



Wisconsin State Board of Assessors  
 Real Property Addendum  
 Manufacturing & Utility Bureau

COPY

<b>Appeal #</b>	79-192, 193, 194, 198, 199, 203-REO-20
<b>Assessment Date</b>	January 1, 2020
<b>DOR State ID #</b>	79-10-040-R000092798, 000092800, 000092806, 000112620, 000112623, 000123409
<b>Local Parcel #</b>	040-0538-002, 040-0537-001, 040-0533-000, 040-0487-000, 040-0486-000, 040-0495-000
<b>Appellant</b>	Wisconsin Proppants LLC
<b>Agent</b>	Joseph Minott
<b>Situs Address</b>	W11702 County Line Road
<b>Municipality</b>	Town of Mentor

This report is prepared in response to appeals filed with the Wisconsin State Board of Assessors (BOA). The BOA is to investigate the assessments in response to these appeals. The 2020 assessments are reviewed with deference to Wisconsin statutes and the Wisconsin Property Assessment Manual (WPAM).

**Appellant's Issue**

The appellant states the reason for objecting to the assessment:

"WI DOR Assessment Value exceeds Petitioner Opinion of FMV"

The appellant also states the basis for the appellant's estimate of full value:

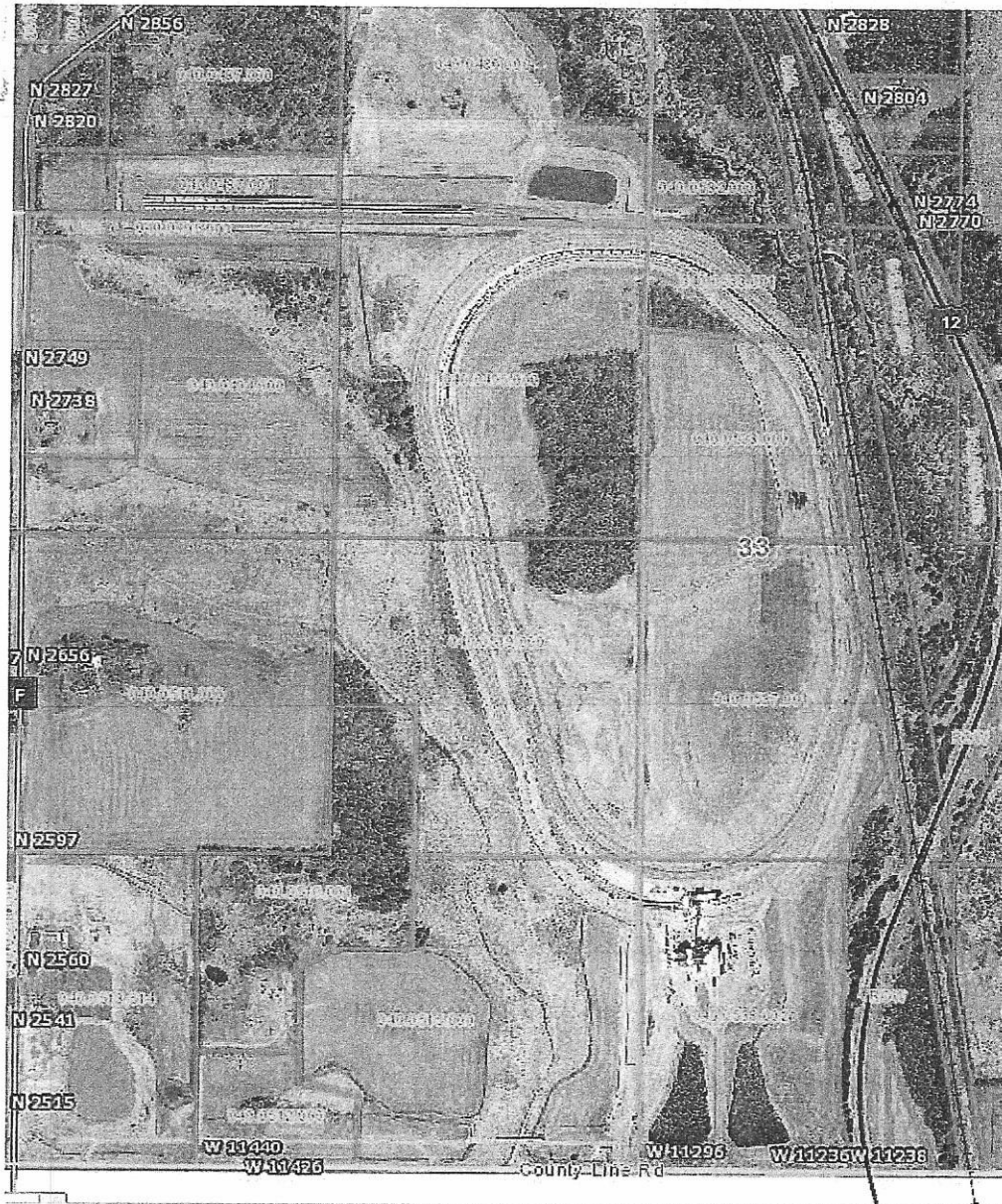
"Opinion FMV more accurately represents fair value of property"

**DOR Full Value Assessment & Appellant's Opinion of Value**

The 2020 full value assessment and the appellant's opinion of value as stated on the objection form are as follows:

BOA #	State ID #	Local Parcel #	2020 Assessment	Appellant's Opinion of Value	Difference
79-192-REO-20	79-10-040-R000092798	040-0538-002	\$2,078,200	\$1,039,100	-\$1,039,100
79-193-REO-20	79-10-040-R000092800	040-0537-001	\$5,131,600	\$2,565,800	-\$2,565,800
79-194-REO-20	79-10-040-R000092806	040-0533-000	\$216,000	\$108,000	-\$108,000
79-198-REO-20	79-10-040-R000112620	040-0487-000	\$290,000	\$145,000	-\$145,000
79-199-REO-20	79-10-040-R000112623	040-0486-000	\$400,000	\$200,000	-\$200,000
79-203-REO-20	79-10-040-R000123409	040-0495-000	\$9,771,700	\$4,885,850	-\$4,885,850

## Property Description and Background



Industrial sand transportation is the main business process occurring on these appealed parcels. The parcels contain rail loops and buildings associated with the shipment of sand. Because of the unique process involved in producing industrial sand for market, most buildings are highly specialized and heavily constructed. The parcels are located at W11296 County Line Road.

The sand shipped from this site is trucked from Wisconsin Proppants' mine site near Hixton, WI. In 2018, as part of a major expansion, the company purchased mining land and constructed improvements a mile west of the rail load-out facility. A conveyor system over a mile long was constructed to transport the mined sand to this load-out facility. However, mining operations ceased, and this conveyor was never used except for some test runs.

Individually, the parcels consist of the following:

BOA #	Parcel Size (acres)	Description
79-192-REO-20	21.0	Buildings, rail, driveway
79-193-REO-20	28.0	rail
79-194-REO-20	20.0	rail
79-198-REO-20	28.87	rail
79-199-REO-20	40.0	rail
79-203-REO-20	40.0	rail

### DOR Assessment History

The last site visit for the subject properties was on 11/12/2018. As part of the appeal, the properties were also visited on 11/3/2020.

BOA #	Assessment History
79-192-REO-20	<p>2019- No changes reported on the M-R. A 3% economic decrease was applied to the improvement value and an estimated value of \$1,000,000 was added to the improvement value for rail and load-out buildings that were constructed in 2018. Full value \$2,720,600.</p> <p>2020- No changes reported on the M-R. A 10% economic reduction to the land and a 25% economic reduction to the improvement value were applied. Full value \$2,078,200.</p>
79-193-REO-20	<p>2019- No changes reported on the M-R. No change in value from prior year. Full value \$6,775,000.</p> <p>2020- No changes reported on the M-R. A 10% economic reduction to the land and a 25% economic reduction to the improvement value were applied. Full value \$5,131,600.</p>
79-194-REO-20	<p>2019- No changes reported on the M-R. There is rail here but assessed on 000092800. No change in value from prior year. Full value \$240,000.</p> <p>2020- No changes reported on the M-R. A 10% economic reduction to the land was applied. Full value \$216,000.</p>
79-198-REO-20	<p>2019- No changes reported on the M-R. There is rail on this parcel that is assessed with 000092800. There was a split on this parcel for 2019. The split was captured by the municipal assessor who assessed the split piece; however, DOR did not complete the administrative work to shift the land to local assessment. The correct acreage should be 10.24 instead of 28.87. No change in value from prior year. Full value \$290,000.</p> <p>2020- No changes reported on the M-R. The split mentioned above was not captured by DOR. The correct acreage should be 10.24 instead of 28.87. No change in value from prior year. Full value \$290,000.</p>
79-199-REO-20	<p>2019- No changes were reported on the M-R. There is rail on this parcel that is assessed with 000092800. No change in value from prior year. Full value \$400,000.</p>

	2020- No changes were reported on the M-R. Full value \$400,000.
79-203-REO-20	<p>2019- New MFG parcel for 2019. A value of \$12,628,904 for rail siding was listed on schedule R-4. No lineal feet entered. Land value was increased to \$7,500/ac and the improvement value increased from \$0 to \$12,628,900. Full value \$12,928,900.</p> <p>2020- No changes reported on the M-R. There was a 25% economic decrease to the improvement value, decreasing the assessment by \$3,157,200. Full value \$9,771,700</p>

## Appellant's Evidence

With the form of appeal the appellant provided no direct market evidence as to the value of the real estate property at this location. Provided information includes:

- An emailed document that was received on October 1<sup>st</sup>. The appellant states that the document would be sent Fed Ex to the Board of Assessors the next day. It is undetermined if the Board of Assessors received a timely filed document. The appellant's emailed information is considered in this recommendation.
- The document explains the market decline of industrial sand and industry-specific challenges. COVID-19 is referenced as one of the challenges.

## DOR Appraiser Comments on Appellant's Evidence

With respect to the appellant's comments on the appeal form, under state law (sec. 70.47(8)(i) Wis. Stats., the assessor is presumed correct. This means that unless convincing evidence is provided proving the assessor's value is wrong, the assessment will not be changed. No direct market evidence has been provided to suggest that the Department is not correct in its valuation of the property.

**Land Valuation:** There have been multiple sale transfers filed involving the subject parcels. Large tract vacant land purchased by Wisconsin Proppants is listed below.

- On 1-13-2015, purchased 69 acres for \$828,000. Approx. \$12,000/Ac.
- On 4-1-2015, purchased 50 acres for \$550,737. Approx. \$11,000 /Ac.
- On 5-23-2017, purchased 81 acres for \$323,400. Approx. \$4,000/Ac. A stream runs through some of the land. It seems that this land serves more as a buffer and less with production.
- On 5-25-2017, purchased 55 acres for \$450,800. Approx. \$8,200/Ac.
- On 1-13-2015, purchased 62 acres for \$540,000. Approx. \$8,700/Ac.
- On 5-25-2017, purchased 23 acres for \$230,000. \$10,000/Ac.
- On 5-25-2017, purchased 40 acres for \$400,000. \$10,000/Ac.
- On 5-24-2017, purchased 113 acres for \$1,880,000. Approx. \$16,600/Ac. This sale included a residential house now used as a security office.
- On 5-24-2017, purchased 66 acres for \$657,800. Approx. \$10,000/Ac.
- On 5-25-2017, purchased 74 acres for \$1,490,000. Approx. \$20,100/Ac.

The 2020 assessed land values of the subject parcels average \$9,750/acre.



**Building Valuation:** Costs reported on the M-R forms were used to develop improvement values. An itemized breakdown of the improvement costs was requested numerous times by DOR, but information was not forthcoming from the appellant.

**Overall:**

- The appellant's information highlighting economic obsolescence, along with other information discussing the hydraulic fracturing sand industry – specifically capacity, production and financial performance is compelling information. However, none of this information speaks to the market value of the subject property for the 2020 assessment year in question.
- From the Dictionary of Real Estate Appraisal, fifth edition by the Appraisal Institute, the definition of market value is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: Buyer and seller are typically motivated; Both parties are well informed or well advised, and acting in what they consider their own best interests; A reasonable time is allowed for exposure in the open market; Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
- While it is a fact that as of January 1, 2020, some industrial sand manufacturers (wet plants, dry plants, mine sites and rail load outs) were idle, other industrial sand manufacturers were running at capacities consistent with their own unique, diversified circumstances.
- Oil and natural gas companies, as well as industrial sand processing companies, build their business models cognizant of the fact that demand for product is going to increase or decrease based on certain economic conditions in place or forecasted. Business decisions are made by company owners and managers based on numerous considerations like regulatory climate, supply and demand, stock-piled sand, contracts in place, transportation costs, etc.
- The July 2019 WorldOil.com article *Disruption and Commoditization of the Proppant Industry* summarizes the oil, gas, proppant industries by saying, "Despite the abrupt changes, the proppant industry has proven its resiliency year after year and will continue to respond to the operator's needs. Whether it is demand surge, new deposits, quality considerations, logistics, or new product development, operators, service companies and proppant companies remain focused on the common goal of continued innovation to produce better wells for the oil and gas industry."

Note: The assessment date in Wisconsin is January 1<sup>st</sup> of each year. The COVID-19 pandemic did not take shape until after 1-1-20. As a result, any potential consequences resulting from the pandemic would not be accounted for on the 2020 assessment.

### **BOA Findings & Assessment Recommendation**

The BOA is to investigate the assessment in response to this appeal. The 2020 assessment was reviewed with deference to Wisconsin statutes and the Wisconsin Property Assessment Manual.

- A site visit was completed for this appeal on 11/12/18 & 11/3/20
- For the 2020 assessment the Markarian Hierarchy was considered to establish value

*Markarian v City of Cudahy*, 45 Wis. 2d 683, 173 N.W. 2d 627 (1970) states,  
"...Only in the absence of a sale of the property in question or sales of reasonably comparable property, can the tax assessor, in determining fair market value, consider all factors collectively which have bearing on the value of property..." (WPAM, Volume I, page 21.3-16, revised 12/10; *Emphasis added*)

- Following the Markarian hierarchy:
  - Tier One: There has been no sale of the subject property
  - Tier Two: There has been no arms-length sales of reasonably comparable properties with which to complete a sales comparison report
  - Tier Three: Allows for the cost approach to value to be presented as evidence, and this is the method that was used to develop the 2020 BOA value represented in this recommendation. The costs reported on the M-R forms were used.
- After review of the 2020 assessment, I found that Wisconsin statutes and the Wisconsin Property Assessment Manual were both followed
- The following court cases support the assessor's valuation:
  - "The party challenging the assessment has the burden of producing evidence showing the error in the assessor's valuation." Steenberg, 167 Wis 2d at 571-72, 482 N.W. 2d at 328, quoting *Rosen V. City of Milwaukee*, 72, Wis 653, 662-62, 242 NW. 2d 681, 684 (1976).
  - "There is a presumption that the assessor's valuation is correct. Such valuation will not be set aside in the absence of evidence showing it to be incorrect." *State ex.rel. Collins v. Brown*, 225 Wis 593, 275, N.W. 455.
  - "The burden of producing evidence to overcome this presumption is upon the person who seeks to attack the assessment and the presumption survives until it is met by credible evidence." *State ex. rel. Collins v Brown*, Subra.
- The appellant provided no market evidence to substantiate an opinion of value
- An acreage error was found on appeal 79-198-REO-20. The parcel had been split in 2018 for 2019 assessment. The acreage before the split was 28.87 and after 10.24. The acre amount was not changed on the DOR end. I recommend reducing the value (see below).

Based on this review, I recommend the following:

BOA #	State ID #	2020 Total Assessment	2020 Land Recommendation	2020 Improvement Recommendation	2020 \$ Change	2020 BOA Recommended Values
79-192-REO-20	79-10-040-R000092798	\$2,078,200	\$226,800	\$1,851,400	\$0	\$2,078,200
79-193-REO-20	79-10-040-R000092800	\$5,131,600	\$302,400	\$4,829,200	\$0	\$5,131,600
79-194-REO-20	79-10-040-R000092806	\$216,000	\$216,000	\$0	\$0	\$216,000
79-198-REO-20	79-10-040-R000112620	\$290,000	\$101,100	\$1,300	-187,600	Total: \$102,400
79-199-REO-20	79-10-040-R000112623	\$400,000	\$400,000	\$0	\$0	\$400,000
79-203-REO-20	79-10-040-R000123409	\$9,771,700	\$300,000	\$9,471,700	\$0	\$9,771,700

### Interest and Special District Information

Interest per sec 70.511(2)(b), Wis. Stats., is applicable for appeal 79-198-REO-20. An overpayment of taxes has occurred if taxes were paid in part or in full as of receipt of this document and the Board of Assessor determination letter. For the remaining appeals, interest is not applicable as the values are being sustained in this recommendation.

School District Code	0091
Tech College	0100
TID Code	NA
Special District Code	NA

### Signature



David Benish, WI Certified Assessor 2

1/28/2021

Date

**Attachments**

BOA # BOA # 79-192, 193,194,198, 199, 203-REO-20

Notice of Real Property Assessment..... 8 -11

Form of Objection ..... 12 - 17

Appellant's Information..... 18 - 28



Wisconsin Department of Revenue  
Manufacturing & Utility Bureau  
610 Gibson St Ste 7  
Eau Claire, WI 54701-2650

WISCONSIN PROPPANTS LLC  
PO BOX 2629  
ADDISON TX 75001-2629

Wisconsin Department of Revenue / Manufacturing & Utility Bureau  
2020 Notice of Real Property Assessment

Notice date Jun 08, 2020  
State ID no. 79-10-040-R000092798  
County of 79-10 Clark  
Taxation district 040 T of Mentor  
DOR parcel no. 000092798  
Local parcel no. 040.0538.002  
Site description  
Site address W11298 County Line Rd  
School code 270091  
Special districts

Land	\$	226,800
Improvements		1,851,400
<b>Total</b>	<b>\$</b>	<b>2,078,200</b>

Contact Information

If you have any questions, contact the Manufacturing & Utility Bureau District Office in your area at [mfg179@wisconsin.gov](mailto:mfg179@wisconsin.gov) or (715) 835-4926.

MFGAA103WI (R. 03-18)

See other side for appeal procedures

Wisconsin Department of Revenue  
Manufacturing & Utility Bureau  
610 Gibson St Ste 7  
Eau Claire, WI 54701-2650

WISCONSIN PROPPANTS LLC  
PO BOX 2629  
ADDISON TX 75001-2629

Wisconsin Department of Revenue / Manufacturing & Utility Bureau  
2020 Notice of Real Property Assessment

Notice date Jun 08, 2020  
State ID no. 79-10-040-R000092800  
County of 79-10 Clark  
Taxation district 040 T of Mentor  
DOR parcel no. 000092800  
Local parcel no. 040.0537.001  
Site description  
Site address W11298 County Line Rd  
School code 270091  
Special districts

Land	\$	302,400
Improvements		4,829,200
<b>Total</b>	<b>\$</b>	<b>5,131,600</b>

Contact Information

If you have any questions, contact the Manufacturing & Utility Bureau District Office in your area at [mfg179@wisconsin.gov](mailto:mfg179@wisconsin.gov) or (715) 835-4926.

MFGAA103WI (R. 03-18)

See other side for appeal procedures

Wisconsin Department of Revenue / Manufacturing & Utility Bureau  
2020 Notice of Real Property Assessment

Wisconsin Department of Revenue  
Manufacturing & Utility Bureau  
610 Gibson St Ste 7  
Eau Claire, WI 54701-2650

Notice date Jun 08, 2020  
State ID no. 79-10-040-R000092808  
County of 79-10 Clark  
Taxation district 040 T of Mentor  
DOR parcel no. 000092808  
Local parcel no. 040.0533.000  
Site description  
Site address County Line Rd  
School code 270091  
Special districts

WISCONSIN PROPPANTS LLC  
PO BOX 2629  
ADDISON TX 75001-2629

Land	\$	218,000
Improvements		0
<b>Total</b>	<b>\$</b>	<b>218,000</b>

Contact Information

If you have any questions, contact the Manufacturing & Utility Bureau District  
Office in your area at [mfgtel79@wisconsin.gov](mailto:mfgtel79@wisconsin.gov) or (715) 836-4925.

MFGAA103WI (R. 03-18)

See other side for appeal procedures

Wisconsin Department of Revenue / Manufacturing & Utility Bureau  
2020 Notice of Real Property Assessment

Wisconsin Department of Revenue  
Manufacturing & Utility Bureau  
610 Gibson St Ste 7  
Eau Claire, WI 54701-2650

Notice date Jun 08, 2020  
State ID no. 79-10-040-R000112820  
County of 79-10 Clark  
Taxation district 040 T of Mentor  
DOR parcel no. 000112820  
Local parcel no. 040.0487.000  
Site description  
Site address N2868 Cty Hwy B  
School code 270091  
Special districts

WISCONSIN PROPPANTS LLC  
PO BOX 2629  
ADDISON TX 75001-2629

Land	\$	288,700
Improvements		1,300
<b>Total</b>	<b>\$</b>	<b>290,000</b>

Contact Information

If you have any questions, contact the Manufacturing & Utility Bureau District  
Office in your area at [mfgtel79@wisconsin.gov](mailto:mfgtel79@wisconsin.gov) or (715) 836-4925.

MFGAA103WI (R. 03-18)

See other side for appeal procedures

Wisconsin Department of Revenue  
Manufacturing & Utility Bureau  
610 Gibson St Ste 7  
Eau Claire, WI 54701-2650

WISCONSIN PROPPANTS LLC  
PO BOX 2629  
ADDISON TX 75001-2629

See other side for appeal procedures

Wisconsin Department of Revenue / Manufacturing & Utility Bureau  
2020 Notice of Real Property Assessment

Notice date Jun 08, 2020  
State ID no. 79-10-040-R000112623  
County of 79-10 Clark  
Taxation district 040 T of Mentor  
DOR parcel no. 000112623  
Local parcel no. 040.0486.000  
Site description  
Site address  
School code 270091  
Special districts

Land	\$	400,000
Improvements		0
<b>Total</b>	<b>\$</b>	<b>400,000</b>

Contact Information  
If you have any questions, contact the Manufacturing & Utility Bureau District  
Office in your area at [migtel79@wisconsin.gov](mailto:migtel79@wisconsin.gov) or (715) 835-4925.

MFGAA103WI (R. 03-15)

Wisconsin Department of Revenue  
Manufacturing & Utility Bureau  
610 Gibson St Ste 7  
Eau Claire, WI 54701-2650

WISCONSIN PROPPANTS LLC  
DUFF & PHELPS  
PO BOX 2629  
ADDISON TX 75001-2629

See other side for appeal procedures

Wisconsin Department of Revenue / Manufacturing & Utility Bureau  
2020 Notice of Real Property Assessment

Notice date Jun 08, 2020  
State ID no. 79-10-040-R000129409  
County of 79-10 Clark  
Taxation district 040 T of Mentor  
DOR parcel no. 000129409  
Local parcel no. 040.0495.000  
Site description  
Site address  
School code 270091  
Special districts

Land	\$	300,000
Improvements		9,471,700
<b>Total</b>	<b>\$</b>	<b>9,771,700</b>

Contact Information  
If you have any questions, contact the Manufacturing & Utility Bureau District  
Office in your area at [migtel79@wisconsin.gov](mailto:migtel79@wisconsin.gov) or (715) 835-4925.

MFGAA103WI (R. 03-15)

Form  
**PA-132**

79 10-042-R-0000 97 79 2

## Objection to Manufacturing Real Estate Assessment

Wisconsin  
Department of Revenue

Complete all sections     See Filing Requirements on page 2

**Section 1: Who is filing this objection? Check one!**

Property owner/agent\*     Municipal agent\*    \*If agent, submit current Agent Authorization Form (PA-105) with this form

**Section 2: Property Owner and Property Information**

Property owner (Name and address, street address)				Taxation district (Check one)		County	
Wisconsin Proppants LLC				<input checked="" type="checkbox"/> Town <input type="checkbox"/> Village <input type="checkbox"/> City		Clark	
Mailing address				Street address of property			
301 South Bedford Street				W11702 County Line Road			
City	State	Zip	City	State	Zip		
Madison	WI	53703	Humboldt	WI	54746		

**Section 3: Contact Information**

Name (Title, last name, agent, address)				Company name			
Joseph R. Minotti				Duff & Phelps LLC			
Mailing address				Phone		Fax	
311 S. Wacker Dr. Suite 4200				(312) 697-4937		(312) 361-0757	
City	State	Zip	Email				
Chicago	WI	60606	Joseph.Minotti@duffandphelps.com				

**Section 4: Assessment Information and Opinion of Value**

Year of last assessment (before the 1st year)	State ID no. (optional)	Local parcel no.
06-06-2020	0 0 0 0 9 2 7 R 9 8	040-0535-062
Assessed or objection value - Base	Your opinion of value - Total	
\$ 2,078,200	\$ 1,039,100	

**Section 5: Reason for objection and basis of estimate**

Reason for objection (list objections/changes if needed)	Basis for your opinion of value (check appropriate boxes/insert)
WIDOR Assessment Value exceeds Petitioner's Opinion of FMV.	Opinion FMV more accurately represents fair value of property.

In the last five years, the property was: (check all that apply and attach two copies of documents)

Appraised for improvement     Sold     Offered for sale     Listed for sale     N/A     Real estate marketing program

Appraisal date	See assessor's report value	Appraiser name	Appraiser phone
		N/A	( ) -

**Section 6: Submitting Additional Information**

Under state law (sec. 70.995(3)(c), Wis. Stats.), you may submit additional information to the State Board of Assessors (BOA) within 60 days of your appeal.

I hereby waive my right to provide additional information to the BOA under sec. 70.995(3)(c), Wis. Stats.

For Department Use Only  
BOA# 79-97-850-20

I, the undersigned, declare under penalty of law that I have personally examined the form and supporting documents. In the best of my knowledge and belief, this is true, correct and complete.

Owner / Authorized Agent Sign Here	Name (last, first, middle)	Joseph R. Minotti	
	Signature		
	Company name	Tax Director, Duff & Phelps LLC	
		Date	08-05-2020

AUG 10 2020  
WISCONSIN DEPARTMENT OF REVENUE



79-0-040-R-000092800

Form  
PA-132

**Objection to  
Manufacturing Real Estate Assessment**

Wisconsin  
Department of Revenue

■ Complete all sections. ■ See Filing Requirements on page 2

**Section 1: Who is filing this objection? Check one!**

Property owner/agent<sup>a</sup>  Municipal agent<sup>a</sup> <sup>a</sup> Agent should correct Agent Authorization Form (PA-132) with this form

**Section 2: Property Owner and Property Information**

Property description (include assessment number)		Assessment type: <input checked="" type="checkbox"/> Total <input type="checkbox"/> Wings <input type="checkbox"/> Eas		County	
Winconsin Proppants LLC		Date received by: -		Manitowish	
Mailing address		Street address of property			
301 South Bedford Street		W11702 County Line Road			
City	State	Zip	City	State	Zip
Madison	WI	53703	Humboldt	WI	54746

**Section 3: Contact Information**

Name of the contact agent/office		Company name			
Joseph R. Minott		Duff & Phelps LLC			
Mailing address		Phone		Fax	
311 S. Wacker Dr. Suite 4200		(312) 697-4937		(312) 361-0757	
City	State	Zip	Email		
Chicago	WI	60606	Joseph.Minott@duffandphelps.com		

**Section 4: Assessment Information and Opinion of Value**

Year of Most Recent Assessment (Date Rec'd by Taxp)	Market No. (assessed)	Local parcel ID
06-08-2020	0000092800	0400537001
Assessment as shown on notice - Total	Fair market value - Total	
\$ 2,131,600	\$ 2,565,600	

**Section 5: Reason for Objection and Basis of Estimate**

Reason for the objection (check all that apply):	Basis for your opinion of value. Attach additional sheets if needed.
WI DCR Assessment Value exceeds Petitioner Opinion of FMV.	Opinion FMV more accurately represents fair value of property.

In the last five years, the property was:

Appraised for any interest  Sold  Offered for sale  Leased for sale  N/A  Seized for county delinquency

Appraise date	Real estate assessed value	Appraise date	Real estate assessed value
		N/A	

**Section 6: Submitting Additional Information**

Under state law (sec. 70.05(4)(b)2, Wis. Stats.), you may submit additional information to the State Board of Assessors (SBA) within 60 days of your appeal.

I hereby waive my right to provide additional information to the SBA under sec. 70.05(4)(b)2, Wis. Stats.

For Department Use Only

BOA# 79-193-180-20

I, the undersigned, declare under penalties of law that I have personally examined this form and supplemental documents. To the best of my knowledge and belief it is true, correct and complete.

Owner / Authorized Agent Sign Here	Name (last, first)	Joseph R. Minott
	Signature	<i>Joseph R. Minott</i>
	Company or title	Tax Director, Duff & Phelps LLC
		Date
		08 05 2020

PA-132 (5-18)

79-10-040-R-000092806

Form PA-132

### Objection to Manufacturing Real Estate Assessment

Wisconsin Department of Revenue

Complete all sections     See filing requirements on page 7

#### Section 1: Who is filing this objection? (check one)

Property owner (agent)\*     Municipality (agent)\*    \*If agent, add a current Agent Authorization Form (PA-105) with this form

#### Section 2: Property Owner and Property Information

Property owner has the following address: <b>Wisconsin Proppants LLC</b>			Taxpayer elected State and local sales tax? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> City <input type="checkbox"/> County
Municipality: <b>301 South Bedford Street</b>			Local sales tax rate: <b>Mentor Clark</b>
City: <b>Madison WI 53703</b>			Year assessed of property: <b>WI 1702 County Line Road</b>
City: <b>Madison</b>	State: <b>WI</b>	Zip: <b>53703</b>	City: <b>Humbird</b> State: <b>WI</b> Zip: <b>54746</b>

#### Section 3: Contact Information

Name/Title (owner/agent/agent): <b>Joseph R. Minoff</b>	Company name: <b>Duff &amp; Phelps LLC</b>
Municipality: <b>311 S Wacker Dr. Suite 4200</b>	Phone: <b>(312) 697-4937</b> Fax: <b>(312) 361-0757</b>
City: <b>Chicago</b>	State: <b>WI</b> Zip: <b>60606</b> Email: <b>Joseph.Minoff@duffandphelps.com</b>

#### Section 4: Assessment Information and Opinion of Value

Date of Real Estate Assessment: <b>06-08-2020</b>	Assessed as: <b>000092806</b>	Local parcel ID: <b>040 0513 080</b>
Assessment as shown on notice - Total: <b>\$ 216,000</b>	Year of last of value - FMV: <b>\$ 108,000</b>	

#### Section 5: Reason for Objection and Basis of Estimate

Reason for objection: (check one) <b>WI DOR Assessment Value exceeds Petitioner Opinion of FMV.</b>	Basis for your opinion of value: (check one) <b>Opinion FMV more accurately represents fair value of property.</b>
--	---

In the last five years, the property was: (check all that apply and enter the number of occurrences)

<input type="checkbox"/> Appraised for appraisal	<input type="checkbox"/> Sold	<input type="checkbox"/> Offered for sale	<input type="checkbox"/> Listed for sale	<input checked="" type="checkbox"/> N/A	<input type="checkbox"/> Renewed/for pending options
Appraisal date:	Real estate agent name:	Appraiser name:	Appraiser phone:		
		<b>N/A</b>	<b>( )</b>		

#### Section 6: Submitting Additional Information

Under state law (see 70.995(8)(2), Wis. Stats.), you may submit additional information to the State Board of Assessors (SBA) within 60 days of your appeal.

I hereby waive my right to provide additional information to the SBA under sec. 70.995(8)(2), Wis. Stats.

For Department Use Only

BOA# **79-179-AB0-00**

I, the undersigned, declare under penalties of law that I have personally reviewed this form and supplemental documents. To the best of my knowledge and belief it is true, correct and complete.

Owner / Authorized Agent Sign Here	Name (print): <b>Joseph R. Minoff</b>
	Signature: 
	Company name: <b>Tax Director, Duff &amp; Phelps LLC</b>
	Date: <b>08-05-2020</b>

79-10-010-R-000112670

Form PA-132

### Objection to Manufacturing Real Estate Assessment

Wisconsin Department of Revenue

Complete all sections See Filing Requirements on page 2

#### Section 1: Who is filing this objection? (check one)

Property management  Municipality agent  Agent, submit current Agent Authorization Form (PA-105) with this form

#### Section 2: Property Owner and Property Information

Property name (or individual name) <b>Wisconsin Proppants LLC</b>		Taxpayer district (check one) <input checked="" type="checkbox"/> Town <input type="checkbox"/> Village <input type="checkbox"/> City		County <b>Clark</b>
Mailing address <b>301 South Bedford Street</b>		Street address (if property) <b>W11702 County Line Road</b>		
City <b>Madison</b>	State <b>WI</b>	Zip <b>53703</b>	City <b>Hartford</b>	State <b>WI</b>
			Zip <b>54748</b>	

#### Section 3: Contact Information

Name (title, agency, agent, officer) <b>Joseph R. Minott</b>		Company name <b>Duff &amp; Phelps LLC</b>		
Mailing address <b>311 S. Wacker Dr Suite 4200</b>		Phone <b>(312) 697 - 4937</b>	Fax <b>(312) 361 - 0757</b>	
City <b>Chicago</b>	State <b>WI</b>	Zip <b>60606</b>	Email <b>Joseph.Minott@duffandphelps.com</b>	

#### Section 4: Assessment Information and Opinion of Value

Date of Real Estate Assessment Notice (month/year) <b>06 - 04 - 2020</b>	Assessment schedule <b>0, 0, 0, 1, 1, 2, @, R, 2, 0</b>	Assessed value <b>\$ 290,000</b>	Assessed value of land - Total <b>\$ 145,000</b>
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#### Section 5: Reason for Objection and Basis of Estimate

Reason for objection (attach additional sheets if needed) <b>WI DCR Assessment Value exceeds Professional Opinion of FMV.</b>	Basis for your estimate of value (attach additional sheets if needed) <b>Opinion FMV more accurately represents fair value of property.</b>
--	--

In the next few years, the property may:  be sold  be demolished  be converted to another use  be subdivided  be rezoned  be otherwise changed

Appraised for acquisition  Sold  Offered for sale  Intended for sale  None of the above  Reserved for a future purpose

Appraiser name <b>N/A</b>	Appraiser phone <b>( ) - -</b>
------------------------------	-----------------------------------

#### Section 6: Submitting Additional Information

Under state law (sec. 70.995(8)(12), Wis. Stats.) you may submit additional information to the State Board of Assessors (SBA) within 60 days of your appeal.

I hereby waive my right to provide additional information to the SBA under sec. 70.995(8)(12), Wis. Stats.

For Department Use Only  
EC044 79-10-010-R-000112670

APR 10 2020

I, the undersigned, declare under penalty of law that I have previously executed this form and supplemental documents. To the best of my knowledge and belief it is true, correct and complete.

Owner / Authorized Agent Signature	Name of filer/print <b>Joseph R. Minott</b>
	Signature <i>Joseph R. Minott</i>
	Company name <b>Tax Director, Duff &amp; Phelps LLC</b>
	Date <b>05 - 05 - 2020</b>

PA-132 (8-18)

2020-05-05



79-10-040-R-0001121023

Form PA-132

### Objection to Manufacturing Real Estate Assessment

Wisconsin Department of Revenue

Complete all sections See filing requirements on page 2

#### Section 1: Who is filing this objection? (check one)

Property owner/agent \*  Municipality/agent \* \*If agent, submit current Agent Authorization Form IRS-153 with this form

#### Section 2: Property Owner and Property Information

Property owner name (on document being assessed)		Assessed property (check one)		County	
Wisconsin Proppants LLC		<input checked="" type="checkbox"/> Farm <input type="checkbox"/> Warehouse <input type="checkbox"/> City		Clark	
Mailing address		Street address of property			
301 South Bedford Street		W11702 County Line Road			
City	State	Zip	City	State	Zip
Madison	WI	53703	Humbred	WI	54746

#### Section 3: Contact Information

Name (title, address, agent, address)		Company name			
Joseph R. Minott		Duff & Phelps LLC			
Mailing address		Phone		Fax	
911 S Wacker Dr. Suite 4700		(312) 697-4937		(312) 351-0757	
City	State	Zip	Email		
Chicago	WI	60606	Joseph.Minott@duffandphelps.com		

#### Section 4: Assessment Information and Opinion of Value

Date of Real Estate Assessment (MM/DD/YYYY)	State ID no. (Assessed)	Local tax value
06-08-2020	0001121023	040,048.000
Appraised at (Report on Notice - Total)	Assessed value - Total	
\$ 400,000	\$ 200,000	

#### Section 5: Reason for Objection and Basis of Estimate

Reason for objection (attach additional sheets if needed)	Basis for opinion of value (attach additional sheets if needed)
WI DCR Assessment Value exceeds Positioner Opinion of FMV.	Opinion FMV more accurately represents fair value of property.

In the last five years, the property was:

Appraised for unrecorded  Sold  Offered for sale  Listed for sale  N/A  Revalued for machine operations

Appraiser name	Assessor's appraised value	Appraiser name	Appraiser phone
		N/A	( ) -


#### Section 6: Submitting Additional Information

Under state law (sec. 70.995(8)(2), Wis. Stats.), you may submit additional information to the State Board of Assessors (SBA) within 60 days of your appeal.

I hereby waive my right to provide additional information to the SBA under sec. 70.995(8)(2), Wis. Stats.

For Department Use Only

NOA# 79-197-800-20



I, the undersigned, declare under penalty of law that I have personally examined this form and supplemental documents. To the best of my knowledge and belief, it is true, correct and complete.

Owner/Authorized Agent Signature	Name (please print)	Joseph R. Minott	
	Signature	<i>Joseph R. Minott</i>	
	Company name	Date	08-05-2020
Tax Director, Duff & Phelps LLC			



79-10-110-R-000123409

Form PA-132

# Objection to Manufacturing Real Estate Assessment

Wisconsin Department of Revenue

Complete all sections  See Filing Requirements on page 2

### Section 1: Who is filing this objection? (check one)

Property owner/agent  Municipal/agent  If agent, submit current Agent Authorization Form (PA-105) with this form

### Section 2: Property Owner and Property Information

Property owner name (or street name/aptno)		Taxpayer status <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Waiver <input type="checkbox"/> Lessee		County
Wisconsin Proppants LLC		Time return being --		Clark
Mailing address		Street address of property		
301 South Bedford Street		W11702 County Line Road		
City	State	Zip	City	State
Madison	WI	53703	Humbolt	WI 54748

### Section 3: Contact Information

Name of this person (agent, officer)		Company name	
Joseph R. Minott		Duff & Phelps LLC	
Mailing address		Phone	Fax
311 S Wacker Dr. Suite 4200		(312) 697-4937	(312) 361-0757
City	State	Zip	Email
Chicago	WI	60606	Joseph.Minott@duffandphelps.com

### Section 4: Assessment Information and Opinion of Value

Original State Assessment (Make sure it's your)	State tax year	Local tax year
06-09-2020	0 0 0 1 2 3 4 R 0 9	040 0495 000
Assessed value of property - Total	Your opinion of value - Total	
\$ 9,771,700	\$ 4,885,650	

### Section 5: Reason for Objection and Basis of Estimate

Reason for objection: (Check additional boxes if needed)	Basis for your opinion of value. (Check additional boxes if needed)
WI DCF Assessment Value exceeds Petitioner's Opinion of FMV.	Opinion FMV more accurately represents fair value of property.

In the last five years, the property was:  Assessed for any record  Sold  Abandoned  Used for use  N/A  Reviewed to meeting agenda

Assessed date	Assessed address	Assessed value	Assessed phone
		N/A	( ) -

### Section 6: Submitting Additional Information

Under state law (sec. 70.95(8)(2), Wis. Stats.) you may submit additional information to the State Board of Assessors (SBA) within 60 days of your appeal.

I hereby waive my right to provide additional information to the SBA under sec. 70.95(8)(2), Wis. Stats.

For Department Use Only

RCIA# 79-203-780-20

I, the undersigned, declare under penalty of law that I have personally reviewed this form and supplemental documents. To the best of my knowledge and belief, it is true, correct and complete.

Owner / Authorized Agent Sign Here	Name (print name)	Joseph R. Minott
	Signature	<i>Joseph R. Minott</i>
	Company name	Tax Director, Duff & Phelps LLC
		Date
		06-05-2020

State of Wisconsin  
 Board of Assessors  
 2135 Rimrock Road  
 Madison, WI 53713

October 1, 2020

Re: Wisconsin Proppants, LLC

Appeal No.	State ID No.	Appeal No.	State ID No.
79-191-PPD-20	79-10-040-P-000092794	79-198-PPD-20	79-10-040-R-000113620
79-192-PPD-20	79-10-040-R-000092798	79-199-PPD-20	79-10-040-R-000113623
79-193-PPD-20	79-10-040-R-000092800	79-200-PPD-20	79-10-040-R-000113406
79-194-PPD-20	79-10-040-R-000092808	79-201-PPD-20	79-10-040-R-000113407
79-195-PPD-20	79-10-040-R-000112615	79-202-PPD-20	79-10-040-R-000113408
79-196-PPD-20	79-10-040-R-000112618	79-203-PPD-20	79-10-040-R-000113409
79-197-PPD-20	79-10-040-R-000112619	79-204-PPD-20	79-10-040-R-000113410

Dear Board of Assessors,

Wisconsin Proppants LLC is requesting a reduction of their real estate and personal property tax assessments for tax year 2020 on the above referenced properties. The Alma Mine, like other Northern White Sand (NWS) mines in Wisconsin, has been significantly impaired by structural shifts in the industrial sand market. The Alma Mine has never been in placed in production nor is it intended to be placed into production due to market conditions. It has zero utilization for a plant rated capacity of 1.8M T/Yr. The primary changes affecting these mines are lower oil prices, an oversupplied sand market and oil producers shifting to more economical in-basin sand from Texas/Oklahoma. Based upon these unfortunate shifts in market conditions, the taxpayer requests the following adjustment to their assessed value.

	Owner Name	Site Name	Municipality	County	Property Type	Parcel	2020 Notice Market Value	2021 Requested Market Value
1	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0506 000	\$ 17,329,700	\$ 8,853,880
2	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0480 000	13,375,500	6,987,950
3	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0495 000	9,771,700	4,888,880
4	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0527 001	9,121,600	3,555,800
5	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0538 000	2,078,200	1,039,100
6	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0498 000	400,000	200,000
7	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0491 000	360,000	180,000
8	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0494 000	350,000	175,000
9	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0487 000	290,000	145,000
10	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0493 001	275,500	138,250
11	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0523 000	216,000	108,000
12	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0492 000	201,300	100,650
13	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	Res	D43 0507 000	185,000	93,000
14	Wisconsin Proppants LLC	Alma Mine	Town of Mentor	Clark	EFF	10-010-000000	14,966,400	7,483,200
							\$ 64,812,500	\$ 32,406,150

The radical shift in market conditions have resulted in a significant number of NWS mines in the upper Midwest to cease operation and declare bankruptcy. The following excerpts from NWS producers with material operations in Wisconsin describe the events which resulted in their bankruptcy filings.

From the Disclosure Statement Related to the Joint Chapter 11 Plan of Reorganization of Covia Holdings Corporation and its Affiliate Debtors:

#### A. Market Decline and Industry-Specific Challenges

Beginning in the second half of 2018 and continuing to the present day, U.S. energy markets have been embroiled in turmoil. A substantial decline in the availability of debt and equity capital to E&P companies, the primary end customers for proppants, negatively affected well completion activity and, as a result, the demand for proppants. In addition, in-basin proppant supply has exploded since 2017, while demand remained relatively flat, leading to a gross oversupply of proppants to the market, resulting in downward pressure on both volumes and pricing. Capital restraints by E&P companies also led to an increased shift in demand from NWS to lower cost in-basin sand, which reduced the overall addressable market for NWS proppants.

While proppant market volatility has created challenges for the Debtors' Energy Segment in recent years, the onset of the COVID-19 pandemic has exacerbated struggles within the energy industry and hastened a considerable reduction in the U.S. gross domestic product, which has had a negative flow-through impact on many facets of the Debtors' Industrial Segment. Moreover, the oil price war between the Kingdom of Saudi Arabia and Russia and the resulting sudden crash of oil prices has significantly worsened outlooks on current and future production. The compounded effects of these macro-economic drivers have magnified the existing contraction in the Debtors' EBITDA and free cash flow over the past three years, which is



expected to accelerate through fiscal year 2020 and 2021 in light of worsening economic circumstances.

The Debtors have struggled under the weight of their funded debt obligations since the end of 2018, and, despite significant success in reducing costs, strengthening the balance sheet, and navigating the challenging commodity market's effect on the Energy Segment, the exacerbation of these problems in recent months, together with the onslaught of the COVID-19 pandemic and its wide-ranging effects, ultimately made it impracticable for the Debtors to adequately address the excess cost and capital structure issues without a chapter 11 filing.

#### i. Energy Segment Impact

From June 1, 2018 until April 20, 2020, West Texas Intermediate ("WTI") crude oil prices ranged from a high of \$77.41 per barrel to a low of negative \$37.63 per barrel; during that same period Henry Hub natural gas prices ranged from a high of \$8.24 per mmbtu to a low of \$1.55 per mmbtu. As of June 25, 2020, and due in part to the impact of the COVID 19 pandemic, WTI was priced at \$37 per barrel and natural gas was priced at \$1.58 per mmbtu. The decline in oil and gas pricing has led to reduced activity among E&Ps. The number of frac crews (i.e., teams and equipment that complete wells and, therefore, the consumers of frac sand) have declined significantly during this time leading to lower demand for frac sand.

As a direct result of volatility in oil and gas markets, the supply and demand dynamic of the Debtors' Energy Segment has drastically changed since the second half of 2018 and is expected to remain unpredictable over the next few years. Positive oil price and fracking activity forecasts in 2017 and early 2018 led to an exaggerated outlook on future demand and led to increased supply from in-basin proppant competitors. Contrary to these forecasts, oil prices have continued to slip through 2020 and almost all E&P companies have significantly slowed well completion activity in response, with demand for proppant slowing with it.

In the second half of 2018, with the combination of low commodity prices and capital markets becoming increasingly difficult to access, the proppant industry as a whole began to shift away from NWS in favor of in-basin sand, and E&P companies began to implement cost-cutting measures, including the use of low-cost proppants. From 2018 to 2019, the reductions in fracking activity and corresponding decrease in market demand for higher quality NWS, which accounts for a significant portion of the Debtors' Energy Segment revenues, caused an oversupply of proppants that drove sand prices in West Texas down approximately 63% from greater than \$40 per ton to approximately \$15 per ton. In 2020, market-wide demand for NWS is expected to fall over 50% and in-basin sand demand is expected to decline as much as 70%. In response, in 2018 and 2019 when demand was flat to slightly down, the Company idled and de-rated approximately 15 million tons of non-competitive NWS or regional production capacity, consolidated its remaining NWS production, and reduced its Energy Segment nameplate annual capacity. In March 2020, the Debtors idled additional capacity of approximately 5 million tons in a matter of weeks when markets declined due to the onset of COVID-19. Notwithstanding the Company's aggressive response to the proppant market shift, over-supply from in-basin producers in conjunction with decreased demand for proppant has led to significant proppant price erosion.



While the Debtors were already evaluating cost-cutting and capital structure solutions for the Energy Segment prior to the onset of the COVID-19 pandemic, the initial spread of COVID-19 caused decreased factory output and transportation demand and a further decline in energy prices. To address this, the Organization of the Petroleum Exporting Countries ("OPEC"), led by the Kingdom of Saudi Arabia, called for additional cuts in oil production, subject to agreement by Russia. However, those initial efforts faltered, and the parties failed to reach an agreement as to production levels. Instead, both the Kingdom of Saudi Arabia and Russia announced that they would increase, rather than decrease, production, resulting in surplus supply amidst already decreasing demand for energy. Meanwhile, the COVID-19 pandemic continued to spread, causing governments across the world to institute drastic measures that have further decreased energy demand. On April 12, 2020, in an effort to relieve some of the negative impacts on the energy industry, 23 countries agreed to commit to withholding 9.7 million barrels of oil per day from the global markets. Ultimately, that agreement was not enough to counteract the combined effects of the initial oil price war and the decreased demand due to COVID-19.

The effects on energy markets have been stark. Oil prices plummeted to near \$20.00 per barrel in March 2020, representing the lowest point in nearly 20 years. Then, on April 20, 2020, WTI crude oil price for May contracts settled at a negative price for the first time in history. Consequently, the Debtors have experienced corresponding dislocation in the proppant market. Reduced oil production is expected to cause a significant reduction in proppant demand through 2020 and into 2021. Furthermore, due to current proppant over-supply and uncertainty in the energy markets, these figures are not expected to rebound in the near future. As result, current financial forecasts show a potential steep decline in the Debtors' 2020 adjusted EBITDA compared to 2019.

## 2. Industrial Segment Impact

In addition to its effects on the Energy Segment, the COVID-19 pandemic has also caused a decline in productivity across almost all of the Industrial Segment's end markets. Governmental responses to COVID-19's spread have reduced available workforce and corresponding output of the industrial sector, and decreased consumer spending in many end markets have further exacerbated these issues. Excluding certain counter-cyclical industries, the performance of the Industrial Segment is largely tied to U.S. gross domestic product, which is forecasted to decline by as much as 6% during 2020.

Specifically, the foundry, building products, flat glass, ceramics and polymers end markets (which collectively constitute approximately one-third of total product volumes sourced from the Industrial Segment) are forecasted to experience sharp declines in 2020. In addition, many customers that would otherwise be capable of maintaining operations and purchasing levels in a distressed market have been rendered stagnant as a result of government-mandated quarantines. For instance, the construction industry exhibited robust growth early in the first quarter of 2020, which correlated with strong performances in the Debtors' float and flat glass end markets; however, the quarantine mandates resulted in reduced construction activity and a soft automobile market in the second quarter of 2020, crippling those end markets. Collectively, Company management expects overall production volumes in the Industrial Segment to drop by as much as 20% in 2020.

## B. Credit Downgrade

On March 31, 2020, Moody's Investors Service downgraded Covia's Corporate Family Rating to Caa1 from B3, its Probability of Default Rating to Caa1-PD from B3-PD and its rating on the Term Loan Agreement to Caa1 from B3. The downgrade reflected Moody's expectation that the Company's revenues, profitability and key credit metrics would deteriorate further during 2020 due to ongoing volatility in the oil and natural gas end market and persistent weakness in the frac sand industry. As a result of the credit downgrade, certain material vendors have requested adjustments to trade terms and other commercial arrangements from the Company.

## C. Reducing Costs and Other Operational Initiatives

In response to ongoing operational and financial challenges, since late 2018 the Debtors have instituted a number of measures to reduce costs, maximize free cash flow, and strengthen their balance sheet. These measures include, but are not limited to, the following: (1) consolidation of over 26 million tons of capacity to mitigate costs of the Debtors' geographic footprint; (2) significant reductions in railcar expenses; (3) termination of certain terminal leases that were no longer needed; and (4) strengthening the Debtors' financial metrics through working capital improvements and reductions in SG&A costs and capital expenditures. More specifically:

- Since late 2018, declining market conditions led the Debtors to idle at least 26 million tons of capacity. Nine plants have been fully idled, and 15 additional plants have been de-rated. Corresponding with the reduction in railcar purchase obligations, the Company successfully exited leases from terminals that were no longer necessary to serve customers. The idled capacity and reduction in terminals led to significant headcount reductions at idled facilities.
- The severe contraction in NWS demand led to a significant increase in excess railcars. Unused cars drive significant excess costs, including storage and empty freight. The Company's fleet of railcars is subject to laddered lease maturities; however, the rate of decline in NWS demand has significantly exceeded the Company's ability to return railcars in an expedient manner. In addition, industry-wide storage rates continue to increase as a result of the number of unused railcars, putting further pressure on the Company's costs. The Debtors partially mitigated these costs by cancelling the purchase of \$195 million in railcars and expediting the return of more than 4,200 railcars from the fleet. Furthermore, the Company has moved swiftly to procure additional storage track early to ensure competitive storage costs. However, for the existing fleet, the Debtors are paying rents for cars that are many times higher than current market rates. To date, the Debtors have largely been unsuccessful in negotiating with the railcar lessors to meaningfully decrease these rental rates. Only recently, with the possibility of lease rejections in bankruptcy, have certain lessors made significant concessions to allow the Debtors to right size their fleet.

From the Disclosure Statement for the Joint Plan of Reorganization for HI-Crush Inc. and its Affiliated Debtors under Chapter 11 of the Bankruptcy Code filed by HI-Crush Inc.

## 1. Challenging Sand Market Conditions

Current trends in the North American sand market and changes in the preferences of E&P companies have negatively impacted the demand outlook for the Debtors' NWS product.

Some E&P companies have recently been willing to sacrifice the quality of NWS in exchange for lower priced, local in-basin reserves, so long as the local reserves meet minimum acceptable quality levels. In addition, while E&P companies located in the Bakken, DJ, Powder River and Appalachia regions are currently still using meaningful quantities of NWS, there are indications that in-basin supply may become available in the near future. As a result of these developments, the Debtors expect that only the lowest cost NWS production facilities will survive (and at nominal margins), with Canada and the Northeast likely to become the last bastions of NWS usage.

As a result of this shift in the market, NWS currently only accounts for approximately 36% of total frac sand supply, down from 75% in 2014. NWS prices have also fallen dramatically during that period of time and are expected to remain below \$20 per ton in the near to medium term. Downward pressure on NWS prices is further exacerbated by increasingly common "fire sales," with operators selling NWS with pricing in the low teens per ton as they struggle to clear inventory and generate cash proceeds. Demand is likely to be capped, and pricing range bound, since capacity already exists to satisfy marginal increases in demand. These issues have led to an oversupply of NWS relative to demand, which in turn has necessitated mine closures as producers attempt to rebalance cost structures against lower prices and reduced demand.

These market trends have led to a steady decline in production at the Debtors' NWS mines in Wisconsin, with only the Wyeville facility currently expected to operate at over 50% capacity. Indeed, such Wisconsin mines have seen consistent year-over-year total utilization declines since 2014, with projected slowdowns in terminal sales and no prospects for coarse mesh product. Should gas prices continue to be depressed and in-basin sand remain an attractive option in other markets, NWS sales' projections may be further impacted.

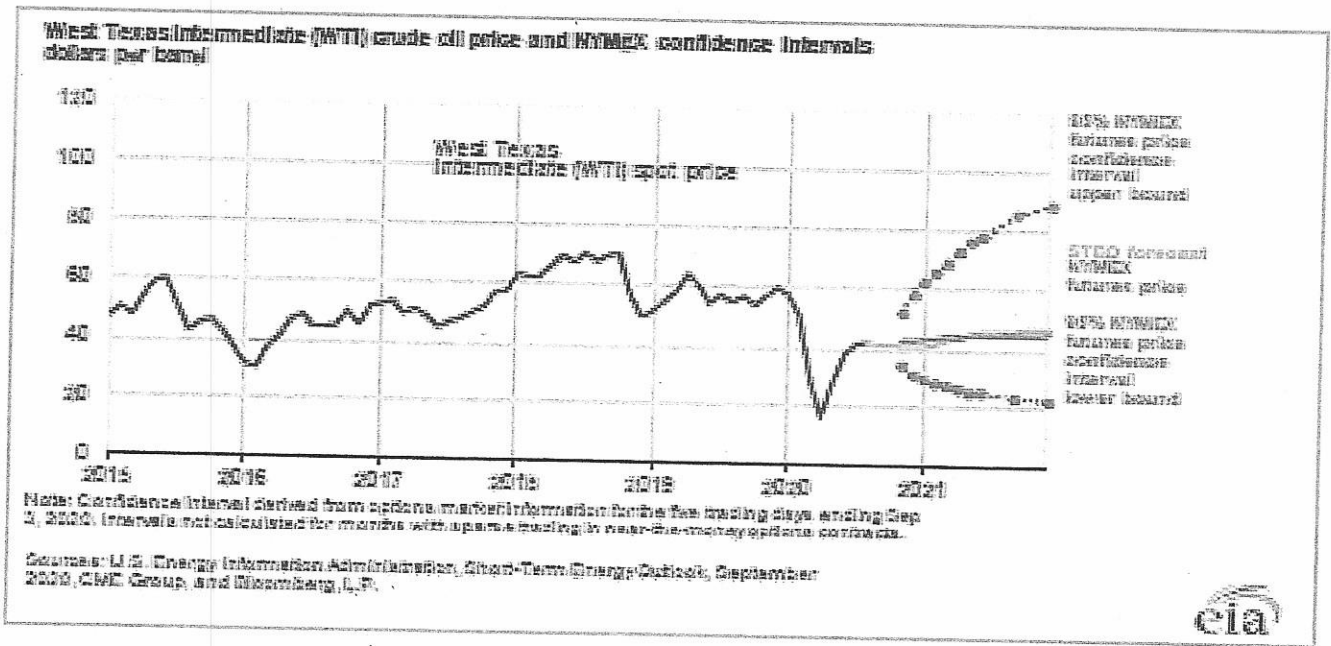
Additional Industry Information

Outlined below are additional examples of the shifts in the proppant market. The primary changes affecting these mines are lower oil prices, an oversupplied sand market and oil producers shifting to more economical in-basin sand, which are described in the figures below.

1. Oil Price Shift

The Sand Industry's success is highly tied to the price of oil. Outlined below in Figure 1 details the volatility of the price of crude oil that has forced the fracing industry to shift to a more economical sand supplier.

Figure 1: WTI Crude Oil Price and NYMEX Confidence Intervals

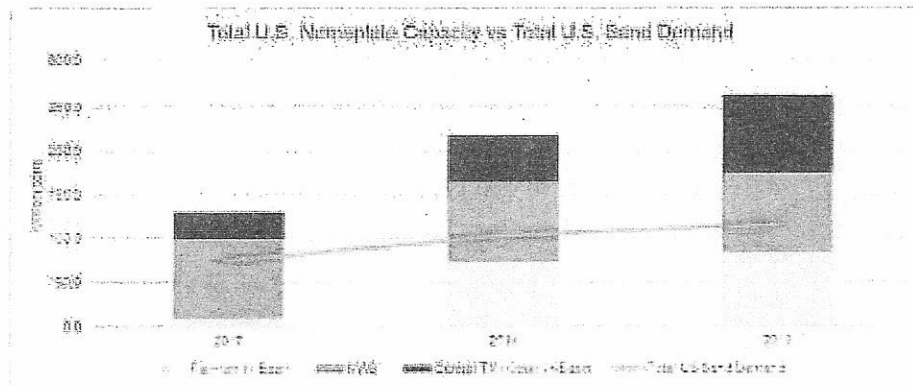




## 2. Industrial Sand Oversupply

The supply of industrial sand has continued to substantially (2.5X) increase the last three years, while the demand has increased at a much slower rate. Figure 2 illustrates the lag of demand behind the supply of industrial sand in the U.S.

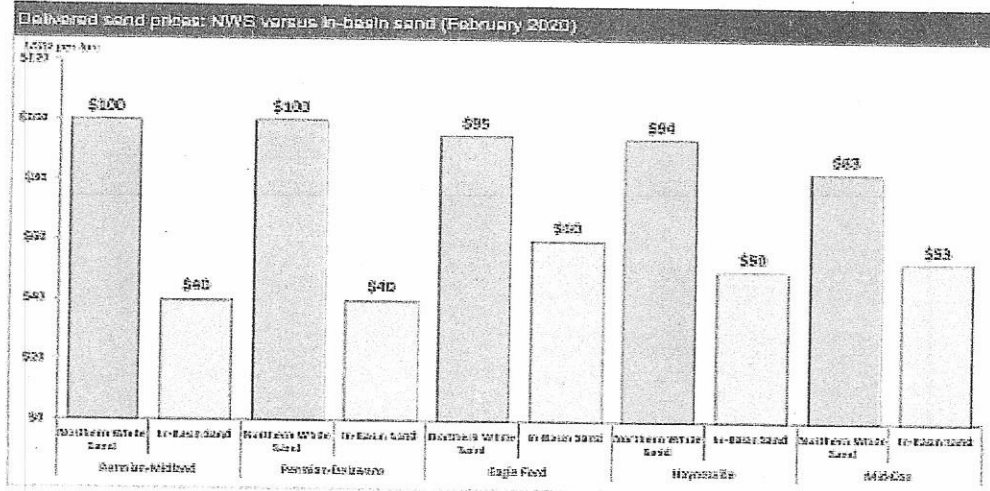
Figure 2: Total U.S. Nameplate Capacity vs Total U.S. Sand Demand



### 3. Delivery Costs and Shift in Supply

As oil prices declined, operators in the Permian Basin modified their equipment in order to utilize in-basin sand instead of the more costly NWS. Figure 3 illustrates the additional costs associated with NWS Sand.

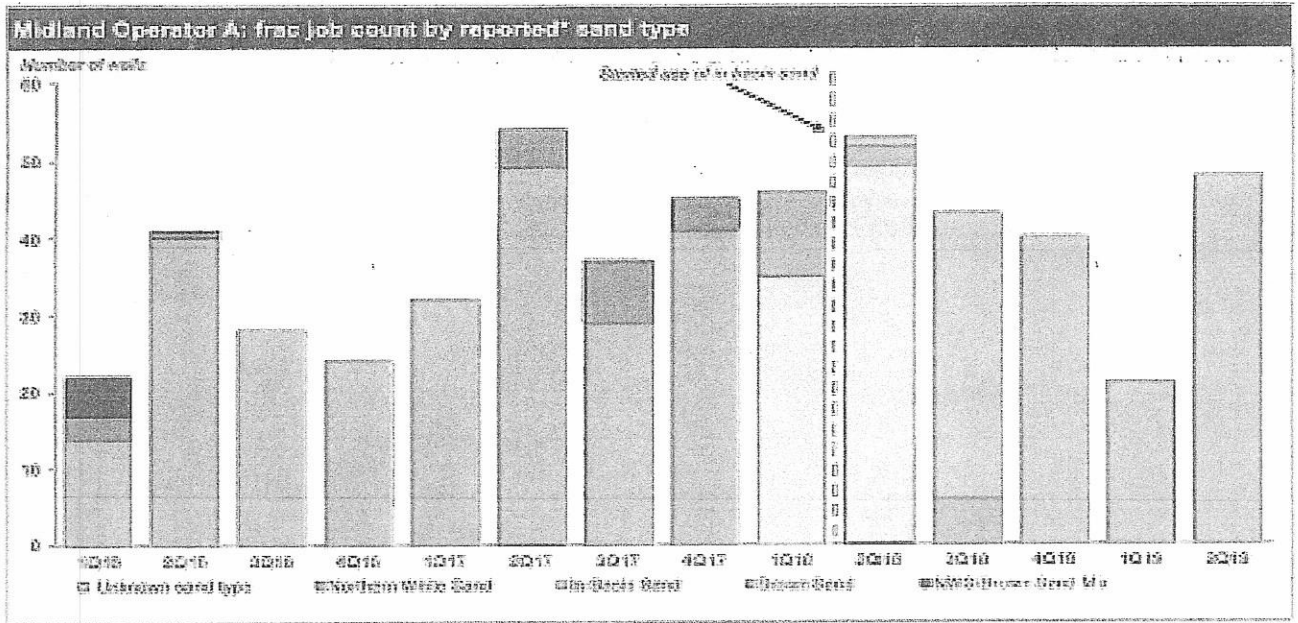
Figure 3: Delivered Sand Prices: NWS Versus In-Basin Sand



Source: Rystad Energy, "Permian Basin Sand Supply and Demand," 2020.

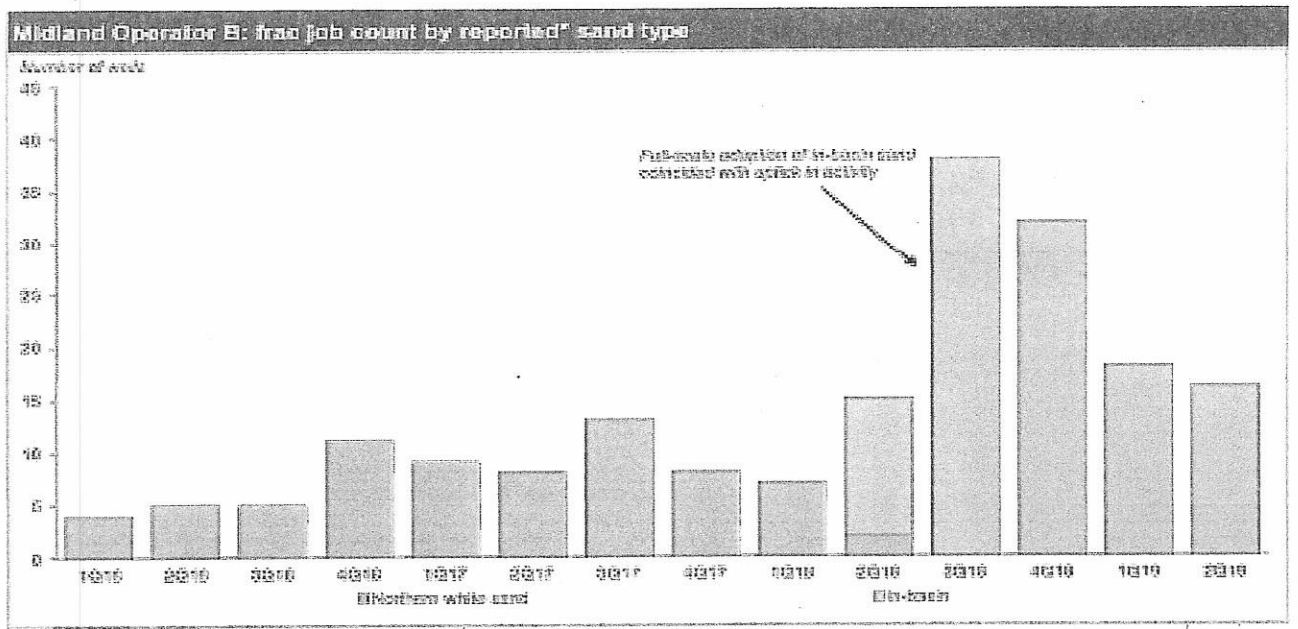
The dramatic shift is reflected in the following charts from consultancy and analysis firm Rystad Energy of three Midland, TX operators that historically relied heavily on NWS. Figures 4-6 outline the shift in use of NWS to in-basin sand.

Figure 4: Midland Operator A: Frac Job Count by Reported Sand Type



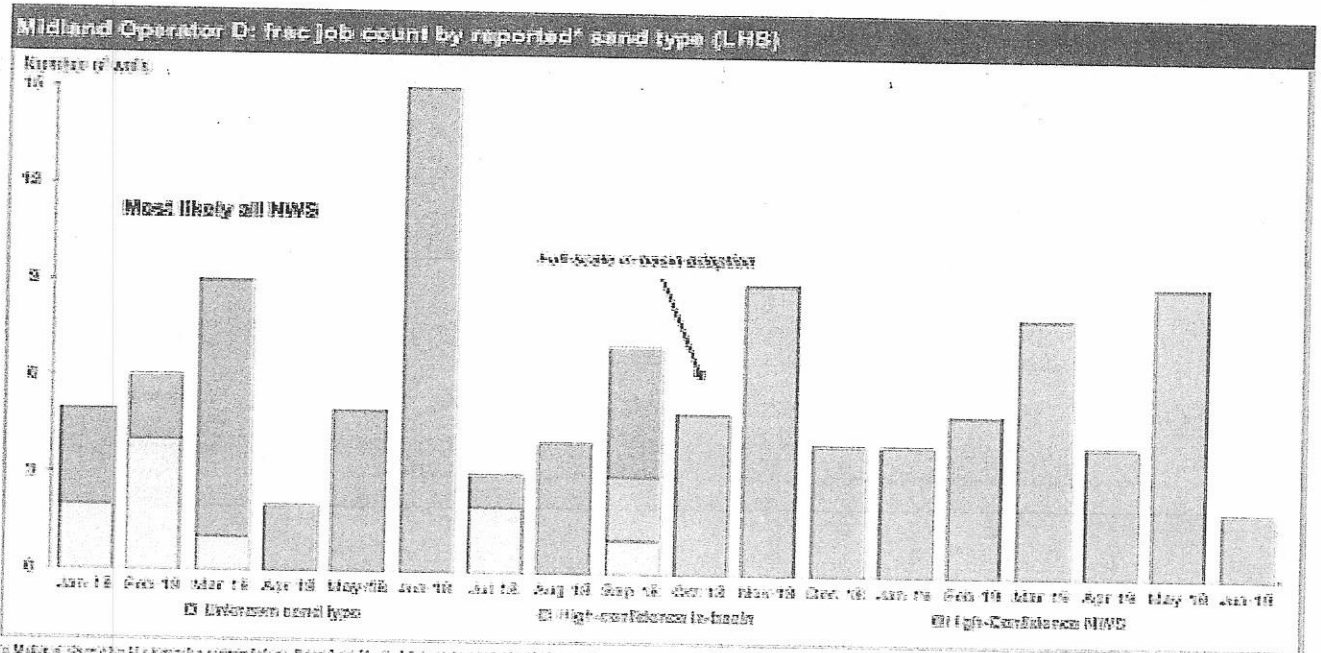
\*Based on Midland Energy's internal recordkeeping and engineering reports to the Oklahoma Department of Energy Conservation. Source: Midland Energy, Oklahoma Department of Energy Conservation, Oklahoma Department of Energy Conservation and Oklahoma Department of Energy Conservation.

Figure 5: Midland Operator B: Frac Job Count by Reported Sand Type



\*Based on Midland Energy's internal recordkeeping and engineering reports to the Oklahoma Department of Energy Conservation. Source: Midland Energy, Oklahoma Department of Energy Conservation, Oklahoma Department of Energy Conservation and Oklahoma Department of Energy Conservation.

Figure 6: Midland Operator D: Fac Job Count by Reported Sand Type



\*Based on Midland Operator D's reported data. Based on Midland Operator D's analysis of reported sand type (LHB) and other data. Midland Operator D's reported data may not be representative of all NWS sand types. Midland Operator D's reported data may not be representative of all NWS sand types.

In summary, a "perfect storm" of events has adversely impacted the demand for NWS which has resulted in many facilities in the Upper Midwest to cease or substantially reduce their operations. Consequently, the taxpayer believes a material reduction in their assessment is warranted. Thanks in advance for your consideration in this matter.

Sincerely,

Duff & Phelps

Enclosures