoupment or other offset with respect to any of the Obligations.
- (b) Ratification of Term Loan Collateral Documents. Each of the Loan Parties party to the Term Loan Collateral Documents and the other Loan Documents (i) acknowledges and agrees that all of its pledges, grants of security interests and Liens and other obligations under the Term Loan Collateral Documents and the other Loan Documents to which it is a party are reaffirmed, and remain in full force and effect on a continuous basis, (ii) reaffirms (x) each Lien granted by it to the Administrative Agent and/or Collateral Agent for the benefit of the Secured Parties and (y) the guaranties made by it pursuant to the Loan Documents and such Liens and guaranties are, and shall remain in full force and effect on and after the Credit Agreement Effective Date and Third Amendment Effective Date, and (iii) acknowledges and agrees that the grants of security interests and Liens by and the guaranties of the Loan Parties contained in the Term Loan Collateral Documents are, and shall remain, in full force and effect on and after the Credit Agreement Effective Date and Third Amendment Effective Date.

- (c) No Other Amendment or Waiver. Except as specifically set forth herein, the execution, delivery and performance of this Third Amendment shall not constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of any Agent or Lender under the Loan Documents. The waivers contained herein are each limited to the specific provisions and circumstances described and shall not be deemed to prejudice any rights not specifically addressed herein which any Agent or any Lender may now have or may have in the future under any Loan Document.
- (d) Loan Documents. This Third Amendment shall be a Loan Document under the Credit Agreement.

SECTION 6. RELEASE.

AS A MATERIAL INDUCEMENT TO THE LENDERS, THE COLLATERAL AGENT AND THE ADMINISTRATIVE AGENT TO ENTER INTO THIS THIRD AMENDMENT, THE BORROWER, ON BEHALF OF ITSELF AND ITS OWNERS, SUCCESSORS, ASSIGNS AND LEGAL REPRESENTATIVES WHETHER OR NOT A PARTY HERETO (THE BORROWER, SUCH OWNERS, SUCCESSORS, ASSIGNS AND LEGAL REPRESENTATIVES BEING REFERRED TO HEREIN COLLECTIVELY AND INDIVIDUALLY, AS "OBLIGORS, ET AL."), AUTOMATICALLY, AND WITHOUT FURTHER ACTION BY ANY PERSON, HEREBY FULLY, FINALLY AND COMPLETELY RELEASE AND FOREVER DISCHARGE EACH LENDER, COLLATERAL AGENT AND ADMINISTRATIVE AGENT, AND THEIR RESPECTIVE SUCCESSORS, ASSIGNS, AFFILIATES, SUBSIDIARIES, PARENTS, OFFICERS, SHAREHOLDERS, DIRECTORS, EMPLOYEES, ATTORNEYS AND AGENTS, PAST, PRESENT AND FUTURE, AND THEIR RESPECTIVE HEIRS, PREDECESSORS, SUCCESSORS AND ASSIGNS (COLLECTIVELY AND INDIVIDUALLY, "LENDER, ET AL.") OF AND FROM ANY AND ALL CLAIMS, CONTROVERSIES, DISPUTES, LIABILITIES, OBLIGATIONS, DEMANDS, DAMAGES, EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES), DEBTS, LIENS, ACTIONS AND CAUSES OF ACTION OF ANY AND EVERY NATURE WHATSOEVER RELATING TO THE FACILITIES AND/OR THE LOAN DOCUMENTS, AND WAIVE AND RELEASE ANY DEFENSE, RIGHT OF COUNTERCLAIM, RIGHT OF SET-OFF OR DEDUCTION TO THE PAYMENT OF THE OBLIGATIONS WHICH OBLIGORS, ET AL. NOW HAVE OR MAY CLAIM TO HAVE AGAINST ANY LENDER, ET AL., IN EACH CASE ARISING OUT OF, CONNECTED WITH OR RELATING TO ANY AND ALL ACTS, OMISSIONS OR EVENTS OCCURRING PRIOR TO THE EXECUTION OF THIS THIRD AMENDMENT.

SECTION 7. INDEMNIFICATION.

WITHOUT LIMITING ANY OF THE AGENT'S OR LENDERS' RIGHTS, OR THE LOAN PARTIES' OBLIGATIONS, UNDER SECTION 9.04 OF THE CREDIT AGREEMENT (WHICH THE BORROWER AND THE OTHER LOAN PARTIES HEREBY RATIFY, REITERATE AND RECONFIRM), THE LOAN PARTIES HEREBY AGREE TO INDEMNIFY, DEFEND AND SAVE AND HOLD HARMLESS EACH AGENT, EACH LENDER, EACH OF THEIR AFFILIATES AND THE RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, TRUSTEES, AGENTS AND ADVISORS OF EACH OF THE FOREGOING (EACH, AN " INDEMNIFIED PARTY") FROM AND AGAINST, AND SHALL PAY ON DEMAND, ANY AND ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE FEES AND EXPENSES OF COUNSEL) THAT MAY BE INCURRED BY OR ASSERTED OR AWARDED AGAINST ANY INDEMNIFIED PARTY, IN EACH CASE ARISING OUT OF OR IN CONNECTION WITH OR BY REASON OF

(INCLUDING, WITHOUT LIMITATION, IN CONNECTION WITH ANY INVESTIGATION, LITIGATION OR PROCEEDING OR PREPARATION OF A DEFENSE IN CONNECTION THEREWITH) THIS THIRD AMENDMENT, THE TURBINE RENTAL AND SERVICES AGREEMENT AND THE TURBINE LEASE TRANSACTION AND/ OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

SECTION 8. GOVERNING LAW.

THIS THIRD AMENDMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS THIRD AMENDMENT (INCLUDING, WITHOUT LIMITATION, ANY CLAIMS SOUNDING IN CONTRACT LAW OR TORT LAW ARISING OUT OF THE SUBJECT MATTER HEREOF) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 9. WAIVER OF JURY TRIAL.

EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER HEREOF. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER HEREOF, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS THIRD AMENDMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION AND EXECUTED BY EACH OF THE PARTIES HERETO, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO. IN THE EVENT OF LITIGATION, THIS THIRD AMENDMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

SECTION 10. COUNTERPARTS.

This Third Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Delivery of an executed counterpart to this Third Amendment by facsimile transmission or electronic transmission in “.pdf” format shall be as effective as delivery of a manually signed original.

SECTION 11. MISCELLANEOUS.

This Third Amendment, the Credit Agreement and the other Loan Documents constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties or any of them with respect

to the subject matter hereof. Capitalized terms defined herein in the preliminary statements and/or recitals shall be incorporated as if set out in full in the operative provisions hereunder. Section 1.04 of the Credit Agreement is hereby incorporated herein as if set out in full hereunder, *mutatis mutandis*.

[Signature Pages Follow]

Third Amendment by and among U.S. Well Services, LLC, U.S. Well Services, Inc., USWS Fleet 10, LLC, USWS Fleet 11, LLC and USWS Holdings LLC and CLMG Corp., as Administrative Agent and Term Loan Collateral Agent and the Lenders party thereto

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IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be duly executed by their respective authorized officers as of the day and year first written above.

U.S. WELL SERVICES, LLC, as Borrower

By: /s/ Kyle O'Neill
Name: Kyle O'Neill
Title: Chief Financial Officer

Third Amendment by and among U.S. Well Services, LLC, U.S. Well Services, Inc., USWS Fleet 10, LLC, USWS Fleet 11, LLC and USWS Holdings LLC and CLMG Corp., as Administrative Agent and Term Loan Collateral Agent and the Lenders party thereto

U.S. WELL SERVICES, INC., as Parent

By: /s/ Kyle O'Neill
Name: Kyle O'Neill
Title: Chief Financial Officer

Third Amendment by and among U.S. Well Services, LLC, U.S. Well Services, Inc., USWS Fleet 10, LLC, USWS Fleet 11, LLC and USWS Holdings LLC and CLMG Corp., as Administrative Agent and Term Loan Collateral Agent and the Lenders party thereto

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USWS HOLDINGS LLC, as Holdings

By: /s/ Kyle O'Neill
Name: Kyle O'Neill
Title: Chief Financial Officer

Third Amendment by and among U.S. Well Services, LLC, U.S. Well Services, Inc., USWS Fleet 10, LLC, USWS Fleet 11, LLC and USWS Holdings LLC and CLMG Corp., as Administrative Agent and Term Loan Collateral Agent and the Lenders party thereto

USWS FLEET 10, LLC, as Subsidiary Guarantor

By: /s/ Kyle O'Neill
Name: Kyle O'Neill
Title: Chief Financial Officer

Third Amendment by and among U.S. Well Services, LLC, U.S. Well Services, Inc., USWS Fleet 10, LLC, USWS Fleet 11, LLC and USWS Holdings LLC and CLMG Corp., as Administrative Agent and Term Loan Collateral Agent and the Lenders party thereto

USWS FLEET 11, LLC, as Subsidiary Guarantor

By: /s/ Kyle O'Neill
Name: Kyle O'Neill
Title: Chief Financial Officer

Third Amendment by and among U.S. Well Services, LLC, U.S. Well Services, Inc., USWS Fleet 10, LLC, USWS Fleet 11, LLC and USWS Holdings LLC and CLMG Corp., as Administrative Agent and Term Loan Collateral Agent and the Lenders party thereto

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CLMG CORP., as Administrative Agent

By: /s/ James Erwin
Name: James Erwin
Title: President

Third Amendment by and among U.S. Well Services, LLC, U.S. Well Services, Inc., USWS Fleet 10, LLC, USWS Fleet 11, LLC and USWS Holdings LLC and CLMG Corp., as Administrative Agent and
Term Loan Collateral Agent and the Lenders party thereto

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CLMG CORP., as Collateral Agent

By: /s/ James Erwin
Name: James Erwin
Title: President

Third Amendment by and among U.S. Well Services, LLC, U.S. Well Services, Inc., USWS Fleet 10, LLC, USWS Fleet 11, LLC and USWS Holdings LLC and CLMG Corp., as Administrative Agent and
Term Loan Collateral Agent and the Lenders party thereto

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Acknowledged and agreed as of the day and year first written above:

LNV Corporation, as Lender

By: /s/ James Erwin
Name: James Erwin
Title: Authorized Signatory

Third Amendment by and among U.S. Well Services, LLC, U.S. Well Services, Inc., USWS Fleet 10, LLC, USWS Fleet 11, LLC and USWS Holdings LLC and CLMG Corp., as Administrative Agent and Term Loan Collateral Agent and the Lenders party thereto

Acknowledged and agreed as of the day and year first written above:

LPP Mortgage, Inc., as Lender

By: /s/ James Erwin
Name: James Erwin
Title: Authorized Signatory

Third Amendment by and among U.S. Well Services, LLC, U.S. Well Services, Inc., USWS Fleet 10, LLC, USWS Fleet 11, LLC and USWS Holdings LLC and CLMG Corp., as Administrative Agent and Term Loan Collateral Agent and the Lenders party thereto

U.S. WELL SERVICES, INC.
GRANT NOTICE FOR 2018 STOCK INCENTIVE PLAN
DEFERRED STOCK UNIT AWARD

FOR GOOD AND VALUABLE CONSIDERATION, U.S. Well Services, Inc. (the “Company”), hereby grants to the Participant named below the number of deferred stock units (the “Deferred Stock Units” or “DSUs”) whereby each Deferred Stock Unit represents the right to receive one share of the Company’s Class A common stock, par value \$0.0001 per share (the “Common Stock”), as specified below (the “Award”), upon the terms and subject to the conditions set forth in this Grant Notice, the U.S. Well Services, Inc. Amended and Restated 2018 Stock Incentive Plan (as amended, the “Plan”) and the Terms and Conditions for Deferred Stock Unit attached hereto (the “Terms and Conditions”) promulgated under such Plan, each as amended from time to time. This Award is granted pursuant to the Plan and is subject to and qualified in its entirety by the Terms and Conditions.

Name of Participant:	
Grant Date:	November [___], 2020
Vesting Effective Date	January 1, 2020
Number of Deferred Stock Units:	[_____], subject to adjustment as set forth in the Plan.
Restricted Periods:	<p>One (1) year from the Vesting Effective Date with respect to one-third (1/3) of the Award (“First Restricted Period” or a “Restricted Period”);</p> <p>Two (2) years from the Vesting Effective Date with respect to one-third (1/3) of the Award (“Second Restricted Period” or a “Restricted Period”); and</p> <p>Three (3) years from the Vesting Effective Date with respect to one-third (1/3) of the Award (“Third Restricted Period” or a “Restricted Period” and, together with the First Restricted Period and the Second Restricted Period, the “Full Restricted Period”).</p> <p>Subject to the Participant’s Continuous Service, the First Restricted Period, Second Restricted Period and Third Restricted Period shall lapse on each of the first (1st), second (2nd) and third (3rd) anniversary of the Vesting Effective Date, respectively.</p> <p>Subject to the Participant’s Continuous Service through a Change in Control, the Full Restricted Period shall fully lapse immediately prior to the consummation of such Change in Control.</p> <p>Upon a termination of the Participant’s Continuous Service due to the Participant’s death or Disability during any of the First Restricted Period, Second Restricted Period or Third Restricted Period, such Restricted Period shall fully lapse.</p>

	<p>Upon a termination of the Participant's Continuous Service due to the Participant's Retirement during either the Second Restricted Period or Third Restricted Period, such Restricted Period shall fully lapse. "Retirement" shall refer to a termination of Continuous Service by the Participant on or after the date on which the Participant has become entitled to receive full retirement benefits pursuant to the U.S. Social Security Act.</p> <p>Upon a termination of the Participant's Continuous Service by the Company for Cause, the entire Award, whether or not then vested, shall be immediately forfeited and canceled as of the date of such termination of Continuous Service.</p> <p>Upon a termination of the Participant's Continuous Service for any other reason (other than due to the Participant's death, Disability or Retirement or by the Company for Cause) prior to the lapse of the applicable Restricted Period, the portion of the Award that has not vested as of the date of termination shall be forfeited and canceled as of such date.</p>
<p>Deferred Settlement Payment Date:</p>	<p>No shares of Common Stock shall be issued to the Participant in respect of the DSUs granted pursuant to any portion of the Award prior to the date on which such portion of the Award becomes vested and the applicable Restricted Period with respect to such portion of the Award lapses, in accordance with the terms hereof.</p> <p>The shares of Common Stock issuable with respect to vested DSUs shall be issued in a lump sum on the earlier of the following dates and otherwise only as follows:</p> <ul style="list-style-type: none"> (a) The 60th day after a termination of the Participant's Continuous Service; (b) The consummation of a Change in Control (with such issuance deemed to occur as of immediately prior to such Change in Control to the extent permitted under Code Section 409A, but with the timing of such issuance otherwise determined by the Company); and (c) Upon the fifth (5th) anniversary of the Grant Date. <p>Notwithstanding the above, the Company shall not be obligated to deliver any shares of Common Stock during any period when the Company determines that the delivery of shares of Common Stock hereunder would violate any federal, state or other applicable laws.</p>

Forfeiture:	Notwithstanding anything to the contrary herein, the right of the Participant to receive shares of Common Stock in settlement of the Award is conditioned upon the Company receiving stockholder approval of certain amendments to the Plan as may be required in order to permit the transactions contemplated by the Award and similar awards granted to other Company personnel, and in the event such stockholder approval is not received and the Company lacks sufficient shares of Common Stock in the Total Share Reserve under the Plan to satisfy the Award in full, then the unsatisfied portion of the Awards shall be forfeited and void.
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[Signature page to follow]

By accepting this Grant Notice, the Participant acknowledges that he or she has received and read, and agrees that this Award shall be subject to, the terms of this Grant Notice, the Plan and the Terms and Conditions.

U.S. WELL SERVICES, INC.

By:
Name:
Title:

PARTICIPANT:

Address (please print):

**U.S. WELL SERVICES, INC.
TERMS AND CONDITIONS FOR
DEFERRED STOCK UNITS**

These Terms and Conditions apply to the award of deferred stock units (the “Award” or the “Deferred Stock Units”) whereby each Deferred Stock Unit represents the right to receive one share of the Company’s Class A common stock, par value \$0.0001 (the “Common Stock”), as set forth in the Grant Notice provided herewith (the “Grant Notice”) and granted pursuant to the U.S. Well Services, Inc. 2018 Stock Incentive Plan (the “Plan”). In addition to these Terms and Conditions, the Deferred Stock Units shall be subject to the terms of the Plan, which are incorporated into these Terms and Conditions by this reference. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

1. TERMS OF DEFERRED STOCK UNITS

U.S. Well Services, Inc. (the “Company”), has granted the Award to the Participant named in the Grant Notice. The Award is subject to the conditions set forth in the Grant Notice, these Terms and Conditions, and the Plan, each as amended from time to time. For purposes of these Terms and Conditions and the Grant Notice, any reference to the Company shall include a reference to its subsidiaries.

2. VESTING OF DEFERRED STOCK UNITS

The Award shall not be vested as of the Grant Date set forth in the Grant Notice and shall be forfeitable unless and until the applicable Restricted Period lapses pursuant to the terms of the Grant Notice and these Terms and Conditions. After the Grant Date, subject to termination or acceleration as provided in the Grant Notice, these Terms and Conditions (as amended from time to time) and the Plan, the applicable Restricted Period shall lapse as described in the Grant Notice with respect to that number of Deferred Stock Units as set forth in the Grant Notice.

3. NO RIGHTS AS STOCKHOLDER

The Deferred Stock Units granted pursuant to the Award do not and shall not entitle the Participant to any rights of a holder of Common Stock prior to the date that shares of Common Stock are issued to the Participant in settlement of the Award. The Participant’s rights with respect to the Deferred Stock Units shall remain forfeitable at all times prior to the date on which rights become vested and the restrictions with respect to the Deferred Stock Units lapse in accordance with the Grant Notice.

4. CHANGE IN CONTROL

For the purposes of the Award, “Change in Control” shall not have the meaning provided in the Plan, but rather, “Change in Control” shall mean:

(a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole, other than a transaction in which the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such person, the “Successor Entity”)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction;

(b) the Incumbent Directors cease for any reason to constitute at least a majority of the Board;

(c) the consummation of a complete liquidation or dissolution of the Company;

(d) the acquisition by any Person (excluding any Existing Major Holder (as defined below)) of Beneficial Ownership of more than 50% (on a fully diluted basis) of either (i) the then outstanding shares of Common Stock of the Company, taking into account as outstanding for this purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such Common Stock (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this Plan, the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company or any Affiliate, (B) any acquisition by any employee benefit plan sponsored or maintained by the Company or any subsidiary, (C) any acquisition which complies with clauses, (i), (ii) and (iii) of subsection (e) of this definition or (D) in respect of an Award held by a particular Participant, any acquisition by the Participant or any group of persons including the Participant (or any entity controlled by the Participant or any group of persons including the Participant);

(e) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (i) more than 50% of the total voting power of (A) the entity resulting from such Business Combination (the "Surviving Company"), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the members of the board of directors (or the analogous governing body) of the Surviving Company (the "Parent Company"), is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination; (ii) no Person (other than any Existing Major Holder or any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company) is or becomes the Beneficial Owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect members of the board of directors of the Parent Company (or the analogous governing body) (or, if there is no Parent Company, the Surviving Company); and (iii) at least a majority of the members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination; or

(f) the consummation of any sale of shares of Common Stock of the Company or any options, warrants, stock or debt convertible or exchangeable into shares of Common Stock of the Company by any Person which as of the Grant Date has Beneficial Ownership of more than thirty-five percent (35%) (on a fully diluted basis) of the Outstanding Company Common Stock which results in such Person having both (a) Beneficial Ownership of less than twelve and one-half percent (12.5%) (on a fully diluted basis) of the Outstanding Company Common Stock held by such Person as of the Grant Date and (b) Beneficial Ownership of less than five (5%) (on a fully diluted basis) of the Outstanding Company Common Stock at the time of such sale.

Notwithstanding anything herein to the contrary, in no event shall the Company's initial business combination or the transactions occurring in connection therewith constitute a Change in Control and, with respect to any Award (or portion of any Award) that provides for the deferral of compensation that is subject to Section 409A of the Code, an event shall not be considered to be a Change in Control under the Plan for purposes of payment of such Award (or portion thereof)

unless such event is also a “change in ownership,” a “change in effective control” or a “change in the ownership of a substantial portion of the assets” of the Company within the meaning of Section 409A of the Code.

For the purposes hereof, an “Existing Major Holder” shall mean any Person which as of the Grant Date has Beneficial Ownership of more than 10% (on a fully diluted basis) of the Outstanding Company Common Stock.

5. NO FRACTIONAL SHARES

Fractional shares of Common Stock shall not be delivered upon the settlement of DSUs.

6. TAXES

The Company shall not deliver shares of Common Stock in respect of the settlement of any DSUs unless and until the Participant has made arrangements satisfactory to the Company to satisfy applicable withholding tax obligations. Subject to the discretion of the Committee, the Participant may satisfy any federal, state or local tax withholding obligation relating to the acquisition of Common Stock under any DSUs by any of the following means (in addition to the Company’s right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the DSUs, provided, however, that no shares of Common Stock are withheld with a value exceeding the maximum amount of tax required to be withheld by law; or (c) delivering to the Company previously owned and unencumbered shares of Common Stock of the Company.

Subject to the Participant’s election, if any, as permitted herein, the Company may require the Participant to pay to the Company an amount the Company reasonably deems necessary to satisfy its current or future obligation to withhold federal, state or local income or other taxes that the Participant incurs as a result of the Award. With respect to any required tax obligations, the Participant may shall deliver cash to the Company sufficient to satisfy its tax withholding obligations with respect to the Participant’s receipt of shares.

The Participant has been advised and Participant hereby acknowledges that he has been advised to obtain independent legal and tax advice regarding this Award, grant of the Deferred Stock Units, the vesting and payment, including, without limitation, under Section 409A of the Internal Revenue Code of 1986, as amended and the applicable notices, rules, and regulation thereunder (the “Code”). The Participant acknowledges that none of the Company, its Affiliates, the Committee or any of their officers, directors, employees or agents guarantees or are otherwise responsible for any tax consequences to the Participant in connection with this Award, the Deferred Stock Units, the Plan or the vesting or disposition of shares under any federal, state, local domestic or foreign law, including, without limitation, any income or excise taxes or interest or penalties under Code Section 409A.

The intent of the parties is that this Award comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder to the extent it is applicable and, accordingly, this Award shall be interpreted to be in compliance therewith, and to the extent required the defined terms herein shall have the meaning required of such term under Code Section 409A, and any provision that would violate Code Section 409A shall be null and void. Notwithstanding any provision to the contrary in this Award, payments under this Award that are subject to Code Section 409A and are to be made hereunder upon a termination of employment shall only be made upon a "separation from service" (as defined in Treasury Regulation § 1.409A 1(h)) and, if the Participant is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment that constitutes "nonqualified deferred compensation" subject to Code Section 409A, such payment or benefit

shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date after the date of such "separation from service" of the Participant, and (B) the date of the Participant's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this provision (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Participant in a lump sum, and any remaining payments and benefits due under this Award shall be paid or provided in accordance with the normal payment dates specified for them herein. Whenever a payment under this Award may be paid within a specified period, the actual date of payment within the specified period shall be within the sole discretion of the Company. In no event may the Participant, directly or indirectly, designate the calendar year of any payment to be made under this Award.

This grant of Award is subject to all applicable federal, state and local taxes and withholding requirements.

7. OTHER AGREEMENTS SUPERSEDED

The Grant Notice, these Terms and Conditions and the Plan constitute the entire understanding between the Participant and the Company regarding the Deferred Stock Units. Except as may otherwise be specifically set forth in any employment or severance agreement between the Participant and the Company, any prior agreements, commitments or negotiations concerning the Deferred Stock Units are superseded.

8. LIMITATION OF INTEREST IN SHARES SUBJECT TO DEFERRED STOCK UNITS

Neither the Participant (individually or as a member of a group) nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest, or privilege in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to the Grant Notice or these Terms and Conditions except as to such shares of Common Stock, if any, as shall have been issued to such person in connection with the Award.

Nothing in the Plan, in the Grant Notice, these Terms and Conditions or any other instrument executed pursuant to the Plan shall confer upon the Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or shall affect the right of the Company or an Affiliate to terminate the employment of the Participant with or without notice and with or without Cause.

9. SECURITIES LAW COMPLIANCE

No shares of Common Stock shall be purchased or sold thereunder unless and until (a) any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel and (b) if required to do so by the Company, the Participant has executed and delivered to the Company a letter of investment intent in such form and containing such provisions as the Committee may require.

10. GENERAL

(a) In the event that any provision of these Terms and Conditions is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of these Terms and Conditions shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision.

(b) The headings preceding the text of the sections hereof are inserted solely for convenience of reference, and shall not constitute a part of these Terms and Conditions, nor shall they affect its meaning, construction or effect.

(c) These Terms and Conditions shall inure to the benefit of and be binding upon the parties hereto and their respective permitted heirs, beneficiaries, successors and assigns.

(d) These Terms and Conditions shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to principles of conflicts of law.

(e) In the event of any conflict between the Grant Notice, these Terms and Conditions and the Plan, the Grant Notice and these Terms and Conditions shall control. In the event of any conflict between the Grant Notice and these Terms and Conditions, the Grant Notice shall control.

(f) All questions arising under the Plan, the Grant Notice or under these Terms and Conditions shall be decided by the Committee in its total and absolute discretion.

11. ELECTRONIC DELIVERY

By executing the Grant Notice, the Participant hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and its subsidiaries, the Plan, and the Deferred Stock Units via Company web site or other electronic delivery.

U.S. WELL SERVICES, INC.
GRANT NOTICE FOR 2018 STOCK INCENTIVE PLAN
PERFORMANCE AWARD (POOL A)

FOR GOOD AND VALUABLE CONSIDERATION, U.S. Well Services, Inc. (the “Company”), hereby grants to the Participant named below the Performance Award (Pool A) (the “Award”) which represent the right to receive cash or shares of the Company’s Class A common stock, par value \$0.0001 per share (the “Common Stock”), as specified below (the “Award”), upon the terms and subject to the conditions set forth in this Grant Notice, the U.S. Well Services, Inc. Amended and Restated 2018 Stock Incentive Plan (as amended, the “Plan”) and the Terms and Conditions for Performance Award (Pool A) attached hereto (the “Terms and Conditions”) promulgated under such Plan, each as amended from time to time. This Award is granted pursuant to the Plan and is subject to and qualified in its entirety by the Terms and Conditions. Notwithstanding anything to the contrary herein, the right of the Participant to receive shares of Common Stock in payment of the Award is conditioned upon the Company receiving stockholder approval of certain amendments to the Plan as may be required in order to permit the transactions contemplated by the Award and similar awards granted to other Company personnel.

Name of Participant:	
Grant Date:	November [___], 2020
Vesting Effective Date	January 1, 2020
Performance Award:	<p>The Award has a cash value, as of the Grant Date, of \$ [___], which value will increase by 12.00% per annum until May 24, 2021 and 16.00% per annum thereafter, compounding quarterly on March 31st, June 30th, September 30th and December 31st of each applicable calendar year (the “Award Value”); provided, however, that if in connection with any Change in Control all outstanding shares of the Company’s Series A Redeemable Convertible Preferred Stock, par value \$0.0001 per share (the “Series A Preferred Stock”), are redeemed by the Company at a price which is less than the Redemption Price (as defined in the Certificate of Designations for the Series A Preferred Stock), the Award Value shall be reduced by multiplying the amount of the Award Value as then-in-effect by a fraction equal to the amount paid in redemption of each share of Series A Preferred Stock over the per share Redemption Price.</p> <p>The Award Value will be paid in cash or Common Stock upon the terms and subject to the conditions set forth herein.</p>
Restricted Period:	<p>Subject to the Participant’s Continuous Service, the Restricted Period shall lapse on the first (1st) anniversary of the Vesting Effective Date.</p> <p>Subject to the Participant’s Continuous Service through a Change in Control, the Restricted Period shall fully lapse immediately prior to the consummation of such Change in Control.</p>

	<p>Upon a termination of the Participant's Continuous Service by the Company for Cause, the entire Award, whether or not then vested, shall be immediately forfeited and canceled as of the date of such termination of Continuous Service.</p> <p>Upon a termination of the Participant's Continuous Service for any other reason (other than by the Company for Cause) prior to the lapse of the Restricted Period, the portion of the Award that has not vested as of the date of termination shall be forfeited and canceled as of such date.</p>
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Payment Criteria:

No payment shall be made, whether in cash, shares of Common Stock or otherwise, to the Participant in respect of the Award prior to the date on which the Award becomes vested and the Restricted Period with respect to the Award lapses, in accordance with the terms hereof.

The Award Value, to the extent vested, will be payable to the Participant on the earlier of the following dates and otherwise only as follows:

1. Upon the consummation of a Change in Control, either:

(a) If shares of Series A Preferred Stock receive consideration in connection with such Change in Control either in exchange or redemption thereof, then in the same consideration received on or with respect to the Series A Preferred Stock, in a lump sum as if the Participant held as of immediately prior to such Change in Control shares of Series A Preferred Stock with an aggregate Redemption Price equal to the applicable Award Value; or

(b) If subsection (a) above is not applicable, then:

(i) In a lump sum cash payment, upon a Change in Control wherein the holders of Common Stock receive either (1) only cash in exchange for their shares of Common Stock, (2) consideration other than securities or a combination of cash and securities in exchange for their shares of Common Stock, or (3) no consideration; or

(ii) In a lump sum in a number of shares of Common Stock equal to the quotient of the applicable Award Value and the Fair Market Value of a share of Common Stock (as of immediately prior to such Change in Control), upon a Change in Control wherein the holders of Common Stock receive either securities or a combination of cash and securities in exchange for their shares of Common Stock; provided, however, that if the Company is prohibited from issuing additional shares of Common Stock under the Plan as required to satisfy its obligations under this subsection (ii), then the Company shall, in lieu of the issuance and delivery of any such shares of Common Stock, make a lump sum cash payment to the Participant equal to the sum of the Fair Market Value of each such unissued share of Common Stock; or

2. Upon the applicable Fixed Payment Date (defined below), at the Company's election, subject to the terms below, either (a) in a lump sum cash payment or (b) in a lump sum in a number of shares of Common Stock equal to the quotient of the applicable Award Value and the Fair Market Value of a share of Common Stock; provided, however, that if the Company is prohibited from issuing additional shares of Common Stock under the Plan as required to satisfy in full its obligations under subsection 2(b), then the Company shall satisfy the Award in cash in accordance with subsection 2(a).

Notwithstanding the above, the Company shall not be obligated to deliver any shares of Common Stock during any period when the Company determines that the delivery of shares of Common Stock hereunder would violate any federal, state or other applicable laws.

Fixed Payment Date	<p>The "Fixed Payment Date" for the Award is the fifth (5th) anniversary of the Grant Date; provided, however, that the Company may, in accordance with Code Section 409A and prior to the fourth (4th) anniversary of the Grant Date, with respect to (a) if a Grant Date Control Change has not occurred, 100% of the Award Value, and (b) otherwise, two-thirds (2/3) of the Award Value, elect to:</p> <ol style="list-style-type: none">1. Divide such amount of the Award Value into two (2) or more installment payments (each, an "Award Installment"), each representing a designated portion of the Award Value; and2. Defer the "Fixed Payment Date" for each Award Installment, provided that the new "Fixed Payment Date" for the commencement of any applicable Award <p style="padding-left: 40px;">Installment shall be a date not less than five (5) years from, nor more than six (6) years after, the original Fixed Payment Date.</p> <p>For clarification, the election provided herein for a later payment date for payment in installments rather than a lump sum shall only apply to payment upon the Fixed Payment Date and shall not apply to or effect payment upon a Change in Control.</p>
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[Signature page to follow]

By accepting this Grant Notice, Participant acknowledges that he or she has received and read, and agrees that this Award shall be subject to, the terms of this Grant Notice, the Plan and the Terms and Conditions.

U.S. WELL SERVICES, INC.

By:
Name:
Title:

PARTICIPANT:

Address (please print):

**U.S. WELL SERVICES, INC.
TERMS AND CONDITIONS FOR
PERFORMANCE AWARD (POOL A)**

These Terms and Conditions apply to the award of Performance Award (Pool A) (the "Award") which represent the right to receive shares of the Company's Class A common stock, par value \$0.0001 (the "Common Stock"), or cash as set forth in the Grant Notice provided herewith (the "Grant Notice") and granted pursuant to the U.S. Well Services, Inc. 2018 Stock Incentive Plan (the "Plan"). In addition to these Terms and Conditions, the Award shall be subject to the terms of the Plan, which are incorporated into these Terms and Conditions by this reference. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

1. TERMS OF PERFORMANCE AWARD

U.S. Well Services, Inc. (the "Company"), has granted the Award to the Participant named in the Grant Notice. The Award is subject to the conditions set forth in the Grant Notice, these Terms and Conditions, and the Plan, each as amended from time to time. For purposes of these Terms and Conditions and the Grant Notice, any reference to the Company shall include a reference to its subsidiaries.

2. VESTING OF PERFORMANCE AWARD

The Award shall not be vested as of the Grant Date set forth in the Grant Notice and shall be forfeitable unless and until the Restricted Period lapses pursuant to the terms of the Grant Notice and these Terms and Conditions.

3. NO RIGHTS AS STOCKHOLDER

The Award granted pursuant to the Grant Notice does not and shall not entitle Participant to any rights of a holder of Common Stock prior to the date that shares of Common Stock are issued to Participant in payment of the Award. Participant's rights with respect to the Award shall remain forfeitable at all times prior to the date on which rights become vested and the restrictions with respect to the Award lapse in accordance with the Grant Notice.

4. CHANGE IN CONTROL

For the purposes of the Award, "Change in Control" shall not have the meaning provided in the Plan, but rather, "Change in Control" shall mean:

(a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole, other than a transaction in which the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction;

(b) the Incumbent Directors cease for any reason to constitute at least a majority of the Board;

(c) the consummation of a complete liquidation or dissolution of the Company;

(d) the acquisition by any Person (excluding any Existing Major Holder (as defined below)) of Beneficial Ownership of more than 50% (on a fully diluted basis) of either (i) the then outstanding shares of Common Stock of the Company, taking into account as outstanding for this

purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such Common Stock (the “Outstanding Company Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this Plan, the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company or any Affiliate, (B) any acquisition by any employee benefit plan sponsored or maintained by the Company or any subsidiary, (C) any acquisition which complies with clauses, (i), (ii) and (iii) of subsection (e) of this definition or (D) in respect of an Award held by a particular Participant, any acquisition by the Participant or any group of persons including the Participant (or any entity controlled by the Participant or any group of persons including the Participant);

(e) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company’s shareholders, whether for such transaction or the issuance of securities in the transaction (a “Business Combination”), unless immediately following such Business Combination: (i) more than 50% of the total voting power of (A) the entity resulting from such Business Combination (the “Surviving Company”), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the members of the board of directors (or the analogous governing body) of the Surviving Company (the “Parent Company”), is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination; (ii) no Person (other than any Existing Major Holder or any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company) is or becomes the Beneficial Owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect members of the board of directors of the Parent Company (or the analogous governing body) (or, if there is no Parent Company, the Surviving Company); and (iii) at least a majority of the members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board’s approval of the execution of the initial agreement providing for such Business Combination; or

(f) the consummation of any sale of shares of Common Stock of the Company or any options, warrants, stock or debt convertible or exchangeable into shares of Common Stock of the Company by any Person which as of the Grant Date has Beneficial Ownership of more than thirty-five percent (35%) (on a fully diluted basis) of the Outstanding Company Common Stock which results in such Person having both (a) Beneficial Ownership of less than twelve and one-half percent (12.5%) (on a fully diluted basis) of the Outstanding Company Common Stock held by such Person as of the Grant Date and (b) Beneficial Ownership of less than five (5%) (on a fully diluted basis) of the Outstanding Company Common Stock at the time of such sale.

Notwithstanding anything herein to the contrary, in no event shall the Company’s initial business combination or the transactions occurring in connection therewith constitute a Change in Control and, with respect to any Award (or portion of any Award) that provides for the deferral of compensation that is subject to Section 409A of the Code, an event shall not be considered to be a Change in Control under the Plan for purposes of payment of such Award (or portion thereof) unless such event is also a “change in ownership,” a “change in effective control” or a “change in the ownership of a substantial portion of the assets” of the Company within the meaning of Section 409A of the Code.

For the purposes hereof, an “Existing Major Holder” shall mean any Person which as of the Grant

Date has Beneficial Ownership of more than 10% (on a fully diluted basis) of the Outstanding Company Common Stock.

5. NO FRACTIONAL SHARES

Fractional shares of Common Stock shall not be delivered upon the payment of the Award.

6. TAXES

If applicable, the Company shall not deliver shares of Common Stock in respect of the payment of the Award unless and until the Participant has made arrangements satisfactory to the Company to satisfy applicable withholding tax obligations. Subject to the discretion of the Committee, the Participant may satisfy any federal, state or local tax withholding obligation relating to the acquisition of Common Stock under the Award, if applicable, by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the maximum amount of tax required to be withheld by law; or (c) delivering to the Company previously owned and unencumbered shares of Common Stock of the Company.

The Participant has been advised and the Participant hereby acknowledges that he has been advised to obtain independent legal and tax advice regarding this Award, grant of the Award, the vesting and payment, including, without limitation, under Section 409A of the Internal Revenue Code of 1986, as amended and the applicable notices, rules, and regulation thereunder (the "Code"). The Participant acknowledges that none of the Company, its Affiliates, the Committee or any of their officers, directors, employees or agents guarantees or are otherwise responsible for any tax consequences to the Participant in connection with this Award, the Award, or the vesting or disposition of shares under any federal, state, local domestic or foreign law, including, without limitation, any income or excise taxes or interest or penalties under Code Section 409A.

The intent of the parties is that this Award comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder to the extent it is applicable and, accordingly, this Award shall be interpreted to be in compliance therewith, and to the extent required the defined terms herein shall have the meaning required of such term under Code Section 409A, and any provision that would result in a violation of Code Section 409A shall be null and void. Notwithstanding any provision to the contrary in this Award, payments under this Award that are subject to Code Section 409A and are to be made hereunder upon a termination of employment shall only be made upon a "separation from service" (as defined in Treasury Regulation § 1.409A-1(h)) and, if the Participant is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment that constitutes "nonqualified deferred compensation" subject to Code Section 409A, such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date after the date of such "separation from service" of the Participant, and (B) the date of the Participant's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this provision (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Participant in a lump sum, and any remaining payments and benefits due under this Award shall be paid or provided in accordance with the normal payment dates specified for them herein. Whenever a payment under this Award may be paid within a specified period, the actual date of payment within the specified period shall be within the sole discretion of the Company. In no event may the Participant, directly or indirectly, designate the calendar year of any payment to be made under this Award.

Any subsequent deferral of a Fixed Payment Date and election to pay in installments rather than a lump sum shall be at the Company's election and shall be made subject to Code Section 409A, including the requirements that (i) such change not take effect until at least twelve (12) months after the date on which the election is made by the Company; (ii) the change of a specified payment election and payment form must result in payment being deferred for a period of not less than five (5) years from the date such payment would otherwise have been paid (or in the case of a life annuity or installment payments treated as a single payment five (5) years from the date the first amount was scheduled to be made); and (iii) the Company must make the election not less than twelve (12) months before the date the payment is scheduled to be paid, and all elections shall be in writing.

Any installment payments shall be treated as a series of separate payments in accordance with Treasury Regulation 1.409A-2(b)(2)(iii).

This grant of Award is subject to all applicable federal, state and local taxes and withholding requirements.

7. OTHER AGREEMENTS SUPERSEDED

The Grant Notice, these Terms and Conditions and the Plan constitute the entire understanding between the Participant and the Company regarding the Award. Except as may otherwise be specifically set forth in any employment or severance agreement between the Participant and the Company, any prior agreements, commitments or negotiations concerning the Award are superseded.

8. LIMITATION OF INTEREST IN SHARES SUBJECT TO PERFORMANCE AWARD

Neither the Participant (individually or as a member of a group) nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest, or privilege in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to the Grant Notice or these Terms and Conditions except as to such shares of Common Stock, if any, as shall have been issued to such person in connection with the Award.

Nothing in the Plan, in the Grant Notice, these Terms and Conditions or any other instrument executed pursuant to the Plan shall confer upon the Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or shall affect the right of the Company or an Affiliate to terminate the employment of the Participant with or without notice and with or without Cause.

9. SECURITIES LAW COMPLIANCE

No shares of Common Stock shall be purchased or sold thereunder unless and until (a) any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel and (b) if required to do so by the Company, the Participant has executed and delivered to the Company a letter of investment intent in such form and containing such provisions as the Committee may require.

10. GENERAL

(a) In the event that any provision of these Terms and Conditions is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of these Terms and Conditions shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision.

(b) The headings preceding the text of the sections hereof are inserted solely for convenience

of reference, and shall not constitute a part of these Terms and Conditions, nor shall they affect its meaning, construction or effect.

(c) These Terms and Conditions shall inure to the benefit of and be binding upon the parties hereto and their respective permitted heirs, beneficiaries, successors and assigns.

(d) These Terms and Conditions shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to principles of conflicts of law.

(e) In the event of any conflict between the Grant Notice, these Terms and Conditions and the Plan, the Grant Notice and these Terms and Conditions shall control. In the event of any conflict between the Grant Notice and these Terms and Conditions, the Grant Notice shall control.

(f) All questions arising under the Plan, the Grant Notice or under these Terms and Conditions shall be decided by the Committee in its total and absolute discretion.

11. ELECTRONIC DELIVERY

By executing the Grant Notice, the Participant hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and its subsidiaries, the Plan, and the Award via Company web site or other electronic delivery.

U.S. WELL SERVICES, INC.
GRANT NOTICE FOR 2018 STOCK INCENTIVE PLAN
PERFORMANCE AWARD (POOL B)

FOR GOOD AND VALUABLE CONSIDERATION, U.S. Well Services, Inc. (the “Company”), hereby grants to the Participant named below the Performance Award (Pool B) (the “Award”) which represent the right to receive cash or shares of the Company’s Class A common stock, par value \$0.0001 per share (the “Common Stock”), as specified below (the “Award”), upon the terms and subject to the conditions set forth in this Grant Notice, the U.S. Well Services, Inc. Amended and Restated 2018 Stock Incentive Plan (the “Plan”) and the Terms and Conditions for Performance Award (Pool B) attached hereto (the “Terms and Conditions”) promulgated under such Plan, each as amended from time to time. This Award is granted pursuant to the Plan and is subject to and qualified in its entirety by the Terms and Conditions. Notwithstanding anything to the contrary herein, the right of the Participant to receive shares of Common Stock in payment of the Award is conditioned upon the Company receiving stockholder approval of certain amendments to the Plan as may be required in order to permit the transactions contemplated by the Award and similar awards granted to other Company personnel.

Name of Participant:	
Grant Date:	November [___], 2020
Vesting Effective Date	January 1, 2020
Performance Award:	<p>The Award has a cash value, as of the Grant Date, of \$ [___], which value will increase by 12.00% per annum until May 24, 2021 and 16.00% per annum thereafter, compounding quarterly on March 31st, June 30th, September 30th and December 31st of each applicable calendar year (the “Award Value”); provided, however, that if in connection with any Change in Control all outstanding shares of the Company’s Series B Redeemable Convertible Preferred Stock, par value \$0.0001 per share (the “Series B Preferred Stock”), are redeemed by the Company at a price which is less than the Redemption Price (as defined in the Certificate of Designations for the Series B Preferred Stock), the Award Value shall be reduced by multiplying the amount of the Award Value as then-in-effect by a fraction equal to the amount paid in redemption of each share of Series B Preferred Stock over the per share Redemption Price.</p> <p>The Award Value will be paid in cash or Common Stock upon the terms and subject to the conditions set forth herein.</p>

Restricted Periods:	<p>One (1) year from the Vesting Effective Date with respect to one-third (1/3) of the Award (“First Restricted Period” or a “Restricted Period”);</p> <p>Two (2) years from the Vesting Effective Date with respect to one-third (1/3) of the Award (“Second Restricted Period” or a “Restricted Period”); and</p> <p>Three (3) years from the Vesting Effective Date with respect to one-third (1/3) of the Award (“Third Restricted Period” or a “Restricted Period” and, together with the First Restricted Period and the Second Restricted Period, the “Full Restricted Period”).</p> <p>Subject to the Participant’s Continuous Service, the First Restricted Period, Second Restricted Period and Third Restricted Period shall lapse on each of the first (1st), second (2nd) and third (3rd) anniversary of the Vesting Effective Date, respectively.</p> <p>Subject to the Participant’s Continuous Service through a Change in Control, the Full Restricted Period shall fully lapse immediately prior to the consummation of such Change in Control.</p> <p>Upon a termination of the Participant’s Continuous Service due to the Participant’s death or Disability during any of the First Restricted Period, Second Restricted Period or Third Restricted Period, such Restricted Period shall fully lapse.</p> <p>Upon a termination of the Participant’s Continuous Service due to the Participant’s Retirement during either the Second Restricted Period or Third Restricted Period, such Restricted Period shall fully lapse. “Retirement” shall refer to a termination of Continuous Service by the Participant on or after the date on which the Participant has become entitled to receive full retirement benefits pursuant to the U.S. Social Security Act.</p> <p>Upon a termination of the Participant’s Continuous Service by the Company for Cause, the entire Award, whether or not then vested, shall be immediately forfeited and canceled as of the date of such termination of Continuous Service.</p> <p>Upon a termination of the Participant’s Continuous Service for any other reason (other than due to the Participant’s death, Disability or Retirement or by the Company for Cause) prior to the lapse of the applicable Restricted Period, the portion of the Award that has not vested as of the date of termination shall be forfeited and canceled as of such date.</p>
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<p>Payment Criteria:</p>	<p>No payment shall be made, whether in cash, shares of Common Stock or otherwise, to the Participant in respect of any portion of the Award prior to the date on which such portion of the Award becomes vested and the applicable Restricted Period with respect to such portion of the Award lapses, in accordance with the terms hereof.</p> <p>The Award, to the extent vested, will be payable to the Participant on the earlier of the following dates and otherwise only as follows:</p> <ol style="list-style-type: none"> 1. Upon the consummation of a Change in Control, either: <ol style="list-style-type: none"> (a) If shares of Series B Preferred Stock receive consideration in connection with such Change in Control either in exchange or redemption thereof, then in the same consideration received on or with respect to the Series B Preferred Stock, in a lump sum as if the Participant held as of immediately prior to such Change in Control shares of Series B Preferred Stock with an aggregate Redemption Price equal to the applicable Award Value; or (b) If subsection (a) above is not applicable, then: <ol style="list-style-type: none"> (i) In a lump sum cash payment, upon a Change in Control wherein the holders of Common Stock receive either (1) only cash in exchange for their shares of Common Stock, (2) consideration other than securities or a combination of cash and securities in exchange for their shares of Common Stock, or (3) no consideration, in a lump sum cash payment equal to the greater of (A) the amount of the applicable Award Value and (B) the Fair Market Value of that number of shares of Common Stock equal to the quotient of the applicable Award Value and \$0.308; or (ii) Upon a Change in Control wherein the holders of Common Stock receive either securities or a combination of cash and securities in exchange for their shares of Common Stock, in a lump sum in a number of shares of Common Stock equal to the quotient of the applicable Award Value and \$0.308 (with such issuance to be deemed as of immediately prior to such Change in Control); provided, however, that if the Company is prohibited from issuing additional shares of Common Stock under the Plan as required to satisfy its obligations under this subsection (ii), then the Company shall, in lieu of the issuance and delivery of any such shares of Common Stock, make a lump sum cash payment to the Participant equal to the sum of the Fair Market Value of each such unissued share of Common Stock. 2. Upon the Fixed Payment Date (defined below), at the Company's election, subject to the terms below, either: <ol style="list-style-type: none"> (a) In a lump sum cash payment equal to the greater of: <ol style="list-style-type: none"> (i) The amount of the applicable Award Value; and (ii) The Fair Market Value of that number of shares of Common Stock equal to the quotient of the applicable Award Value and \$0.308; or (b) In a lump sum in a number of shares of Common Stock equal to the quotient of the applicable Award Value and \$0.308; <p>provided, however, that if the Company is prohibited from issuing additional shares of Common Stock under the Plan as required to satisfy in full its obligations under subsection 2(b), then the Company shall satisfy the Award in cash in accordance with subsection 2(a).</p> <p>Notwithstanding the above, the Company shall not be obligated to deliver any shares of Common Stock during any period when the Company determines that the delivery of shares of Common Stock hereunder would violate any federal, state or other applicable laws.</p>
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Fixed Payment Date	<p>The "Fixed Payment Date" for the Award is the fifth (5th) anniversary of the Grant Date; provided, however, that the Company may, in accordance with Code Section 409A and prior to the fourth (4th) anniversary of the Grant Date, with respect to (a) if a Grant Date Control Change has not occurred, 100% of the Award Value, and (b) otherwise, two-thirds (2/3) of the Award Value, elect to:</p> <ol style="list-style-type: none">1. Divide such amount of the Award Value into two (2) or more installment payments (each, an "Award Installment"), each representing a designated portion of the Award Value; and2. Defer the "Fixed Payment Date" for each Award Installment, provided that the new "Fixed Payment Date" for the commencement of any applicable Award Installment shall be a date not less than five (5) years from, nor more than six (6) years after, the original Fixed Payment Date. <p>For clarification, the election provided herein for a later payment date for payment in installments rather than a lump sum shall only apply to payment upon the Fixed Payment Date and shall not apply to or effect payment upon a Change in Control.</p>
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[Signature page to follow]

By accepting this Grant Notice, Participant acknowledges that he or she has received and read, and agrees that this Award shall be subject to, the terms of this Grant Notice, the Plan and the Terms and Conditions.

U.S. WELL SERVICES, INC.

By:
Name:
Title:

PARTICIPANT:

Address (please print):

**U.S. WELL SERVICES, INC.
TERMS AND CONDITIONS FOR
PERFORMANCE AWARD (POOL B)**

These Terms and Conditions apply to the award of Performance Award (Pool B) (the “Award”) which represent the right to receive shares of the Company’s Class A common stock, par value \$0.0001 (the “Common Stock”), or cash as set forth in the Grant Notice provided herewith (the “Grant Notice”) and granted pursuant to the U.S. Well Services, Inc. 2018 Stock Incentive Plan (the “Plan”). In addition to these Terms and Conditions, the Award shall be subject to the terms of the Plan, which are incorporated into these Terms and Conditions by this reference. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

1. TERMS OF PERFORMANCE AWARD

U.S. Well Services, Inc. (the “Company”), has granted the Award to the Participant named in the Grant Notice. The Award is subject to the conditions set forth in the Grant Notice, these Terms and Conditions, and the Plan, each as amended from time to time. For purposes of these Terms and Conditions and the Grant Notice, any reference to the Company shall include a reference to its subsidiaries.

2. VESTING OF PERFORMANCE AWARD

The Award shall not be vested as of the Grant Date set forth in the Grant Notice and shall be forfeitable unless and until the applicable Restricted Period lapses pursuant to the terms of the Grant Notice and these Terms and Conditions.

3. NO RIGHTS AS STOCKHOLDER

The Award granted pursuant to the Grant Notice does not and shall not entitle Participant to any rights of a holder of Common Stock prior to the date that shares of Common Stock are issued to Participant in payment of the Award. Participant’s rights with respect to the Award shall remain forfeitable at all times prior to the date on which rights become vested and the restrictions with respect to the Award lapse in accordance with the Grant Notice.

4. CHANGE IN CONTROL

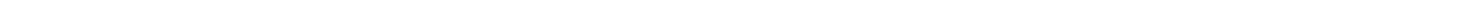
For the purposes of the Award, “Change in Control” shall not have the meaning provided in the Plan, but rather, “Change in Control” shall mean:

(a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole, other than a transaction in which the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such person, the “Successor Entity”)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction;

(b) the Incumbent Directors cease for any reason to constitute at least a majority of the Board;

(c) the consummation of a complete liquidation or dissolution of the Company;

(d) the acquisition by any Person (excluding any Existing Major Holder (as defined below)) of Beneficial Ownership of more than 50% (on a fully diluted basis) of either (i) the then outstanding shares of Common Stock of the Company, taking into account as outstanding for this



purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such Common Stock (the “Outstanding Company Common Stock”) or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this Plan, the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company or any Affiliate, (B) any acquisition by any employee benefit plan sponsored or maintained by the Company or any subsidiary, (C) any acquisition which complies with clauses, (i), (ii) and (iii) of subsection (e) of this definition or (D) in respect of an Award held by a particular Participant, any acquisition by the Participant or any group of persons including the Participant (or any entity controlled by the Participant or any group of persons including the Participant);

(e) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company’s shareholders, whether for such transaction or the issuance of securities in the transaction (a “Business Combination”), unless immediately following such Business Combination: (i) more than 50% of the total voting power of (A) the entity resulting from such Business Combination (the “Surviving Company”), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the members of the board of directors (or the analogous governing body) of the Surviving Company (the “Parent Company”), is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination; (ii) no Person (other than any Existing Major Holder or any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company) is or becomes the Beneficial Owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect members of the board of directors of the Parent Company (or the analogous governing body) (or, if there is no Parent Company, the Surviving Company); and (iii) at least a majority of the members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board’s approval of the execution of the initial agreement providing for such Business Combination; or

(f) the consummation of any sale of shares of Common Stock of the Company or any options, warrants, stock or debt convertible or exchangeable into shares of Common Stock of the Company by any Person which as of the Grant Date has Beneficial Ownership of more than thirty-five percent (35%) (on a fully diluted basis) of the Outstanding Company Common Stock which results in such Person having both (a) Beneficial Ownership of less than twelve and one-half percent (12.5%) (on a fully diluted basis) of the Outstanding Company Common Stock held by such Person as of the Grant Date and (b) Beneficial Ownership of less than five (5%) (on a fully diluted basis) of the Outstanding Company Common Stock at the time of such sale.

Notwithstanding anything herein to the contrary, in no event shall the Company’s initial business combination or the transactions occurring in connection therewith constitute a Change in Control and, with respect to any Award (or portion of any Award) that provides for the deferral of compensation that is subject to Section 409A of the Code, an event shall not be considered to be a Change in Control under the Plan for purposes of payment of such Award (or portion thereof) unless such event is also a “change in ownership,” a “change in effective control” or a “change in the ownership of a substantial portion of the assets” of the Company within the meaning of Section 409A of the Code.

For the purposes hereof, an “Existing Major Holder” shall mean any Person which as of the Grant

Date has Beneficial Ownership of more than 10% (on a fully diluted basis) of the Outstanding Company Common Stock.

5. NO FRACTIONAL SHARES

Fractional shares of Common Stock shall not be delivered upon the payment of the Award.

6. TAXES

If applicable, the Company shall not deliver shares of Common Stock in respect of the payment of the Award unless and until the Participant has made arrangements satisfactory to the Company to satisfy applicable withholding tax obligations. Subject to the discretion of the Committee, the Participant may satisfy any federal, state or local tax withholding obligation relating to the acquisition of Common Stock under the Award, if applicable, by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the maximum amount of tax required to be withheld by law; or (c) delivering to the Company previously owned and unencumbered shares of Common Stock of the Company.

The Participant has been advised and the Participant hereby acknowledges that he has been advised to obtain independent legal and tax advice regarding this Award, grant of the Award, the vesting and payment, including, without limitation, under Section 409A of the Internal Revenue Code of 1986, as amended and the applicable notices, rules, and regulation thereunder (the "Code"). The Participant acknowledges that none of the Company, its Affiliates, the Committee or any of their officers, directors, employees or agents guarantees or are otherwise responsible for any tax consequences to the Participant in connection with this Award, the Award, or the vesting or disposition of shares under any federal, state, local domestic or foreign law, including, without limitation, any income or excise taxes or interest or penalties under Code Section 409A.

The intent of the parties is that this Award comply with Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder to the extent it is applicable and, accordingly, this Award shall be interpreted to be in compliance therewith, and to the extent required the defined terms herein shall have the meaning required of such term under Code Section 409A, and any provision that would result in a violation of Code Section 409A shall be null and void. Notwithstanding any provision to the contrary in this Award, payments under this Award that are subject to Code Section 409A and are to be made hereunder upon a termination of employment shall only be made upon a "separation from service" (as defined in Treasury Regulation § 1.409A-1(h)) and, if the Participant is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment that constitutes "nonqualified deferred compensation" subject to Code Section 409A, such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date after the date of such "separation from service" of the Participant, and (B) the date of the Participant's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this provision (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Participant in a lump sum, and any remaining payments and benefits due under this Award shall be paid or provided in accordance with the normal payment dates specified for them herein. Whenever a payment under this Award may be paid within a specified period, the actual date of payment within the specified period shall be within the sole discretion of the Company. In no event may the Participant, directly or indirectly, designate the calendar year of any payment to be made under this Award.

Any subsequent deferral of a Fixed Payment Date and election to pay in installments rather than a lump sum shall be at the Company's election and shall be made subject to Code Section 409A, including the requirements that (i) such change not take effect until at least twelve (12) months after the date on which the election is made by the Company; (ii) the change of a specified payment election and payment form must result in payment being deferred for a period of not less than five (5) years from the date such payment would otherwise have been paid (or in the case of a life annuity or installment payments treated as a single payment five (5) years from the date the first amount was scheduled to be made); and (iii) the Company must make the election not less than twelve (12) months before the date the payment is scheduled to be paid, and all elections shall be in writing.

Any installment payments shall be treated as a series of separate payments in accordance with Treasury Regulation 1.409A-2(b)(iii).

This grant of Award is subject to all applicable federal, state and local taxes and withholding requirements.

7. OTHER AGREEMENTS SUPERSEDED

The Grant Notice, these Terms and Conditions and the Plan constitute the entire understanding between the Participant and the Company regarding the Award. Except as may otherwise be specifically set forth in any employment or severance agreement between the Participant and the Company, any prior agreements, commitments or negotiations concerning the Award are superseded.

8. LIMITATION OF INTEREST IN SHARES SUBJECT TO PERFORMANCE AWARD

Neither the Participant (individually or as a member of a group) nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest, or privilege in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to the Grant Notice or these Terms and Conditions except as to such shares of Common Stock, if any, as shall have been issued to such person in connection with the Award.

Nothing in the Plan, in the Grant Notice, these Terms and Conditions or any other instrument executed pursuant to the Plan shall confer upon the Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or shall affect the right of the Company or an Affiliate to terminate the employment of the Participant with or without notice and with or without Cause.

9. SECURITIES LAW COMPLIANCE

No shares of Common Stock shall be purchased or sold thereunder unless and until (a) any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel and (b) if required to do so by the Company, the Participant has executed and delivered to the Company a letter of investment intent in such form and containing such provisions as the Committee may require.

10. GENERAL

(a) In the event that any provision of these Terms and Conditions is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of these Terms and Conditions shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision.

(b) The headings preceding the text of the sections hereof are inserted solely for convenience

of reference, and shall not constitute a part of these Terms and Conditions, nor shall they affect its meaning, construction or effect.

(c) These Terms and Conditions shall inure to the benefit of and be binding upon the parties hereto and their respective permitted heirs, beneficiaries, successors and assigns.

(d) These Terms and Conditions shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to principles of conflicts of law.

(e) In the event of any conflict between the Grant Notice, these Terms and Conditions and the Plan, the Grant Notice and these Terms and Conditions shall control. In the event of any conflict between the Grant Notice and these Terms and Conditions, the Grant Notice shall control.

(f) All questions arising under the Plan, the Grant Notice or under these Terms and Conditions shall be decided by the Committee in its total and absolute discretion.

11. ELECTRONIC DELIVERY

By executing the Grant Notice, the Participant hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and its subsidiaries, the Plan, and the Award via Company web site or other electronic delivery.

**AMENDED AND RESTATED
U.S. WELL SERVICES, INC.
2018 STOCK INCENTIVE PLAN**

1. Establishment; Purpose; Eligibility.

1.1 Establishment. The name of this plan is the Amended and Restated U.S. Well Services, Inc. 2018 Stock Incentive Plan (the “**Plan**”). U.S. Well Services, Inc. established the U.S. Well Services, Inc. 2018 Stock Incentive Plan which was approved by the Company’s shareholders effective as of November 2, 2018, and the Board has authorized, approved and adopted the amendment and restatement of the U.S. Well Services, Inc. 2018 Stock Incentive Plan, effective September 21, 2020 (the “**Effective Date**”) to increase the number of shares of Common Stock available for grants for Awards under the Plan and to provide such other changes as provided herein, subject, with respect to the increase in the number of shares of Common Stock available for grants for Awards under the Plan, to the approval of the Company’s shareholders on the earlier of the next shareholder’s meeting following the Effective Date or within twelve (12) months following the Effective Date. The Plan shall not extend the term of any Award granted prior to the Effective Date.

1.2 Purpose. The purposes of the Plan are to (a) enable U.S. Well Services, Inc., a Delaware corporation (the “**Company**”), and any Affiliate to attract and retain the types of Employees, Consultants and Directors who will contribute to the Company’s long range success; (b) provide incentives that align the interests of Employees, Consultants and Directors with those of the shareholders of the Company; and (c) promote the success of the Company’s business.

1.3 Eligible Award Recipients. The persons eligible to receive Awards are the Employees, Consultants and Directors of the Company and its Affiliates and such other individuals designated by the Committee who are reasonably expected to become Employees, Consultants and Directors after the receipt of Awards.

1.4 Available Awards. Awards that may be granted under the Plan include: (a) Incentive Stock Options, (b) Non-qualified Stock Options, (c) Stock Appreciation Rights, (d) Restricted Awards, (e) Performance Awards, and (f) Other Equity-Based Awards.

2. Definitions.

“**Affiliate**” means a corporation or other entity that, directly or through one or more intermediaries, controls, is controlled by or is under common control with, the Company.

“**Applicable Laws**” means the requirements related to or implicated by the administration of the Plan under applicable state corporate law, United States federal and state securities laws, the Code, any stock exchange or quotation system on which the shares of Common Stock are listed or quoted, and the applicable laws of any foreign country or jurisdiction where Awards are granted under the Plan.

“**Award**” means any right granted under the Plan, including an Incentive Stock Option, a Non-qualified Stock Option, a Stock Appreciation Right, a Restricted Award, a Performance Award, or an Other Equity-Based Award.

“**Award Agreement**” means a written agreement, contract, certificate or other instrument or document evidencing the terms and conditions of an individual Award granted under the Plan which may, in the discretion of the Company, be transmitted electronically to any Participant. Each Award Agreement shall be subject to the terms and conditions of the Plan.

“**Beneficial Owner**” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular Person, such Person shall be deemed to have beneficial ownership of all securities that such Person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“**Board**” means the Board of Directors of the Company, as constituted at any time.

“**Cause**” means:

(a) with respect to any Employee or Consultant, unless the applicable Award Agreement states otherwise: (i) if the Employee or Consultant is a party to an employment or service agreement with the Company or its Affiliates and such agreement provides for a definition of Cause, the definition contained therein; or (ii) if no such agreement exists, or if such agreement does not define Cause: (A) the Employee’s or Consultant’s failure or refusal to perform specific directives from the Company or any of its Affiliates that are consistent with the scope and nature of the Employee’s or Consultant’s duties and responsibilities; (B) fraud committed against the Company or any of its Affiliates, or embezzlement of the funds of the Company or any of its Affiliates; (C) use of drugs or other substances, which (x) is unlawful or (y) otherwise interferes with the performance of the Employee’s or Consultant’s duties and obligations; (D) commission of or pleading guilty or no contest to a felony or to any crime involving dishonesty or fraud; or (E) any gross or willful misconduct of the Employee or Consultant resulting in loss to the Company or any of its Affiliates or damages to the reputation of the Company or any of its Affiliates.

(b) with respect to any Director, unless the applicable Award Agreement states otherwise, a determination by a majority of the disinterested Board members that the Director has engaged in any of the following: (i) malfeasance in office; (ii) gross misconduct or neglect; (iii) false or fraudulent misrepresentation inducing the director’s appointment; (iv) willful conversion of corporate funds; or (v) repeated failure to participate in Board meetings on a regular basis despite having received proper notice of the meetings in advance.

The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to whether a Participant has been discharged for Cause.

“**Change in Control**” means:

(a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole, other than a transaction which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "**Successor Entity**")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction;

(b) the Incumbent Directors cease for any reason to constitute at least a majority of the Board;

(c) the consummation of a complete liquidation or dissolution of the Company;

(d) the acquisition by any Person of Beneficial Ownership of more than 50% (on a fully diluted basis) of either (i) the then outstanding shares of Common Stock of the Company, taking into account as outstanding for this purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such Common Stock (the "**Outstanding Company Common Stock**") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**"); *provided, however*, that for purposes of this Plan, the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company or any Affiliate, (B) any acquisition by any employee benefit plan sponsored or maintained by the Company or any subsidiary, (C) any acquisition which complies with clauses, (i), (ii) and (iii) of subsection (e) of this definition or (D) in respect of an Award held by a particular Participant, any acquisition by the Participant or any group of persons including the Participant (or any entity controlled by the Participant or any group of persons including the Participant); or

(e) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "**Business Combination**"), unless immediately following such Business Combination: (i) more than 50% of the total voting power of (A) the entity resulting from such Business Combination (the "**Surviving Company**"), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the members of the board of directors (or the analogous governing body) of the Surviving Company (the "**Parent Company**"), is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination; (ii) no Person (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company) is or becomes the Beneficial Owner, directly or indirectly, of

50% or more of the total voting power of the outstanding voting securities eligible to elect members of the board of directors of the Parent Company (or the analogous governing body) (or, if there is no Parent Company, the Surviving Company); and (iii) at least a majority of the members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

Notwithstanding anything herein to the contrary, in no event shall the Company's initial business combination or the transactions occurring in connection therewith constitute a Change in Control and, with respect to any Award (or portion of any Award) that provides for the deferral of compensation that is subject to Section 409A of the Code, an event shall not be considered to be a Change in Control under the Plan for purposes of payment of such Award (or portion thereof) unless such event is also a "change in ownership," a "change in effective control" or a "change in the ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A of the Code.

"**Clawback Policy**" has the meaning set forth in Section 14.2.

"**Code**" means the Internal Revenue Code of 1986, as it may be amended from time to time. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

"**Committee**" means a committee of one or more members of the Board appointed by the Board to administer the Plan in accordance with Section 3.3 and Section 3.4; *provided, however*, that if the Board has not appointed such a committee to administer the Plan, references herein to "Committee" shall mean the Board.

"**Common Stock**" means the Class A common stock, \$0.0001 par value per share, of the Company, or such other securities of the Company as may be designated by the Committee from time to time in substitution thereof.

"**Company**" means U.S. Well Services, Inc., a Delaware corporation, and any successor thereto.

"**Consultant**" means any individual or entity which performs bona fide services to the Company or an Affiliate, other than as an Employee or Director, and who may be offered securities registerable pursuant to a registration statement on Form S-8 under the Securities Act.

"**Continuous Service**" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Consultant or Director, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, *provided that* there is no interruption or termination of the Participant's Continuous Service; *provided further that* if any Award is subject to Section 409A of the Code, this sentence shall only be given effect to the extent consistent with Section 409A of the Code. For example, a change in status from an Employee of the Company to a Director of an Affiliate will not constitute an

interruption of Continuous Service. The Committee or its delegate, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal or family leave of absence. The Committee or its delegate, in its sole discretion, may determine whether a Company transaction, such as a sale or spin-off of a division or subsidiary that employs a Participant, shall be deemed to result in a termination of Continuous Service for purposes of affected Awards, and such decision shall be final, conclusive and binding.

“**Deferred Stock Units (DSUs)**” has the meaning set forth in Section 7.2(b)(ii) hereof.

“**Director**” means a member of the Board.

“**Disability**” means, unless the applicable Award Agreement says otherwise, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment; *provided, however*, for purposes of determining the term of an Incentive Stock Option pursuant to Section 6.9 hereof, the term Disability shall have the meaning ascribed to it under Section 22(e)(3) of the Code. The determination of whether an individual has a Disability shall be determined under procedures established by the Committee. Except in situations where the Committee is determining Disability for purposes of the term of an Incentive Stock Option pursuant to Section 6.9 hereof within the meaning of Section 22(e)(3) of the Code, the Committee may rely on any determination that a Participant is disabled for purposes of benefits under any long-term disability plan maintained by the Company or any Affiliate in which a Participant participates.

“**Disqualifying Disposition**” has the meaning set forth in Section 14.11.

“**Dividend Equivalents**” has the meaning set forth in Section 7.2(b)(ii).

“**Employee**” means any person, including an Officer or Director, employed by the Company or an Affiliate; *provided, that*, for purposes of determining eligibility to receive Incentive Stock Options, an Employee shall mean an employee of the Company or a parent or subsidiary corporation within the meaning of Section 424 of the Code. Mere service as a Director or payment of a director’s fee by the Company or an Affiliate shall not be sufficient to constitute “employment” by the Company or an Affiliate.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Fair Market Value**” means, as of any date, the value of the Common Stock as determined below. If the Common Stock is listed on any established stock exchange or a national market system, including without limitation, the New York Stock Exchange or the NASDAQ Stock Market, the Fair Market Value shall be the closing price of a share of Common Stock (or if no sales were reported the closing price on the date immediately preceding such date) as quoted on such exchange or system on the day of determination, as reported in the *Wall Street Journal*. In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Committee and such determination shall be conclusive and binding on all persons.

“**Fiscal Year**” means the Company’s fiscal year.

“**Free Standing Rights**” has the meaning set forth in Section 7.1(a).

“**Grant Date**” means the date on which the Committee adopts a resolution, or takes other appropriate action, expressly granting an Award to a Participant that specifies the key terms and conditions of the Award or, if a later date is set forth in such resolution, then such date as is set forth in such resolution.

“**Incentive Stock Option**” means an Option that is designated by the Committee as an incentive stock option within the meaning of Section 422 of the Code and that meets the requirements set out in the Plan.

“**Incumbent Directors**” means individuals who, on the Effective Date, constitute the Board, *provided that* any individual becoming a Director subsequent to such date whose election or nomination for election to the Board was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for Director without objection to such nomination) shall be an Incumbent Director. No individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be an Incumbent Director.

“**ISO Limit**” has the meaning set forth in Section 4.1.

“**Non-Employee Director**” means a Director who is a “non-employee director” within the meaning of Rule 16b-3.

“**Non-qualified Stock Option**” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

“**Officer**” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

“**Option**” means an Incentive Stock Option or a Non-qualified Stock Option granted pursuant to the Plan.

“**Optionholder**” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

“**Option Exercise Price**” means the price at which a share of Common Stock may be purchased upon the exercise of an Option.

“**Other Equity-Based Award**” means an Award that is not an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, or Performance Award that is granted under

Section 7.4 and is payable by delivery of Common Stock and/or which is measured by reference to the value of Common Stock.

“**Participant**” means an eligible person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

“**Performance Goals**” means, for a Performance Period, one or more goals established by the Committee for the Performance Period based upon business criteria or other performance measures determined by the Committee in its discretion.

“**Performance Period**” means one or more periods of time (which shall not be less than one year), as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to and the payment of a Performance Award.

“**Performance Award**” means any Award granted pursuant to Section 7.3 hereof.

“**Performance Share**” means the grant of a right to receive a number of actual shares of Common Stock or share units based upon the performance of the Company during a Performance Period, as determined by the Committee.

“**Permitted Transferee**” means: (a) a member of the Optionholder’s immediate family (child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships), any person sharing the Optionholder’s household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Optionholder) control the management of assets, and any other entity in which these persons (or the Optionholder) own more than 50% of the voting interests; (b) third parties designated by the Committee in connection with a program established and approved by the Committee pursuant to which Participants may receive a cash payment or other consideration in consideration for the transfer of a Non-qualified Stock Option; and (c) such other transferees as may be permitted by the Committee in its sole discretion.

“**Person**” means a person as defined in Section 13(d)(3) of the Exchange Act.

“**Plan**” means this Amended and Restated U.S. Well Services, Inc. 2018 Stock Incentive Plan, as amended and/or amended and restated from time to time.

“**Related Rights**” has the meaning set forth in Section 7.1(a).

“**Restricted Award**” means any Award granted pursuant to Section 7.2(a).

“**Restricted Period**” has the meaning set forth in Section 7.2(a).

“**Restricted Stock**” has the meaning set forth in Section 7.2(a).

“**Restricted Stock Units**” has the meaning set forth in Section 7.2(a).

“**Rule 16b-3**” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Stock Appreciation Right**” means the right pursuant to an Award granted under Section 7.1 to receive, upon exercise, an amount payable in cash or shares equal to the number of shares subject to the Stock Appreciation Right that is being exercised multiplied by the excess of (a) the Fair Market Value of a share of Common Stock on the date the Award is exercised, over (b) the exercise price specified in the Stock Appreciation Right Award Agreement.

“**Stock for Stock Exchange**” has the meaning set forth in Section 6.3.

“**Substitute Award**” has the meaning set forth in Section 4.5.

“**Ten Percent Shareholder**” means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

“**Total Share Reserve**” has the meaning set forth in Section 4.1.

“**Vested Unit**” has the meaning set forth in Section 7.2(e).

3. Administration.

3.1 Authority of Committee. The Plan shall be administered by the Committee or, in the Board’s sole discretion, by the Board. Subject to the terms of the Plan, the Committee’s charter and Applicable Laws, and in addition to other express powers and authorization conferred by the Plan, the Committee or the Board, as applicable, shall have the authority:

- (a) to construe and interpret the Plan and apply its provisions;
 - (b) to promulgate, amend, and rescind rules and regulations relating to the administration of the Plan;
 - (c) to authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;
 - (d) to delegate its authority to one or more Officers of the Company with respect to Awards that do not involve “insiders” within the meaning of Section 16 of the Exchange Act;
 - (e) to determine when Awards are to be granted under the Plan and the applicable Grant Date;
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(f) from time to time to select, subject to the limitations set forth in this Plan, those eligible Award recipients to whom Awards shall be granted;

(g) to determine the number of shares of Common Stock to be made subject to each Award;

(h) to determine whether each Option is to be an Incentive Stock Option or a Non-qualified Stock Option;

(i) to prescribe the terms and conditions of each Award, including, without limitation, the exercise price and medium of payment and vesting provisions, and to specify the provisions of the Award Agreement relating to such grant;

(j) to determine the target number of Performance Shares to be granted or the amount of cash payable pursuant to a Performance Award, the performance measures that will be used to establish the Performance Goals, the Performance Period(s) and the number of Performance Shares or the amount of cash payments earned by a Participant;

(k) to amend any outstanding Awards, including for the purpose of modifying the time or manner of vesting, or the term of any outstanding Award; *provided, however*, that if any such amendment impairs a Participant's rights or increases a Participant's obligations under his or her Award or creates or increases a Participant's federal income tax liability with respect to an Award, such amendment shall also be subject to the Participant's consent;

(l) to determine the duration and purpose of leaves of absences which may be granted to a Participant without constituting termination of their employment for purposes of the Plan, which periods shall be no shorter than the periods generally applicable to Employees under the Company's employment policies;

(m) to make decisions with respect to outstanding Awards that may become necessary upon a change in corporate control or an event that triggers anti-dilution adjustments;

(n) to interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any instrument or agreement relating to, or Award granted under, the Plan; and

(o) to exercise discretion to make any and all other determinations which it determines to be necessary or advisable for the administration of the Plan.

(p) The Committee or the Board, as applicable, also may modify the purchase price or the exercise price of any outstanding Award, *provided that* if the modification effects a repricing, shareholder approval shall be required before the repricing is effective. Except as provided in Sections 6.2 or 12, the terms of outstanding Awards may not be amended to reduce the exercise price of outstanding Options or Stock Appreciation Rights or to cancel outstanding Options or Stock Appreciation Rights in exchange for cash, other Options, Stock Appreciation Rights or other

Awards with an exercise price that is less than the exercise price of the original Options or Stock Appreciation Rights without shareholder approval.

3.2 Committee Decisions Final. All decisions made by the Committee or the Board, as applicable, pursuant to the provisions of the Plan shall be final and binding on the Company and the Participants, unless such decisions are determined by a court having jurisdiction to be arbitrary and capricious.

3.3 Delegation. The Committee or, if no Committee has been appointed, the Board may delegate administration of the Plan to a committee or committees of one or more members of the Board, and the term “**Committee**” shall apply to any person or persons to whom such authority has been delegated. The Committee shall have the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board or the Committee shall thereafter be to the committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan. The members of the Committee shall be appointed by and serve at the pleasure of the Board. From time to time, the Board may increase or decrease the size of the Committee, add additional members to, remove members (with or without cause) from, appoint new members in substitution therefor, and fill vacancies, however caused, in the Committee. The Committee shall act pursuant to a vote of the majority of its members or, in the case of a Committee comprised of only two members, the unanimous consent of its members, whether present or not, or by the written consent of the majority of its members and minutes shall be kept of all of its meetings and copies thereof shall be provided to the Board. Subject to the limitations prescribed by the Plan and the Board, the Committee may establish and follow such rules and regulations for the conduct of its business as it may determine to be advisable.

3.4 Committee Composition. Except as otherwise determined by the Board, the Committee shall consist solely of two or more Non-Employee Directors. The Board shall have discretion to determine whether or not it intends to comply with the exemption requirements of Rule 16b-3. However, if the Board intends to satisfy such exemption requirements, with respect to any insider subject to Section 16 of the Exchange Act, the Committee shall be a compensation committee of the Board that at all times consists solely of two or more Non-Employee Directors. Within the scope of such authority, the Board or the Committee may delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Awards to eligible persons who are not then subject to Section 16 of the Exchange Act. Nothing herein shall create an inference that an Award is not validly granted under the Plan in the event Awards are granted under the Plan by a compensation committee of the Board that does not at all times consist solely of two or more Non-Employee Directors.

3.5 Indemnification. In addition to such other rights of indemnification as they may have as Directors or members of the Committee, and to the extent allowed by Applicable Laws, the Committee shall be indemnified by the Company against the reasonable expenses, including attorney’s fees, actually incurred in connection with any action, suit or proceeding or in connection with any appeal therein, to which the Committee may be party by reason of any action taken or failure to act under or in connection with the Plan or any Award granted under the Plan, and against

all amounts paid by the Committee in settlement thereof (*provided, however*, that the settlement has been approved by the Company, which approval shall not be unreasonably withheld) or paid by the Committee in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee did not act in good faith and in a manner which such person reasonably believed to be in the best interests of the Company, or in the case of a criminal proceeding, had no reason to believe that the conduct complained of was unlawful; *provided, however*, that within 60 days after the institution of any such action, suit or proceeding, such Committee shall, in writing, offer the Company the opportunity at its own expense to handle and defend such action, suit or proceeding.

4. Shares Subject to the Plan.

4.1 Subject to adjustment in accordance with Section 11, no more than 8,160,500 shares of Common Stock or, upon the approval of the Company's shareholders with respect to such increase in the number of shares of Common Stock available for grants for Awards under the Plan, no more than 18,949,674 shares of Common Stock, shall be available for the grant of Awards under the Plan (as applicable, the "**Total Share Reserve**"), and such number shall also be the maximum number of shares of Common Stock that may be issued in the aggregate pursuant to the exercise of Incentive Stock Options (the "**ISO Limit**"). During the terms of the Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Awards.

4.2 Shares of Common Stock available for distribution under the Plan may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares reacquired by the Company in any manner.

4.3 The maximum number of shares of Common Stock subject to Awards granted during a single Fiscal Year to any Director, together with any cash Awards or fees paid to such Director during the Fiscal Year shall not exceed a total value of \$500,000 (calculating the value of any Awards based on the grant date fair value for financial reporting purposes).

4.4 Any shares of Common Stock subject to an Award that expires or is canceled, forfeited, or terminated without issuance of the full number of shares of Common Stock to which the Award related will again be available for issuance under the Plan. Notwithstanding anything to the contrary contained herein: shares subject to an Award under the Plan shall not again be made available for issuance or delivery under the Plan if such shares are (a) shares tendered or withheld in payment of an Option, (b) shares delivered or withheld by the Company to satisfy any tax withholding obligation, or (c) shares covered by a stock-settled Stock Appreciation Right or other Awards that were not issued upon the settlement of the Award.

4.5 Awards may, in the sole discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by an entity acquired by the Company or with which the Company combines ("**Substitute Awards**"). Substitute Awards shall not be counted against the Total Share Reserve; *provided, that*, Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding options intended to qualify as Incentive Stock Options shall be counted against the ISO limit. Subject to applicable stock

exchange requirements, available shares under a shareholder-approved plan of an entity directly or indirectly acquired by the Company or with which the Company combines (as appropriately adjusted to reflect such acquisition or transaction) may be used for Awards under the Plan and shall not count toward the Total Share Limit.

4.6 Awards that by their terms are to be settled solely in cash shall not be counted against the number of shares of Common Stock available for the issuance of Awards under the Plan.

5. Eligibility.

5.1 Eligibility for Specific Awards. Incentive Stock Options may be granted only to Employees. Awards other than Incentive Stock Options may be granted to Employees, Consultants and Directors and those individuals whom the Committee determines are reasonably expected to become Employees, Consultants and Directors following the Grant Date.

5.2 Ten Percent Shareholders. A Ten Percent Shareholder shall not be granted an Incentive Stock Option unless the Option Exercise Price is at least 110% of the Fair Market Value of the Common Stock on the Grant Date and the Option is not exercisable after the expiration of five years from the Grant Date.

5.3 Option Provisions. Each Option granted under the Plan shall be evidenced by an Award Agreement. Each Option so granted shall be subject to the conditions set forth in this Section 6, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. All Options shall be separately designated Incentive Stock Options or Non-qualified Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. Notwithstanding the foregoing, the Company shall have no liability to any Participant or any other person if an Option designated as an Incentive Stock Option fails to qualify as such at any time or if an Option is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and the terms of such Option do not satisfy the requirements of Section 409A of the Code. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the provisions set forth in Section 6.

6 Provisions for Options.

6.1 Term. Subject to the provisions of Section 5.2 regarding Ten Percent Shareholders, no Incentive Stock Option shall be exercisable after the expiration of 10 years from the Grant Date. The term of a Non-qualified Stock Option granted under the Plan shall be determined by the Committee; *provided, however*, no Non-qualified Stock Option shall be exercisable after the expiration of 10 years from the Grant Date.

6.2 Exercise Price of an Incentive Stock Option. Subject to the provisions of Section 5.2 regarding Ten Percent Shareholders and Incentive Stock Options, the Option Exercise

Price of each Option shall be not less than 100% of the Fair Market Value of the Common Stock subject to the Option on the Grant Date. Notwithstanding the foregoing, an Option may be granted with an Option Exercise Price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) and/or Section 409A of the Code.

6.3 Consideration. The Option Exercise Price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (a) in cash or by certified or bank check at the time the Option is exercised or (b) in the discretion of the Committee, upon such terms as the Committee shall approve, the Option Exercise Price may be paid: (i) by delivery to the Company of other Common Stock, duly endorsed for transfer to the Company, with a Fair Market Value on the date of delivery equal to the Option Exercise Price (or portion thereof) due for the number of shares being acquired, or by means of attestation whereby the Participant identifies for delivery specific shares of Common Stock that have an aggregate Fair Market Value on the date of attestation equal to the Option Exercise Price (or portion thereof) and receives a number of shares of Common Stock equal to the difference between the number of shares thereby purchased and the number of identified attestation shares of Common Stock (a “**Stock for Stock Exchange**”); (ii) a “cashless” exercise program established with a broker; (iii) by reduction in the number of shares of Common Stock otherwise deliverable upon exercise of such Option with a Fair Market Value equal to the aggregate Option Exercise Price at the time of exercise; (iv) by any combination of the foregoing methods; or (v) in any other form of legal consideration that may be acceptable to the Committee. Unless otherwise specifically provided in the Option, the exercise price of Common Stock acquired pursuant to an Option that is paid by delivery (or attestation) to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). Notwithstanding the foregoing, during any period for which the Common Stock is publicly traded (i.e., the Common Stock is listed on any established stock exchange or a national market system) an exercise by a Director or Officer that involves or may involve a direct or indirect extension of credit or arrangement of an extension of credit by the Company, directly or indirectly, in violation of Section 402(a) of the Sarbanes-Oxley Act of 2002 shall be prohibited with respect to any Award under this Plan.

6.4 Transferability of an Incentive Stock Option. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

6.5 Transferability of a Non-qualified Stock Option. A Non-qualified Stock Option may, in the sole discretion of the Committee, be transferable to a Permitted Transferee, upon written approval by the Committee to the extent provided in the Award Agreement. If the Non-qualified Stock Option does not provide for transferability, then the Non-qualified Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the

foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

6.6 Vesting of Options. Each Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Committee may deem appropriate. The vesting provisions of individual Options may vary. No Option may be exercised for a fraction of a share of Common Stock. The Committee may, but shall not be required to, provide for an acceleration of vesting and exercisability in the terms of any Award Agreement upon the occurrence of a specified event.

6.7 Termination of Continuous Service. Unless otherwise provided in an Award Agreement or in an employment agreement the terms of which have been approved by the Committee, in the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (a) the date three months following the termination of the Optionholder's Continuous Service or (b) the expiration of the term of the Option as set forth in the Award Agreement; *provided that*, if the termination of Continuous Service is by the Company for Cause, all outstanding Options (whether or not vested) shall immediately terminate and cease to be exercisable. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Award Agreement, the Option shall terminate.

6.8 Extension of Termination Date. An Optionholder's Award Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service for any reason would be prohibited at any time because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act or any other state or federal securities law or the rules of any securities exchange or interdealer quotation system, then the Option shall terminate on the earlier of (a) the expiration of the term of the Option in accordance with Section 6.1 or (b) the expiration of a period after termination of the Participant's Continuous Service that is three months after the end of the period during which the exercise of the Option would be in violation of such registration or other securities law requirements.

6.9 Disability of Optionholder. Unless otherwise provided in an Award Agreement, in the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (a) the date 12 months following such termination or (b) the expiration of the term of the Option as set forth in the Award Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein or in the Award Agreement, the Option shall terminate.

6.10 Death of Optionholder. Unless otherwise provided in an Award Agreement, in the event an Optionholder's Continuous Service terminates as a result of the Optionholder's death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death, but only within the period ending on the earlier of (a) the date 12 months following the date of death or (b) the expiration of the term of such Option as set forth in the Award Agreement. If, after the Optionholder's death, the Option is not exercised within the time specified herein or in the Award Agreement, the Option shall terminate.

6.11 Incentive Stock Option \$100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Affiliates) exceeds \$100,000, the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Non-qualified Stock Options.

7 Provisions of Awards Other Than Options.

7.1 Stock Appreciation Rights.

(a) Each Stock Appreciation Right granted under the Plan shall be evidenced by an Award Agreement. Each Stock Appreciation Right so granted shall be subject to the conditions set forth in this Section 7.1, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. Stock Appreciation Rights may be granted alone ("**Free Standing Rights**") or in tandem with an Option granted under the Plan ("**Related Rights**").

(b) Any Related Right that relates to a Non-qualified Stock Option may be granted at the same time the Option is granted or at any time thereafter but before the exercise or expiration of the Option. Any Related Right that relates to an Incentive Stock Option must be granted at the same time the Incentive Stock Option is granted.

(c) The term of a Stock Appreciation Right granted under the Plan shall be determined by the Committee; *provided, however*, no Stock Appreciation Right shall be exercisable later than the tenth anniversary of the Grant Date.

(d) Each Stock Appreciation Right may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Stock Appreciation Right may be subject to such other terms and conditions on the time or times when it may be exercised as the Committee may deem appropriate. The vesting provisions of individual Stock Appreciation Rights may vary. No Stock Appreciation Right may be exercised for a fraction of a share of Common Stock. The Committee may, but shall not be required to, provide for an acceleration of vesting and exercisability in the terms of any Stock Appreciation Right upon the occurrence of a specified event.

(e) Upon exercise of a Stock Appreciation Right, the holder shall be entitled to receive from the Company an amount equal to the number of shares of Common Stock subject to the Stock Appreciation Right that is being exercised multiplied by the excess of (i) the Fair Market Value of a share of Common Stock on the date the Award is exercised, over (ii) the exercise price specified in the Stock Appreciation Right or related Option. Payment with respect to the exercise of a Stock Appreciation Right shall be made on the date of exercise. Payment shall be made in the form of shares of Common Stock (with or without restrictions as to substantial risk of forfeiture and transferability, as determined by the Committee in its sole discretion), cash or a combination thereof, as determined by the Committee.

(f) The exercise price of a Free Standing Right shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of one share of Common Stock on the Grant Date of such Stock Appreciation Right. A Related Right granted simultaneously with or subsequent to the grant of an Option and in conjunction therewith or in the alternative thereto shall have the same exercise price as the related Option, shall be transferable only upon the same terms and conditions as the related Option, and shall be exercisable only to the same extent as the related Option; *provided, however*, that a Stock Appreciation Right, by its terms, shall be exercisable only when the Fair Market Value per share of Common Stock subject to the Stock Appreciation Right and related Option exceeds the exercise price per share thereof and no Stock Appreciation Rights may be granted in tandem with an Option unless the Committee determines that the requirements of Section 7.1(b) are satisfied.

(g) Upon any exercise of a Related Right, the number of shares of Common Stock for which any related Option shall be exercisable shall be reduced by the number of shares for which the Stock Appreciation Right has been exercised. The number of shares of Common Stock for which a Related Right shall be exercisable shall be reduced upon any exercise of any related Option by the number of shares of Common Stock for which such Option has been exercised.

7.2 Restricted Awards.

(a) A Restricted Award is an Award of actual shares of Common Stock (“**Restricted Stock**”) or hypothetical Common Stock units (“**Restricted Stock Units**”) having a value equal to the Fair Market Value of an identical number of shares of Common Stock, which may, but need not, provide that such Restricted Award may not be sold, assigned, transferred or otherwise disposed of, pledged or hypothecated as collateral for a loan or as security for the performance of any obligation or for any other purpose for such period (the “**Restricted Period**”) as the Committee shall determine. Each Restricted Award granted under the Plan shall be evidenced by an Award Agreement. Each Restricted Award so granted shall be subject to the conditions set forth in this Section 7.2, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement.

(b) Restricted Stock and Restricted Stock Units.

(i) Each Participant granted Restricted Stock shall execute and deliver to the Company an Award Agreement with respect to the Restricted Stock setting forth the restrictions and other terms and conditions applicable to such Restricted Stock. If the

Committee determines that the Restricted Stock shall be held by the Company or in escrow rather than delivered to the Participant pending the release of the applicable restrictions, the Committee may require the Participant to additionally execute and deliver to the Company (A) an escrow agreement satisfactory to the Committee, if applicable and (B) the appropriate blank stock power with respect to the Restricted Stock covered by such agreement. If a Participant fails to execute an agreement evidencing an Award of Restricted Stock and, if applicable, an escrow agreement and stock power, the Award shall be null and void. Subject to the restrictions set forth in the Award, the Participant generally shall have the rights and privileges of a shareholder as to such Restricted Stock, including the right to vote such Restricted Stock and the right to receive dividends; *provided that*, an Award Agreement may provide that any cash dividends and stock dividends with respect to the Restricted Stock shall be withheld by the Company for the Participant's account, and interest may be credited on the amount of the cash dividends withheld at a rate and subject to such terms as determined by the Committee. The cash dividends or stock dividends so withheld by the Committee and attributable to any particular share of Restricted Stock (and earnings thereon, if applicable) shall be distributed to the Participant in cash or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to the amount of such dividends, if applicable, upon the release of restrictions on such share and, if such share is forfeited, the Participant shall have no right to such dividends.

(ii) The terms and conditions of a grant of Restricted Stock Units shall be reflected in an Award Agreement. No shares of Common Stock shall be issued at the time a Restricted Stock Unit is granted, and the Company will not be required to set aside funds for the payment of any such Award. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder. The Committee may also grant Restricted Stock Units with a deferral feature, whereby settlement is deferred beyond the vesting date until the occurrence of a future payment date or event set forth in an Award Agreement ("**Deferred Stock Units**"). At the discretion of the Committee, each Restricted Stock Unit or Deferred Stock Unit (representing one share of Common Stock) may be credited with an amount equal to the cash and stock dividends paid by the Company in respect of one share of Common Stock ("**Dividend Equivalents**"). An Award Agreement may provide that Dividend Equivalents shall be paid currently (and in no case later than the end of the calendar year in which the dividend is paid to the holders of the Common Stock or, if later, the 15th day of the third month following the date the dividend is paid to holders of the Common Stock). Alternatively, an Award Agreement may provide that Dividend Equivalents shall be withheld by the Company and credited to the Participant's account, and interest may be credited on the amount of cash Dividend Equivalents credited to the Participant's account at a rate and subject to such terms as determined by the Committee. Dividend Equivalents credited to a Participant's account and attributable to any particular Restricted Stock Unit or Deferred Stock Unit (and earnings thereon, if applicable) shall be distributed in cash or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to the amount of such Dividend Equivalents and earnings, if applicable, to the Participant upon settlement of such Restricted Stock Unit or Deferred Stock Unit and, if such Restricted Stock Unit or Deferred Stock Unit is forfeited, the Participant shall have no right to such Dividend Equivalents.

(c) Restrictions.

(i) Restricted Stock awarded to a Participant shall be subject to the following restrictions until the expiration of the Restricted Period, and to such other terms and conditions as may be set forth in the applicable Award Agreement: (A) if an escrow arrangement is used, the Participant shall not be entitled to delivery of the stock certificate; (B) the shares shall be subject to the restrictions on transferability set forth in the Award Agreement; (C) the shares shall be subject to forfeiture to the extent provided in the applicable Award Agreement; and (D) to the extent such shares are forfeited, the stock certificates shall be returned to the Company, and all rights of the Participant to such shares and as a shareholder with respect to such shares shall terminate without further obligation on the part of the Company.

(ii) Restricted Stock Units and Deferred Stock Units awarded to any Participant shall be subject to (A) forfeiture until the expiration of the Restricted Period, and satisfaction of any applicable Performance Goals during such period, to the extent provided in the applicable Award Agreement, and to the extent such Restricted Stock Units or Deferred Stock Units are forfeited, all rights of the Participant to such Restricted Stock Units or Deferred Stock Units shall terminate without further obligation on the part of the Company and (B) such other terms and conditions as may be set forth in the applicable Award Agreement.

(iii) The Committee shall have the authority to remove any or all of the restrictions on the Restricted Stock, Restricted Stock Units and Deferred Stock Units whenever it may determine that, by reason of changes in Applicable Laws or other changes in circumstances arising after the date the Restricted Stock or Restricted Stock Units or Deferred Stock Units are granted, such action is appropriate.

(d) With respect to Restricted Awards, the Restricted Period shall commence on the Grant Date and end at the time or times set forth on a schedule established by the Committee in the applicable Award Agreement. No Restricted Award may be granted or settled for a fraction of a share of Common Stock. The Committee may, but shall not be required to, provide for an acceleration of vesting in the terms of any Award Agreement upon the occurrence of a specified event.

(e) Upon the expiration of the Restricted Period with respect to any shares of Restricted Stock, the restrictions set forth in Section 7.2(c) and the applicable Award Agreement shall be of no further force or effect with respect to such shares, except as set forth in the applicable Award Agreement. If an escrow arrangement is used, upon such expiration, the Company shall deliver to the Participant, or his or her beneficiary, without charge, the stock certificate evidencing the shares of Restricted Stock which have not then been forfeited and with respect to which the Restricted Period has expired (to the nearest full share) and any cash dividends or stock dividends credited to the Participant's account with respect to such Restricted Stock and the interest thereon, if any. Upon the expiration of the Restricted Period with respect to any outstanding Restricted Stock Units, or at the expiration of the deferral period with respect to any outstanding Deferred Stock Units, the Company shall deliver to the Participant, or his or her beneficiary, without charge, one

share of Common Stock for each such outstanding vested Restricted Stock Unit or Deferred Stock Unit (“**Vested Unit**”) and cash equal to any Dividend Equivalents credited with respect to each such Vested Unit in accordance with Section 7.2(b)(ii) hereof and the interest thereon or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to such Dividend Equivalents and the interest thereon, if any; *provided, however*, that, if explicitly provided in the applicable Award Agreement, the Committee may, in its sole discretion, elect to pay cash or part cash and part Common Stock in lieu of delivering only shares of Common Stock for Vested Units. If a cash payment is made in lieu of delivering shares of Common Stock, the amount of such payment shall be equal to the Fair Market Value of the Common Stock as of the date on which the Restricted Period lapsed in the case of Restricted Stock Units, or the delivery date in the case of Deferred Stock Units, with respect to each Vested Unit.

(f) Each certificate representing Restricted Stock awarded under the Plan shall bear a legend in such form as the Company deems appropriate.

7.3 Performance Awards.

(a) Performance Awards may be granted by the Committee in its sole discretion awarding cash or Performance Shares or a combination thereof based upon the achievement of goals as determined by the Committee. Each Performance Award granted under the Plan shall be evidenced by an Award Agreement. Each Performance Award so granted shall be subject to the conditions set forth in this Section 7.3, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. The Committee shall have the discretion to determine: (i) the number of shares of Common Stock or stock-denominated units subject to a Performance Award granted to any Participant; (ii) the amount of cash subject to a Performance Award granted to any Participant; (iii) the Performance Period applicable to any Award; (iv) the conditions that must be satisfied for a Participant to earn an Award; and (v) the other terms, conditions and restrictions of the Award.

(b) The number of Performance Shares earned by a Participant will depend on the extent to which the performance goals established by the Committee are attained within the applicable Performance Period, as determined by the Committee.

(c) Performance Awards may be paid in shares of Common Stock, cash or other consideration or a combination thereof related to such shares, in a single payment or in installments on such dates as determined by the Committee, all as specified in the Award Agreement.

7.4 Other Equity-Based Awards. The Committee may grant Other Equity-Based Awards, either alone or in tandem with other Awards, in such amounts and subject to such conditions as the Committee shall determine in its sole discretion. Each Other Equity-Based Award shall be evidenced by an Award Agreement and shall be subject to such conditions, not inconsistent with the Plan, as may be reflected in the applicable Award Agreement.

8. Securities Law Compliance. Each Award Agreement shall provide that no shares of Common Stock shall be purchased or sold thereunder unless and until (a) any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the

satisfaction of the Company and its counsel and (b) if required to do so by the Company, the Participant has executed and delivered to the Company a letter of investment intent in such form and containing such provisions as the Committee may require. The Company shall use reasonable efforts to seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Awards and to issue and sell shares of Common Stock upon exercise of the Awards; *provided, however*, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Award or any Common Stock issued or issuable pursuant to any such Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Awards unless and until such authority is obtained.

9. Use of Proceeds from Stock. Proceeds from the sale of Common Stock pursuant to Awards, or upon exercise thereof, shall constitute general funds of the Company.

10. Miscellaneous.

10.1 Acceleration of Exercisability and Vesting. The Committee shall have the power to accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Award stating the time at which it may first be exercised or the time during which it will vest.

10.2 Shareholder Rights. Except as provided in the Plan or an Award Agreement, no Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Award unless and until such Participant has satisfied all requirements for exercise of the Award pursuant to its terms and no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the date such Common Stock certificate is issued, except as provided in Section 11 hereof.

10.3 No Employment or Other Service Rights. Nothing in the Plan or any instrument executed or Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or shall affect the right of the Company or an Affiliate to terminate (a) the employment of an Employee with or without notice and with or without Cause or (b) the service of a Director pursuant to the By-laws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

10.4 Transfer; Approved Leave of Absence. For purposes of the Plan, no termination of employment by an Employee shall be deemed to result from either (a) a transfer of employment to the Company from an Affiliate or from the Company to an Affiliate, or from one Affiliate to another, or (b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the Employee's right to reemployment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted

or if the Committee otherwise so provides in writing, in either case, except to the extent inconsistent with Section 409A of the Code if the applicable Award is subject thereto.

10.5 Withholding Obligations. To the extent provided by the terms of an Award Agreement and subject to the discretion of the Committee, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under an Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Award, *provided, however*, that no shares of Common Stock are withheld with a value exceeding the maximum amount of tax required to be withheld by law; or (c) delivering to the Company previously owned and unencumbered shares of Common Stock of the Company.

11. Adjustments Upon Changes in Stock. In the event of changes in the outstanding Common Stock or in the capital structure of the Company by reason of any stock or extraordinary cash dividend, stock split, reverse stock split, an extraordinary corporate transaction such as any recapitalization, reorganization, merger, consolidation, combination, exchange, or other relevant change in capitalization occurring after the Grant Date of any Award, Awards granted under the Plan and any Award Agreements, the exercise price of Options and Stock Appreciation Rights, the Performance Goals to which Performance Awards are subject, the maximum number of shares of Common Stock subject to all Awards stated in Section 4 will be equitably adjusted or substituted, as to the number, price or kind of a share of Common Stock or other consideration subject to such Awards to the extent necessary to preserve the economic intent of such Award. In the case of adjustments made pursuant to this Section 11, unless the Committee specifically determines that such adjustment is in the best interests of the Company or its Affiliates, the Committee shall, in the case of Incentive Stock Options, ensure that any adjustments under this Section 11 will not constitute a modification, extension or renewal of the Incentive Stock Options within the meaning of Section 424(h)(3) of the Code and in the case of Non-qualified Stock Options, ensure that any adjustments under this Section 11 will not constitute a modification of such Non-qualified Stock Options within the meaning of Section 409A of the Code. Any adjustments made under this Section 11 shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

12. Effect of Change in Control.

12.1 In the event of a Change in Control, the Committee, on such terms and conditions as it deems appropriate, is hereby authorized to take any one or more of the following actions that the Committee determines to be appropriate with respect to any Award, which may vary among individual Participants and which may vary among Awards held by any individual Participant:

(a) Provide for the cancellation of such Award in exchange for either an amount of cash or other property with a value equal to the amount that could have been obtained upon the

exercise or settlement of the vested portion of such Award or realization of the Participant's rights under the vested portion of such Award, as applicable; *provided that*, if the amount that could have been obtained upon the exercise or settlement of the vested portion of such Award or realization of the Participant's rights, in any case, is equal to or less than zero, then the Award may be terminated without payment;

(b) Terminate an outstanding and unexercised Option, Stock Appreciation Right or Other Equity-Based Award that provides for a Participant elected exercise, effective as of the date of the Change in Control, by delivering notice of termination to the Participant at least twenty (20) days prior to the date of consummation of the Change in Control, in which case during the period from the date on which such notice of termination is delivered to the consummation of the Change in Control the Participant shall have the right to exercise in full such Participant's Award (without regard to any limitations on exercisability otherwise contained in the Award Agreement), but any such exercise shall be contingent on the occurrence of the Change in Control; *provided that*, if the Change in Control does not occur within a specified period after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto shall be null and void;

(c) Provide that:

(i) an outstanding Option, Stock Appreciation Right or Other Equity-Based Award shall become immediately exercisable with respect to 100% of the shares subject to such Option, Stock Appreciation Right or Other Equity-Based Award, and/or the Restricted Period shall expire immediately with respect to 100% of the outstanding shares of an award of Restricted Stock or Restricted Stock Units, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement;

(ii) with respect to a Performance Award, (A) any incomplete Performance Period in respect of such Award in effect on the date the Change in Control occurs shall end on the date of such change and the Committee shall (i) determine the extent to which Performance Goals with respect to such Performance Period have been met based upon such audited or unaudited financial information then available as it deems relevant and (ii) cause to be paid to the Participant an amount based upon the Committee's determination of the degree of attainment of the Performance Goals, or (B) all Performance Goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions will be deemed met.

(iii) Provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and/or applicable exercise or purchase price, in all cases, as determined by the Committee to provide substantially equivalent value, in a manner consistent with Section 409A of the Code and the regulations thereunder, and Treasury Regulation Section 1.424-1, to the extent applicable.

(iv) To the extent applicable and practicable, any actions taken by the Committee under the immediately preceding clauses shall occur in a manner and at a time which allows affected

Participants the ability to participate in the Change in Control with respect to the shares of Common Stock subject to their Awards.

12.2 The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to all or substantially all of the assets and business of the Company and its Affiliates, taken as a whole.

13. Amendment of the Plan and Awards.

13.1 Amendment of Plan. The Board at any time, and from time to time, may amend or terminate the Plan. However, except as provided in Section 11 relating to adjustments upon changes in Common Stock and Section 13.3, no amendment shall be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary to satisfy any Applicable Laws. At the time of such amendment, the Board shall determine, upon advice from counsel, whether such amendment will be contingent on shareholder approval.

13.2 Shareholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for shareholder approval.

13.3 Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees, Consultants and Directors with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options or to the nonqualified deferred compensation provisions of Section 409A of the Code and/or to bring the Plan and/or Awards granted under it into compliance therewith.

13.4 No Impairment of Rights. Rights under any Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (a) the Company requests the consent of the Participant and (b) the Participant consents in writing.

13.5 Amendment of Awards. The Committee at any time, and from time to time, may amend the terms of any one or more Awards; *provided, however,* that the Committee may not affect any amendment which would otherwise constitute an impairment of the rights under any Award unless (a) the Company requests the consent of the Participant and (b) the Participant consents in writing.

14. General Provisions.

14.1 Forfeiture Events. The Committee may specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain events, in addition to applicable vesting conditions of an Award. Such events may include, without limitation, breach of non-competition, non-solicitation, confidentiality, or other restrictive covenants that are contained in the Award Agreement or otherwise applicable to the Participant, a termination of the

Participant's Continuous Service for Cause, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Affiliates.

14.2 Clawback. Notwithstanding any other provisions in this Plan, the Company may cancel any Award, require reimbursement of any Award by a Participant, and effect any other right of recoupment of equity or other compensation provided under the Plan in accordance with any Company policies that may be adopted and/or modified from time to time ("**Clawback Policy**"). In addition, a Participant may be required to repay to the Company previously paid compensation, whether provided pursuant to the Plan or an Award Agreement, in accordance with the Clawback Policy. By accepting an Award, the Participant is agreeing to be bound by the Clawback Policy, as in effect or as may be adopted and/or modified from time to time by the Company in its discretion (including, without limitation, to comply with applicable law or stock exchange listing requirements).

14.3 Other Compensation Arrangements. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

14.4 Sub-Plans. The Committee may from time to time establish sub-plans under the Plan for purposes of satisfying securities, tax or other laws of various jurisdictions in which the Company intends to grant Awards. Any sub-plans shall contain such limitations and other terms and conditions as the Committee determines are necessary or desirable. All sub-plans shall be deemed a part of the Plan, but each sub-plan shall apply only to the Participants in the jurisdiction for which the sub-plan was designed.

14.5 Unfunded Plan. The Plan shall be unfunded. Neither the Company, the Board nor the Committee shall be required to establish any special or separate fund or to segregate any assets to assure the performance of its obligations under the Plan.

14.6 Recapitalizations. Each Award Agreement shall contain provisions required to reflect the provisions of Section 11.

14.7 Delivery. Upon exercise of a right granted under this Plan, the Company shall issue Common Stock or pay any amounts due within a reasonable period of time thereafter. Subject to any statutory or regulatory obligations the Company may otherwise have, for purposes of this Plan, 30 days shall be considered a reasonable period of time.

14.8 No Fractional Shares. No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan. The Committee shall determine whether cash, additional Awards or other securities or property shall be issued or paid in lieu of fractional shares of Common Stock or whether any fractional shares should be rounded, forfeited or otherwise eliminated.

14.9 Other Provisions. The Award Agreements authorized under the Plan may contain such other provisions not inconsistent with this Plan, including, without limitation, restrictions upon the exercise of Awards, as the Committee may deem advisable.

14.10 Section 409A. The Plan is intended to comply with Section 409A of the Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and administered to be in compliance therewith. Any payments described in the Plan that are due within the “short-term deferral period” as defined in Section 409A of the Code shall not be treated as deferred compensation unless Applicable Laws require otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated taxation and tax penalties under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six (6) month period immediately following the Participant’s termination of Continuous Service shall instead be paid on the first payroll date after the six-month anniversary of the Participant’s separation from service (or the Participant’s death, if earlier). Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any additional tax or penalty on any Participant under Section 409A of the Code and neither the Company nor the Committee will have any liability to any Participant for such tax or penalty.

14.11 Disqualifying Dispositions. Any Participant who shall make a “disposition” (as defined in Section 424 of the Code) of all or any portion of shares of Common Stock acquired upon exercise of an Incentive Stock Option within two years from the Grant Date of such Incentive Stock Option or within one year after the issuance of the shares of Common Stock acquired upon exercise of such Incentive Stock Option (a “**Disqualifying Disposition**”) shall be required to immediately advise the Company in writing as to the occurrence of the sale and the price realized upon the sale of such shares of Common Stock.

14.12 Section 16. It is the intent of the Company that the Plan satisfy, and be interpreted in a manner that satisfies, the applicable requirements of Rule 16b-3 as promulgated under Section 16 of the Exchange Act so that Participants will be entitled to the benefit of Rule 16b-3, or any other rule promulgated under Section 16 of the Exchange Act, and will not be subject to short-swing liability under Section 16 of the Exchange Act. Accordingly, if the operation of any provision of the Plan would conflict with the intent expressed in this Section 14.12, such provision to the extent possible shall be interpreted and/or deemed amended so as to avoid such conflict.

14.13 Beneficiary Designation. Each Participant under the Plan may from time to time name any beneficiary or beneficiaries by whom any right under the Plan is to be exercised in case of such Participant’s death. Each designation will revoke all prior designations by the same Participant, shall be in a form reasonably prescribed by the Committee and shall be effective only when filed by the Participant in writing with the Company during the Participant’s lifetime.

14.14 Expenses. The costs of administering the Plan shall be paid by the Company.

14.15 Severability. If any of the provisions of the Plan or any Award Agreement is held to be invalid, illegal or unenforceable, whether in whole or in part, such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions shall not be affected thereby.

14.16 Plan Headings. The headings in the Plan are for purposes of convenience only and are not intended to define or limit the construction of the provisions hereof.

14.17 Non-Uniform Treatment. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who are eligible to receive, or actually receive, Awards. Without limiting the generality of the foregoing, the Committee shall be entitled to make non-uniform and selective determinations, amendments and adjustments, and to enter into non-uniform and selective Award Agreements.

15. Effective Date of Plan. The Plan shall become effective upon the Effective Date, provided that the increase in the Total Share Reserve to occur upon the approval of the Company's shareholders as provided under Section 4.1 hereof, shall not become effective until such approval is received.

16. Termination or Suspension of the Plan. The Plan shall terminate automatically on the tenth anniversary of the earlier of the date the Plan is adopted by the Board or the date that the Company's shareholders approve the Plan. No Award shall be granted pursuant to the Plan after such date, but Awards theretofore granted may extend beyond that date. The Board may suspend or terminate the Plan at any earlier date pursuant to Section 13.1 hereof. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

17. Choice of Law. The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of law rules.

18. Subordination. Notwithstanding anything in this Plan to the contrary, if a proposed cash payment under any Award Agreement or this Plan would require approvals under, or conflict with, the terms of (i) the Senior Secured Term Loan Credit Agreement, dated May 7, 2019, by and among the Company, USWS Holdings, LLC, U.S. Well Services, LLC, the guarantors and lenders party thereto and CLMG Corp., as administrative agent and collateral agent, as amended, (ii) the ABL Credit Agreement dated as of May 7, 2019 among the Company, USWS Holdings, LLC, U.S. Well Services, LLC, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other parties thereto, as amended, or (iii) any other financing agreement to which the Company is subject from time to time, then such payment shall in all cases be limited, delayed or otherwise restricted under this Plan so as to cause the Company to comply in all respects with the foregoing financing agreements and to not require the Company to obtain any approvals under such financing agreements.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joel Broussard, Chief Executive Officer, of U.S. Well Services, Inc. (the "Registrant"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Registrant (this "Report");
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 we 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 most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer 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: November 6, 2020

/s/ Joel Broussard

Joel Broussard
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kyle O'Neill, Chief Financial Officer, of U.S. Well Services, Inc. (the "Registrant"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Registrant (this "Report");
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 we 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 most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer 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: November 6, 2020

/s/ Kyle O'Neill

Kyle O'Neill

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of U.S. Well Services, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joel Broussard, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2020

/s/ Joel Broussard

Joel Broussard
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of U.S. Well Services, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kyle O'Neill, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2020

/s/ Kyle O'Neill

Kyle O'Neill
Chief Financial Officer