UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2020

[☐] 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: 001-37921

FORTERRA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**37-1830464**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

511 East John Carpenter Freeway, 6th Floor, Irving, TX 75062
(Address of principal executive offices, including zip code)
(469) 458-7973
(Registrant’s telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value per share	FRTA	Nasdaq Stock Market LLC

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 [X] 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 [X] No [ ]

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
o	☒	o	☒	☐

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 Exchange Act). Yes [☐] No [X]

There were 65,233,632 shares of common stock, par value $0.001 per share, of the registrant outstanding as of July 24, 2020.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FORTERRA, INC.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	(unaudited)		*(unaudited)*	
Net sales	$ 426,186	$ 410,219	$ 757,062	$ 702,077
Cost of goods sold	320,607	324,405	592,741	574,458
Gross profit	105,579	85,814	164,321	127,619
Selling, general & administrative expenses	(53,283)	(58,640)	(107,523)	(110,031)
Impairment and exit charges	(265)	(582)	(1,089)	(813)
Other operating (loss) income, net	(1,001)	(376)	(671)	203
	(54,549)	(59,598)	(109,283)	(110,641)
Income from operations	51,030	26,216	55,038	16,978
Other income (expense)				
Interest expense	(19,702)	(25,783)	(40,447)	(50,448)
Gain on extinguishment of debt	116	—	66	—
Earnings from equity method investee	3,126	3,402	5,925	4,969
Income (loss) before income taxes	34,570	3,835	20,582	(28,501)
Income tax (expense) benefit	(7,455)	(881)	(7,533)	6,416
Net income (loss)	$ 27,115	$ 2,954	$ 13,049	$ (22,085)
Earnings (loss) per share:				
Basic	$ 0.42	$ 0.05	$ 0.20	$ (0.34)
Diluted	$ 0.40	$ 0.05	$ 0.19	$ (0.34)
Weighted average common shares outstanding:				
Basic	65,093	64,142	64,948	64,073
Diluted	67,191	64,464	67,458	64,073

See accompanying notes to unaudited condensed consolidated financial statements

FORTERRA, INC.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	(unaudited)		*(unaudited)*	
Net income (loss)	$ 27,115	$ 2,954	$ 13,049	$ (22,085)
Change in other postretirement benefit plans, net of tax	—	—	(681)	373
Foreign currency translation adjustment	2,437	1,320	(3,262)	2,828
Comprehensive income (loss)	$ 29,552	$ 4,274	$ 9,106	$ (18,884)

See accompanying notes to unaudited condensed consolidated financial statements

FORTERRA, INC.
Condensed Consolidated Balance Sheets
(in thousands)

	June 30, 2020	December 31, 2019
ASSETS	*(unaudited)*	
Current assets		
Cash and cash equivalents	$ 52,506	$ 34,800
Receivables, net	271,601	205,801
Inventories	238,835	238,483
Prepaid expenses	12,334	11,021
Other current assets	4,794	8,890
Total current assets	580,070	498,995
Non-current assets		
Property, plant and equipment, net	446,974	475,575
Operating lease right-of-use assets	57,444	60,253
Goodwill	508,182	508,826
Intangible assets, net	121,978	142,674
Investment in equity method investee	51,459	50,034
Other long-term assets	5,390	3,701
Total assets	$ 1,771,497	$ 1,740,058
LIABILITIES AND EQUITY		
Current liabilities		
Trade payables	$ 122,715	$ 102,426
Accrued liabilities	97,434	88,839
Deferred revenue	10,558	9,527
Current portion of long-term debt	12,510	12,510
Current portion of tax receivable agreement	13,145	13,145
Total current liabilities	256,362	226,447
Non-current liabilities		
Long-term debt	1,067,682	1,085,793
Long-term finance lease liabilities	138,449	137,365
Long-term operating lease liabilities	52,518	54,411
Deferred tax liabilities	30,745	28,929
Other long-term liabilities	26,105	21,906
Long-term tax receivable agreement	64,240	64,240
Total liabilities	1,636,101	1,619,091
Commitments and Contingencies (Note 14)		
Equity		
Common stock, $0.001 par value, 190,000 shares authorized; 65,211 and 64,741 shares issued and outstanding	19	19
Additional paid-in-capital	249,695	244,372
Accumulated other comprehensive loss	(11,006)	(7,063)
Retained deficit	(103,312)	(116,361)
Total shareholders' equity	135,396	120,967
Total liabilities and shareholders' equity	$ 1,771,497	$ 1,740,058

See accompanying notes to unaudited condensed consolidated financial statements

FORTERRA, INC.
Condensed Consolidated Statements of Shareholders' Equity
(in thousands, except share data)
(unaudited)

	Common Stock					
	Shares	Amount	Additional Paid-in-Capital	Accumulated Other Comprehensive Income (Loss)	Retained Deficit	Total Shareholders' Equity
Balance at December 31, 2019	64,740,667	$ 19	$ 244,372	$ (7,063)	$ (116,361)	$ 120,967
Share-based compensation expense	—	—	2,864	—	—	2,864
Stock-based plan activity	336,752	—	(194)	—	—	(194)
Comprehensive loss:						
Net loss	—	—	—	—	(14,066)	(14,066)
Change in other postretirement benefit plans, net of tax	—	—	—	(681)	—	(681)
Foreign currency translation adjustment	—	—	—	(5,699)	—	(5,699)
Balance at March 31, 2020	65,077,419	19	247,042	(13,443)	(130,427)	103,191
Share-based compensation expense	—	—	2,607	—	—	2,607
Stock-based plan activity	133,488	—	46	—	—	46
Comprehensive income:						
Net income	—	—	—	—	27,115	27,115
Change in other postretirement benefit plans, net of tax	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	2,437	—	2,437
Balance at June 30, 2020	65,210,907	$ 19	$ 249,695	$ (11,006)	$ (103,312)	$ 135,396

	Common Stock					
	Shares	Amount	Additional Paid-in-Capital	Accumulated Other Comprehensive Income (Loss)	Retained Deficit	Total Shareholders' Equity
Balance at December 31, 2018	64,205,604	$ 18	$ 234,931	$ (10,740)	$ (115,987)	$ 108,222
Cumulative effect of accounting changes, net of tax	—	—	—	—	6,957	6,957
Share-based compensation expense	—	—	1,529	—	—	1,529
Stock-based plan activity	57,106	—	(26)	—	—	(26)
Comprehensive loss:						
Net loss	—	—	—	—	(25,039)	(25,039)
Change in other postretirement benefit plans, net of tax	—	—	—	373	—	373
Foreign currency translation adjustment	—	—	—	1,508	—	1,508
Balance at March 31, 2019	64,262,710	18	236,434	(8,859)	(134,069)	93,524
Share-based compensation expense	—	—	1,132	—	—	1,132
Stock-based plan activity	35,447	—	(88)	—	—	(88)
Comprehensive income:						
Net income	—	—	—	—	2,954	2,954
Foreign currency translation adjustment	—	—	—	1,320	—	1,320
Balance at June 30, 2019	64,298,157	$ 18	$ 237,478	$ (7,539)	$ (131,115)	$ 98,842

See accompanying notes to unaudited condensed consolidated financial statements

FORTERRA, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Six months ended June 30, 2020	Six months ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES	*(unaudited)*	
Net income (loss)	$ 13,049	$ (22,085)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation & amortization expense	44,907	48,782
Loss on disposal of property, plant and equipment	1,353	1,033
Gain on extinguishment of debt	(66)	—
Amortization of debt discount and issuance costs	3,730	4,013
Stock-based compensation expense	5,471	2,661
Write-off of debt discount and issuance costs	376	—
Earnings from equity method investee	(5,925)	(4,969)
Distributions from equity method investee	4,500	1,500
Unrealized loss on derivative instruments, net	921	5,024
Unrealized foreign currency loss / (gain), net	212	(93)
Provision (recoveries) for doubtful accounts	80	(194)
Deferred taxes	1,816	(9,566)
Other non-cash items	2,088	919
Change in assets and liabilities:		
Receivables, net	(66,160)	(67,813)
Inventories	(945)	(5,734)
Other current assets	2,435	(641)
Accounts payable and accrued liabilities	27,950	13,066
Other assets & liabilities	4,447	6,775
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	40,239	(27,322)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, and intangible assets	(9,054)	(34,051)
Proceeds from sale of fixed assets	10,590	9,509
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,536	(24,542)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of debt issuance costs	(1,734)	—
Payments on term loans	(21,368)	(6,255)
Proceeds from revolver	180,000	54,000
Payments on revolver	(180,000)	(15,000)
Other financing activities	(454)	(395)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(23,556)	32,350
Effect of exchange rate changes on cash	(513)	512
Net change in cash and cash equivalents	17,706	(19,002)
Cash and cash equivalents, beginning of period	34,800	35,793
Cash and cash equivalents, end of period	$ 52,506	$ 16,791
SUPPLEMENTAL DISCLOSURES:		
Cash interest paid	$ 33,134	$ 38,835
Income taxes paid (refunds received), net	(241)	3,911

See accompanying notes to unaudited condensed consolidated financial statements

1. Description of the business

Forterra, Inc. (“Forterra” or the ‘‘Company’’) is involved in the manufacturing, sale and distribution of building products in the United States (“U.S.”) and Eastern Canada. Forterra’s primary products are concrete drainage pipe, precast concrete structures, and water transmission pipe used in drinking and wastewater systems. These products are used in the infrastructure, residential and non-residential sectors of the construction industry.

2. Summary of significant accounting policies

General

The Company's condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) and include the accounts and results of operations of the Company and its consolidated subsidiaries. All intercompany transactions have been eliminated in consolidation.

The condensed consolidated balance sheets and the condensed consolidated statements of operations, comprehensive income (loss), cash flows and equity for the periods presented herein reflect all adjustments that are of a normal recurring nature and are necessary for a fair statement of the results of the periods shown. Certain information and note disclosures normally included in annual financial statements have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”).

The results of operations for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2020. Seasonal changes and other conditions can affect the sales volumes of the Company's products. The financial results for any interim period do not necessarily indicate the expected results for the year.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2019 as provided in Forterra, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 27, 2020 (the “2019 10-K”). The Company has continued to follow the accounting policies set forth in those financial statements, except as supplemented and documented below. Certain prior year numbers were reclassified to conform with current year presentation. Such reclassification had no impact on the previously reported results of operations.

Use of estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the reporting date, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are based on management’s best knowledge of current events and actions that the Company may undertake in the future. The more significant estimates made by management relate to fair value estimates for assets and liabilities acquired in business combinations; estimates for accrued liabilities for environmental cleanup, bodily injury and insurance claims; estimates for commitments and contingencies; and estimates for the realizability of deferred tax assets, the tax receivable agreement obligation, inventory reserves, allowance for doubtful accounts and impairment of goodwill and long-lived assets.

Certain accounting matters that generally require consideration of forecasted financial information were assessed in light of the impact from the COVID-19 pandemic. The accounting matters assessed included, but were not limited to, the Company’s allowance for doubtful accounts, inventory reserves, goodwill impairment, impairment of property and equipment and valuation allowances for tax assets. While the assessments resulted in no material impacts to the Company’s condensed consolidated financial statements as of and for the three and six months ended June 30, 2020, the Company believes the full impact of the COVID-19 outbreak remains uncertain and will continue to assess if ongoing developments related to the outbreak may cause future material impacts to its consolidated financial statements.

Concentration of Credit Risk

The Company had an individual customer within its Water Pipe & Products segment that accounted for approximately 15% and 14% of the Company's total net sales for the six months ended June 30, 2020 and 2019, respectively, and receivables at June 30, 2020 and December 31, 2019 representing 17% and 13% of the Company's total receivables, net, respectively.

Credit Losses

Trade accounts receivable. The allowance for doubtful accounts is based on the Company’s assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer’s ability to pay.

The Company's exposure to credit losses may increase if one or more of its customers are adversely affected by changes in laws or other government recommendations or mandates, economic pressures or uncertainty associated with local or global economic recessions, disruption or other impacts associated with the coronavirus disease 2019 ("COVID-19") pandemic, or other customer-specific factors. Although the Company has historically not experienced significant credit losses, it is possible that there could be a material adverse impact from potential adjustments of the carrying amount of trade receivables as customers are impacted by the COVID-19 pandemic.

Recent Accounting Guidance Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The standard replaces the incurred loss impairment methodology under current U.S. GAAP with a methodology that reflects expected credit losses and requires the use of a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. The Company adopted this ASU on January 1, 2020 using a modified retrospective approach, which did not have a material impact on the Company's condensed consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The amendments in the ASU provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued due to reference rate reform. The guidance was effective upon issuance and generally can be applied through December 31, 2022 and has not had any material impact to the Company's condensed consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes (Topic 740)*. The new guidance simplifies the accounting for income taxes by eliminating certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, hybrid taxes, and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. For public companies, the amendments in this ASU are effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Early adoption is permitted in interim or annual periods with any adjustments reflected as of the beginning of the annual period that includes that interim period. Additionally, entities that elect early adoption must adopt all the amendments in the same period. Amendments are to be applied prospectively, except for certain amendments that are to be applied either retrospectively or with a modified retrospective approach through a cumulative effect adjustment recorded to retained earnings. The effects of this standard on the Company's condensed consolidated financial statements are not expected to be material.

3. Acquisitions

On March 1, 2019, the Company acquired certain assets of Texas limited liability companies Houston Buckner Precast, LLC, Buckner Precast, LLC, Montgomery 18905 E. Industrial, LLC, and 1763 Old Denton Road, LLC (altogether "Buckner") for consideration of $11.8 million in cash, inclusive of a working capital adjustment. The acquired Buckner assets did not meet the definition of a business and, as such, the transaction was accounted for as an asset acquisition pursuant to the guidance in subsection 805-50 of Accounting Standards Codification ("ASC") 805, *Business Combinations.* The assets operate as part of the Company's Drainage Pipe & Products segment.

4. Receivables, net

Receivables consist of the following *(in thousands)*:

	June 30, 2020	December 31, 2019
Trade receivables	$ 237,250	$ 178,698
Amounts billed but not yet paid under retainage provisions	3,644	3,093
Other receivables	32,500	26,078
Total receivables	273,394	207,869
Less: Allowance for doubtful accounts	(1,793)	(2,068)
Receivables, net	$ 271,601	$ 205,801

5. Inventories

Inventories consist of the following *(in thousands)*:

	June 30, 2020	December 31, 2019
Finished goods	$ 155,569	$ 161,440
Raw materials	82,696	76,237
Work in process	570	806
Total inventories	$ 238,835	$ 238,483

6. Investment in equity method investee

The Company owns 50% of the Common Unit voting shares of Concrete Pipe & Precast LLC ("CP&P") and consequently, has recorded its investment in the Common Unit voting shares in accordance with ASC 323, *Investments – Equity Method and Joint Ventures*, under the equity method of accounting.

The Company's investment in the joint venture was $51.5 million at June 30, 2020, which is included within the Drainage Pipe & Products segment. At June 30, 2020, the difference between the amount at which the Company's investment is carried and the amount of the Company's share of the underlying equity in net assets of

CP&P was approximately $13.0 million. The basis difference is primarily attributed to the value of land and equity method goodwill associated with the investment.

The following reflects the Company's distribution and earnings in the equity investment *(in thousands)*:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Distribution received from CP&P	$ (2,900)	$ —	$ (4,500)	$ (1,500)
Share of earnings in CP&P	3,146	3,420	5,961	5,005
Amortization of excess fair value of investment	(18)	(18)	(36)	(36)

Selected financial data for CP&P on a 100% basis is as follows (*in thousands*):

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net sales	$ 36,032	$ 37,353	$ 70,790	$ 65,602
Gross profit	10,933	11,721	21,470	19,675
Income from operations	6,259	6,840	11,879	10,020
Net income	6,209	6,776	11,767	9,893

7. Property, plant and equipment, net

Property, plant and equipment, net, consist of the following *(in thousands)*:

	June 30, 2020	December 31, 2019
Machinery and equipment	$ 410,007	$ 398,127
Land, buildings and improvements	233,155	240,403
Other equipment	11,781	8,660
Construction-in-progress	12,204	29,157
Total property, plant and equipment	667,147	676,347
Less: accumulated depreciation	(220,173)	(200,772)
Property, plant and equipment, net	$ 446,974	$ 475,575

Depreciation expense totaled $12.1 million and $24.3 million for the three and six months ended June 30, 2020, respectively, and $12.4 million and $25.2 million for the three and six months ended June 30, 2019, respectively, which is included in cost of goods sold and selling, general and administrative expenses in the condensed consolidated statements of operations.

8. Goodwill and other intangible assets, net

The Company has recorded goodwill in connection with its acquisition of businesses. The following table summarizes the changes in goodwill by operating segment for the six months ended June 30, 2020 (*in thousands*):

	Drainage Pipe & Products	Water Pipe & Products	Total
Balance at December 31, 2019	$ 190,466	$ 318,360	$ 508,826
Foreign currency and other adjustments	(644)	—	(644)
Balance at June 30, 2020	$ 189,822	$ 318,360	$ 508,182

Intangible assets other than goodwill at June 30, 2020 and December 31, 2019 included the following (*in thousands*):

	Net carrying value as of June 30, 2020	Net carrying value as of December 31, 2019
Customer relationships	$ 85,686	$ 100,869
Trade names	17,280	19,626
Patents	6,351	7,673
Non-compete agreements	6,453	8,070
Developed technology	5,793	5,980
Other	415	456
Total intangible assets	$ 121,978	$ 142,674

Amortization expense totaled $10.3 million and $20.6 million for the three and six months ended June 30, 2020, respectively, and $12.0 million and $23.6 million for the three and six months ended June 30, 2019, respectively, which is included in selling, general and administrative expenses in the condensed consolidated statements of operations. All of the Company's intangible assets are amortizable.

9. Fair value measurement

The Company's financial instruments consist primarily of cash and cash equivalents, trade and other receivables, derivative instruments, accounts payable, long-term debt, operating and finance lease liabilities, accrued liabilities and the tax receivable agreement obligation. The carrying value of the Company's trade receivables, other receivables, trade payables, the asset-based revolver and accrued liabilities approximates fair value due to their short-term maturity or other terms related to these financial instruments. The Company may adjust the carrying amount of certain non-financial assets to fair value on a non-recurring basis when they are impaired.

The estimated carrying amount and fair value of the Company's financial instruments measured and recorded at fair value on a recurring basis are as follows for the dates indicated *(in thousands)*:

	Fair value measurements at June 30, 2020 using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value June 30, 2020
Liabilities:				
Derivative liability	$ —	$ 663	$ —	$ 663

	Fair value measurements at December 31, 2019 using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value December 31, 2019
Assets:				
Derivative asset	$ —	$ 258	$ —	$ 258

Liabilities and assets classified as level 2 which are recorded at fair value are valued using observable market inputs. The fair values of derivative assets and liabilities are determined using quantitative models that utilize multiple market inputs including interest rates and exchange rates to generate continuous yield or pricing curves and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. The fair values of derivative assets and liabilities include adjustments for market liquidity, counter-party credit quality, and other instrument-specific factors, where appropriate. In addition, the Company incorporates within its fair value measurements a valuation adjustment to reflect the credit risk associated with the net position. Positions are netted by counter-parties, and fair value for net long exposures is adjusted for counter-party credit risk while the fair value for net short exposures is adjusted for the Company's own credit risk.

The estimated carrying amount and fair value of the Company's financial instruments and liabilities for which fair value is only disclosed is as follows *(in thousands)*:

		Fair value measurements at June 30, 2020 using			
	Carrying Amount June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value June 30, 2020
Liabilities:					
Term Loan	$ 1,080,192	$ —	$ 1,049,284	$ —	$ 1,049,284
Tax receivable agreement payable	77,385	—	—	49,419	49,419

		Fair value measurements at December 31, 2019 using			
	Carrying Amount December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value December 31, 2019
Liabilities:					
Term Loan	$ 1,098,303	$ —	$ 1,102,295	$ —	$ 1,102,295
Tax receivable agreement payable	77,385	—	—	47,625	47,625

The fair value of debt is valued using a market approach based on indicative quoted prices for the Company's debt instruments traded in over-the-counter markets and, therefore, is classified as Level 2 within the fair value hierarchy. See Note 11, Debt and deferred financing costs, for a further discussion of Company debt.

The determination of the fair value of the Company's tax receivable agreement payable was determined using a discounted cash flow methodology with level 3 inputs as defined by ASC 820, *Fair Value Measurements and Disclosures*. The determination of fair value required significant judgment, including estimates of the timing and amounts of various tax attributes. These estimates are based on management’s best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates. See Note 14, Commitments and contingencies, for a further discussion of the Company's tax receivable agreement.

10. Accrued liabilities

Accrued liabilities consist of the following *(in thousands)*:

	June 30, 2020	December 31, 2019
Accrued payroll and employee benefits	$ 33,981	$ 32,815
Short-term finance leases	16,545	16,542
Short-term operating leases	8,479	8,784
Accrued taxes	12,009	5,354
Warranty	7,419	5,536
Accrued rebates	8,382	9,895
Short-term derivative liability	331	—
Environmental obligation	83	718
Other miscellaneous accrued liabilities	10,205	9,195
Total accrued liabilities	$ 97,434	$ 88,839

11. Debt and deferred financing costs

The Company’s debt consisted of the following *(in thousands)*:

	June 30, 2020	December 31, 2019
Term Loan, net of debt issuance costs and original issuance discount of $21,419 and $25,055, respectively	$ 1,080,192	$ 1,098,303
Total debt	$ 1,080,192	$ 1,098,303
Less: current portion debt	(12,510)	(12,510)
Total long-term debt	$ 1,067,682	$ 1,085,793

As of June 30, 2020, Forterra had no borrowings under its $350 million asset based revolving credit facility under its ABL Credit Agreement dated October 25, 2016 (the “ABL Credit Agreement”) for working capital and general corporate purposes (“Revolver”) and $1.1 billion outstanding under its senior term loan facility (“Term Loan”).

The Term Loan provided for a $1.25 billion senior secured term loan. Subject to the conditions set forth in the term loan agreement, the Term Loan may be increased by (i) up to the greater of $285.0 million and 1.0x consolidated EBITDA (defined below) of Forterra and its restricted subsidiaries for the four quarters most recently ended prior to such incurrence plus (ii) the aggregate amount of any voluntary prepayments, plus (iii) an additional unlimited amount, provided (x) in the case of any incremental debt that is secured by a lien that is pari passu with the liens securing the Term Loan, the first lien leverage ratio does not exceed 4.10 to 1.00, (y) in the case of incremental debt that is secured by a lien that is junior to the liens securing the Term Loan, the total leverage ratio does not exceed 5.50 to 1.00 and (z) in the case of incremental debt that is unsecured, the total leverage ratio does not exceed 5.75 to 1.00, in each case, determined on a pro forma basis.

The Term Loan matures on October 25, 2023 and is subject to quarterly amortization equal to 0.25% of the initial principal amount. Interest accrues on outstanding borrowings thereunder at a rate equal to adjusted LIBOR (with a floor of 1.0%) or an alternate base rate (the base rate, which is the highest of the then current federal funds rate plus 0.50%, the prime rate most recently announced by the administrative agent under the Term Loan, and the one-month adjusted LIBOR plus 1.00%), in each case plus a margin of 3.00% or 2.00%, respectively. The weighted average interest rates for the Term Loan were 4.0%, 4.3%, 5.5% and 5.5% for the three and six months ended June 30, 2020 and June 30, 2019, respectively.

During the six months ended June 30, 2020, the Company repurchased $15.5 million of the Term Loan before its maturity at a market value of $15.1 million. Consequently, the Company wrote off a proportionate share of debt issuance costs of $0.3 million and recognized a net gain of $0.1 million on the early extinguishment of debt which was included in the condensed consolidated statements of operations. In addition, please see Note 19, Subsequent events for the issuance of the senior secured notes as well as the repayment of a portion of the Term Loan.

Outstanding borrowings under the Term Loan are guaranteed by Forterra and each of its direct and indirect material wholly-owned domestic subsidiaries except certain excluded subsidiaries (the "Guarantors"). The Term Loan is secured by substantially all of the assets of Forterra, the borrower and the Guarantors; provided that the obligations under the Term Loan are not secured by any liens on more than 65% of the voting stock of foreign subsidiaries or assets of foreign subsidiaries. The Term Loan contains customary representations and warranties, and affirmative and negative covenants, that, among other things, restrict the ability of Forterra and its restricted subsidiaries to incur additional debt, incur or permit liens on assets, make investments and acquisitions, consolidate or merge with any other company, engage in asset sales and pay dividends and make distributions. The Term Loan does not contain any financial covenants. Obligations under the Term Loan may be accelerated upon certain customary events of default (subject to grace periods, as appropriate).

On June 17, 2020, the Company entered into a First Amendment (the “Amendment”) to the ABL Credit Agreement. The Amendment, among other things, (i) increased the size of the Revolver from $300.0 million to $350.0 million of aggregate commitments, with up to $330.0 million to be made available to the U.S. Borrowers and up to $20.0 million to be made available to the Canadian Borrowers (the allocation may be modified periodically at the Company's request), (ii) extended the maturity date of the Revolver to June 17, 2025, subject to earlier maturity if greater than $75.0 million of the Company’s Term Loan remains outstanding 91 days prior to the scheduled maturity of the term loan credit facility or any refinancing thereof, and (iii) modified the interest rates on outstanding borrowings under the Revolver to a rate equal to LIBOR or CDOR plus a margin ranging from 1.75% to 2.25% per annum, or an alternate base rate, Canadian prime rate or Canadian base rate plus a margin ranging from 0.75% to 1.25% per annum, in each case, based upon the average excess availability under the Revolver for the most recently completed calendar quarter and the Company’s total leverage ratio as of the end of the most recent fiscal quarter for which financial statements have been delivered. The Company incurred $2.6 million of fees and expenses in connection with this Amendment and recorded it to “Other Long-term Assets” in its condensed consolidated balance sheet. In addition, the Company wrote off $0.4 million of previously deferred issuance cost related to the banks that are no longer part of the ABL Credit Facility.

Subject to the conditions set forth in the ABL Credit Agreement, as amended, the Revolver may be increased by up to the greater of (i) $100.0 million and (ii) such amount as would not cause the aggregate borrowing base to be exceeded by more than $50.0 million. Borrowings under the Revolver may not exceed a borrowing base equal to the sum of (i) 100% of eligible cash, (ii) 85% of eligible accounts receivable and (iii) the lesser of (a) 75% of eligible inventory and (b) 85% of the orderly liquidation value of eligible inventory, with the U.S. and Canadian borrowings being subject to separate borrowing base limitations. The advance rates for accounts receivable and inventory are subject to increase by 2.5% during certain periods. As of June 30, 2020 and

December 31, 2019, the Revolver had no outstanding borrowings. The weighted average interest rates for the borrowings under the Revolver were 1.98%, 2.00%, 3.75% and 3.75% for the three and six months ended June 30, 2020 and June 30, 2019, respectively.

The Revolver also provides for the issuance of letters of credit of up to an agreed sublimit. The obligations of the borrowers under the Revolver are guaranteed by Forterra and its direct and indirect wholly-owned restricted subsidiaries other than certain excluded subsidiaries; provided that the obligations of the U.S. borrowers are not guaranteed by the Canadian subsidiaries. The Revolver is secured by substantially all of the assets of the borrowers; provided that the obligations of the U.S. borrowers are not secured by any liens on more than 65% of the voting stock of foreign subsidiaries or assets of foreign subsidiaries.

In addition, Forterra pays a facility fee of between 20.0 and 32.5 basis points per annum based upon the utilization of the total Revolver. Availability under the Revolver, based on draws, outstanding letters of credit of $25.9 million, as well as allowable borrowing base as of June 30, 2020, was $261.9 million.

The Revolver and the Term Loan contain customary representations and warranties, and affirmative and negative covenants, including representations, warranties, and covenants that, among other things, restrict the ability of Forterra and its restricted subsidiaries to incur additional debt, incur or permit liens on assets, make investments and acquisitions, consolidate or merge with any other company, engage in asset sales and pay dividends and make distributions. The Revolver contains a financial covenant restricting Forterra from allowing its fixed charge coverage ratio to drop below 1.00:1.00 during a compliance period, which is triggered when the availability under the Revolver falls below a threshold set forth in the ABL Credit Agreement, as amended. Obligations under the Revolver and the Term Loan may be accelerated upon certain customary events of default (subject to grace periods, as appropriate). The fixed charge coverage ratio is the ratio of consolidated earnings before interest, depreciation, and amortization (“EBITDA”) less cash payments for capital expenditures and income taxes to consolidated fixed charges (interest expense plus scheduled payments of principal on indebtedness).

As of June 30, 2020, the Company was in compliance with all applicable covenants under the Revolver and the Term Loan.

As of June 30, 2020, scheduled maturities of long-term debt were as follows (in thousands). In addition, see Note 19, Subsequent events for the issuance of the $500.0 million aggregate principal amount senior secured notes due 2025 as well as the repayment of a portion of the Term Loan.

	Term Loan
2020	$ 6,255
2021	12,510
2022	12,510
2023	1,070,336
	$ 1,101,611

12. Derivatives and hedging

The Company uses derivatives to manage selected foreign exchange and interest rate exposures. The Company does not use derivative instruments for speculative trading purposes, and cash flows from derivative instruments are included in net cash provided by (used in) operating activities in the condensed consolidated statements of cash flows.

On March 30, 2020, Forterra entered into an interest rate swap transaction with a notional value of $400 million to reduce exposure to interest rate fluctuations associated with a portion of the Term Loan. Under the terms of the swap transaction, Forterra agreed to pay a fixed rate of interest of 1.08% and receive floating rate of interest indexed to one-month LIBOR, subject to a minimum of 1.00%, with monthly settlement terms with the swap counterparty. The swap has a 30-month term and expires on September 30, 2022. The interest rate swap is not designated as a cash flow hedge, therefore all changes in the fair value of the instrument are captured as a component of interest expense in the statements of operations. Accordingly, cash flows from the monthly interest rate swap settlements are included in net cash provided by (used in) operating activities in the condensed consolidated statements of cash flows.

On February 9, 2017, Forterra entered into interest rate swap transactions with a combined notional value of $525 million. Under the terms of the swap transactions, Forterra agreed to pay a fixed rate of interest of 1.52% and receive floating rate interest indexed to one-month LIBOR with monthly settlement terms with the swap counterparties. The swaps were not designated as cash flow hedges, had a three-year term, and expired on March 31, 2020.

The Company elects to present all derivative assets and derivative liabilities on a net basis on its condensed consolidated balance sheets when a legally enforceable International Swaps and Derivatives Association, Inc. (“ISDA”) Master Agreement exists. An ISDA Master Agreement is an agreement between two counterparties, which may have multiple derivative transactions with each other governed by such agreement, and such ISDA Master Agreement generally provides for the net settlement of all or a specified group of these derivative transactions, through a single payment, in a single currency, in the event of a default on, or affecting any, one derivative transaction or a termination event affecting all, or a specified group of, derivative transactions. At June 30, 2020 and December 31, 2019, the Company’s derivative instruments fall under an ISDA master netting agreement.

The following table presents the fair values of derivative assets and liabilities in the condensed consolidated balance sheets *(in thousands)*:

	June 30, 2020			
	Derivative Assets		Derivative Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swaps	$ —	$ —	$ 400,000	$ 663
Total derivatives, gross		—		663
Less: Legally enforceable master netting agreements		—		—
Total derivatives, net		$ —		$ 663

	December 31, 2019			
	Derivative Assets		Derivative Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swaps	$ 525,000	$ 258	$ —	$ —
Total derivatives, gross		258		—
Less: Legally enforceable master netting agreements		—		—
Total derivatives, net		$ 258		$ —

The following table presents the effect of derivative instruments on the condensed consolidated statements of operations *(in thousands)*:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Derivatives not designated as hedges				
Interest rate swaps				
Loss on derivatives not designated as hedges included in interest expense	(174)	(2,932)	(921)	(5,024)

13. Leases

The Company leases land and buildings, office spaces, vehicles, machinery and equipment under various lease agreements. A large portion of the Company’s leases were the result of the 2016 sale and leaseback of land and buildings related to certain production facilities. These leases have an initial term of 25 years, followed by one optional renewal term of approximately ten years that may be exercised at the Company’s discretion. These leases, with the exception of certain land leases, are classified as finance leases. The Company’s operating leases are mainly comprised of land and buildings, office spaces, vehicles, machinery and equipment leases, and have remaining terms of one to 25 years, some of which include options to extend the leases for up to 10 years.

We determine if an arrangement is a lease at inception. Leases with an initial term of less than 12 months are not recorded on the balance sheet. Operating leases are included in operating lease right-of-use, or ROU, assets, accrued liabilities, and long-term operating lease liabilities in the condensed consolidated balance sheets. Finance leases are included in property, plant and equipment, accrued liabilities, and long-term finance lease liabilities in the condensed consolidated balance sheets.

14. Commitments and contingencies

Legal matters

The Company is involved in legal proceedings and litigation in the ordinary course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company’s condensed consolidated financial position, results of operations, or liquidity. Other than routine litigation incidental to the Company's business and those matters described below, there are no material legal proceedings to which the Company is a party or to which any of the Company’s properties are subject.

Earnout Dispute

On March 13, 2015, through an indirect wholly owned subsidiary, Lone Star Fund IX (U.S.), L.P. (which is referred to, along with its affiliates and associates, but excluding Forterra and other companies that it owns as a result of its investment activity, as "Lone Star") acquired the building products business of HeidelbergCement AG, ("Heidelberg"), in the United States and Eastern Canada, (the "Acquisition"). The Acquisition purchase agreement included an earnout, which provided for the payment of contingent consideration of up to $100.0 million, if and to the extent the 2015 financial results of the businesses acquired by Lone Star in the Acquisition, including the Company and Heidelberg's former building products business in the United Kingdom, exceeded a specified Adjusted EBITDA target for fiscal year 2015, as calculated pursuant to the terms of the purchase agreement. If such Adjusted EBITDA calculation exceeded the specified target, LSF9 Concrete Holdings Ltd. ("LSF9") and, as a result of the internal reorganization transaction effected prior to the Company's initial public offering ("IPO"), the Company would be required to pay the U.S. affiliate of Heidelberg an amount equal to a multiple of such excess Adjusted EBITDA, with any payment capped at $100.0 million. In April 2016, the Company provided an earnout statement to affiliates of Heidelberg demonstrating that no payment was required. On June 13, 2016, Heidelberg provided notification that it disputed, among other things, the Company’s calculation of Adjusted EBITDA under the purchase agreement and asserting that a payment should be made in the amount of $100.0 million. The Company does not believe Heidelberg’s position has merit and is vigorously opposing Heidelberg's assertions. On October 5, 2016, affiliates of Heidelberg filed a lawsuit in the Delaware Court of Chancery seeking specific performance and claiming access to the Company's books, records, and personnel; seeking a declaratory judgment concerning the scope of the neutral accounting expert’s authority; and in the alternative, claiming a breach of contract and seeking the $100.0 million and other damages (the "Delaware Action"). On December 8, 2017, the court granted the defendants' Motion to Dismiss the First Amended Complaint in the Delaware Action, finding that the earnout dispute should be heard before a neutral accounting arbitrator as set forth in the purchase agreement and that any claims that were required to be brought as indemnification claims under the purchase agreement were time-barred by the contractual limitations period. Following the dismissal of the Delaware Action, the Company and Heidelberg jointly engaged a neutral accounting expert to act as an arbitrator in the dispute as required by the purchase agreement. After briefing certain preliminary matters for the arbitrator and the production of additional documents, the parties began briefing the issues on the merits for the neutral accounting arbitrator, which was completed in April 2020. The hearing on the merits of the dispute was held June 23-25, 2020 and a written decision is expected from the neutral accounting arbitrator in the latter part of August 2020 or thereafter. As of June 30, 2020, no liability for this contingency has been accrued as payment of any earnout is not considered probable. However, the outcome of this matter is uncertain, and no assurance can be given to the ultimate outcome of the resulting proceedings. If the Company is unsuccessful in resolving the dispute, it could recognize a material charge to its earnings.

Securities Action and Derivative Actions

Beginning on August 14, 2017, four plaintiffs filed putative class action complaints in the United States District Court for the Eastern District of New York against various defendants. On July 27, 2018, an order was entered consolidating the lawsuits into a single action (the "Securities Action") and transferring the venue of the case from the Eastern District of New York to the Northern District of Texas. Pursuant to an agreed scheduling order, plaintiffs in the Securities Action filed their Consolidated Amended Complaint on November 30, 2018.

The Securities Action is brought by two plaintiffs individually and on behalf of all persons that purchased or otherwise acquired the Company's common stock issued pursuant to and/or traceable to the IPO and is brought against the Company, certain of its current and former officers and directors, Lone Star and certain of its affiliates, and certain banks that acted as underwriters of the IPO (collectively, the “Securities Defendants”). The Securities Action generally alleges that the Company's registration statement on Form S-1 filed in connection with the IPO (the "Registration Statement") contained false or misleading statements and/or omissions of material facts. Specifically, plaintiffs allege the Registration Statement (1) made false and/or misleading statements about the Company's ability to generate organic growth through cross-selling initiatives amongst the Company's various businesses while failing to disclose that the Company had not adequately integrated acquisitions, had not begun rolling out its cross-selling initiative, and that its businesses were submitting competing bids against one another, and (2) made false or misleading statements regarding the existence of certain accounting practices and alleged material weaknesses in the Company's internal controls over financial reporting, including the existence of and accounting for bill and hold transactions, the lack of sufficient accounting personnel, the lack of effective internal controls to ensure costs were properly and accurately accrued, resulting in misstated costs and profits in the Company's 2016 financial statements, and the making of inventory accounting entries without adequate substantiation or documentation. The Securities Action asserts claims under Section 11 and Section 15 of the Securities Act of 1933, as amended, (the "Securities Act") and seeks (1) class certification under the Federal Rules of Civil Procedure, (2) damages suffered by plaintiffs and other class members, (3) prejudgment and post-judgment interest, (4) reasonable counsel fees and expert fees, and other costs and expenses reasonably incurred, and (5) other relief the court deems appropriate.

On February 15, 2019, the Securities Defendants filed a Motion to Dismiss all claims in the case based on plaintiffs' failure to state a claim. Briefing on the motion to dismiss was completed on May 1, 2019, and the court has not yet ruled on the motion. A mediation of the Securities Action occurred in August 2019. On November 4, 2019, the parties to the Securities Action entered into a settlement agreement that is intended to fully and finally resolve all claims in the Securities Action. On January 4, 2020, the court issued an order granting preliminary approval for the settlement and providing for notice. Approval of the settlement in the Securities Action is set for final hearing on July 28, 2020, but approval cannot be guaranteed. The terms of the settlement are expected to be paid by the Company's insurance.

On July 31, 2018, a putative shareholder derivative complaint captioned *Maloney v. Bradley, et al.,* was filed in the United States District Court for the Northern District of Texas, alleging that certain of the Company’s current and former directors and officers had breached their fiduciary duties, committed constructive fraud, wasted corporate assets, and that certain of them had been unjustly enriched (the "Maloney Texas Action"). On July 30, 2019, the court in the Maloney Texas Action granted the defendants' motion to dismiss on the grounds that the case should have been brought in Delaware according to the Company's Amended and Restated Certificate of Incorporation. On September 23, 2019, the same plaintiff filed a putative shareholder derivative complaint captioned *Maloney v. Bradley, et al.* in the United States District Court for the District of Delaware, naming as defendants certain of the Company’s current and former directors and officers (the "Maloney Delaware Action"). The complaint alleges the defendants violated Sections 14A and 20(A) of the Securities and Exchange Act of 1934, as amended, breached their fiduciary duties, and wasted corporate assets, and also asserts unjust enrichment claims against certain defendants. The complaint seeks, on behalf of the Company, unspecified damages, an order directing the return of certain payments to the defendants and imposing a constructive trust thereon, certain injunctive relief, reasonable costs and attorneys' fees, and punitive damages.

On January 15, 2019, a putative shareholder derivative complaint captioned *Lee v. Bradley, et al.,* was filed in the United States District Court for the District of Delaware, naming as defendants certain of the Company’s current and former directors and officers (the "Lee Action"). The complaint alleges the defendants violated Section 14A of the Securities and Exchange Act of 1934, as amended, and related rules by failing to make certain disclosures in the Company's proxy solicitation in advance of the 2017 Annual Meeting of Stockholders, and that defendants breached their fiduciary duties, wasted corporate assets, and committed constructive fraud. The complaint also asserts unjust enrichment claims against certain defendants. The complaint seeks, on behalf of the Company, unspecified damages, an order directing the return of certain payments to the defendants, certain injunctive relief, and reasonable costs and attorneys' fees. On April 18, 2019, the court entered an agreed stipulation staying the Lee Action until the court in the Securities Action rules on the motion to dismiss in that case.

On December 11, 2019, the court in the Lee Action entered a Stipulation and Order consolidating the Lee Action and the Maloney Delaware Action into a single case (the "Consolidated Lee Action"), and providing a schedule for filing of an amended complaint and motions to dismiss, which has been further extended by agreement of the parties. A mediation of the dispute was held on June 12, 2020 but was not successful in resolving the dispute. The parties have agreed to a schedule for pleadings to be filed in the event settlement discussions are not successful.

The Company and other defendants are vigorously defending the Consolidated Lee Action. Given the stage of the proceedings, the Company cannot reasonably estimate at this time the possible loss or range of loss, if any, that may arise from the Consolidated Lee Action.

Long-term Incentive Plan

Following the Acquisition, Lone Star implemented a cash-based long term incentive plan (the “LTIP”) which entitles the participants in the LTIP to a potential cash payout upon a monetization event as defined by the LTIP. Potential monetization events include the sale, transfer or otherwise disposition of all or a portion of the Company or successor entities of LSF9, an initial public offering where Lone Star reduces its ownership interest in the Company or successor entities of LSF9, or through certain cash distribution as defined in the LTIP. Before the payout of any cash the LTIP requires Lone Star realize in cash the full return of their investment plus a specified internal rate of return, which is calculated by comparing the return to Lone Star over the timeline of its investment in the Company and certain successor entities of LSF9. As of June 30, 2020, no such monetization events that meet the required return for an LTIP payment have occurred, and therefore no amounts were accrued in the accompanying condensed consolidated balance sheets. While no payments have occurred thus far, payments under the LTIP could be significant depending upon future monetization events. The timing and amount of such payments are unknown and are dependent upon future monetization events and market conditions that are outside of the control of the Company or the participants of the plan. Subsequent to the IPO, Forterra became directly liable for any payment obligations triggered under the LTIP, but LSF9 or one of its affiliates will remain obligated to make payments to the Company in amounts equal to any payment obligations triggered under the LTIP as and when such payment obligations are triggered.

Leases

The Company leases certain property and equipment for various periods under non-cancelable operating and finance leases.

Tax receivable agreement

The Company has a tax receivable agreement (the "TRA") with Lone Star that provides for, among other things, the payment by the Company to Lone Star of 85% of the amount of certain covered tax benefits, which may reduce the actual liability for certain taxes that the Company might otherwise be required to pay. The tax benefits subject to the TRA include: (i) all depreciation and amortization deductions, and any offset to taxable income and gain or increase to taxable loss, resulting from the tax basis that the Company had in its assets as of the time of the consummation of the IPO, (ii) the utilization of the Company's and its subsidiaries’ net operating losses and tax credits, if any, attributable to periods prior to the IPO, (iii) deductions in respect of payments made, funded or reimbursed by an initial party to the tax receivable agreement (other than the Company or one of its subsidiaries) or an affiliate thereof to participants under the LTIP, (iv) deductions in respect of transaction expenses attributable to the acquisition of USP Holdings, Inc. and (v) certain other tax benefits attributable to payments made under the tax receivable agreement.

For purposes of the TRA, the aggregate reduction in income tax payable by the Company will be computed by comparing the Company's actual income tax liability with its hypothetical liability had it not been able to utilize the related tax benefits. The agreement will remain in effect for the period of time in which any such related tax benefits remain. The Company accounts for potential payments under the TRA as a contingent liability, with amounts accrued when considered probable and reasonably estimable. The liability recorded by the Company for the TRA at June 30, 2020 and December 31, 2019 was $77.4 million and $77.4 million, respectively.

The timing and amount of future tax benefits associated with the TRA are subject to change, and additional payments may be required which could be materially different from the current accrued liability. The Company anticipates that it will have sufficient taxable income in future periods to realize the full value of the obligation recorded. Future tax receivable agreement payments related to the tax basis of assets at the time of the IPO will be recorded as a reduction to the liability and will be recorded as a financing activity in the consolidated statement of cash flows. During the six months ended June 30, 2020, no payments were made on the TRA to Lone Star.

15. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing net earnings by the weighted average number of shares of common stock outstanding during the period. Potentially dilutive securities include employee stock options and shares of restricted stock. Diluted EPS reflects the assumed exercise, vesting or conversion of all dilutive securities.

The calculations of the basic and diluted EPS for the three and six months ended June 30, 2020 and 2019 are presented below *(in thousands, except per share amounts)*:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	**2019**	**2020**	**2019**
Net income (loss)	$ 27,115	$ 2,954	$ 13,049	$ (22,085)
Less: Earnings allocated to unvested restricted stock awards	22	7	12	—
Earnings (loss) allocated to common shareholders	$ 27,093	$ 2,947	$ 13,037	$ (22,085)
Common stock:				
Weighted average basic shares outstanding	65,093	64,142	64,948	64,073
Effect of dilutive securities	2,098	322	2,510	—
Weighted average diluted shares outstanding	67,191	64,464	67,458	64,073
Basic earnings (loss) per share:				
Net income (loss)	$ 0.42	$ 0.05	$ 0.20	$ (0.34)
Diluted earnings (loss) per share:				
Net income (loss)	$ 0.40	$ 0.05	$ 0.19	$ (0.34)

As detailed further below, potential dilutive shares of common stock were anti-dilutive as a result of the Company's net loss for the six months ended June 30, 2019. As a result, basic weighted average shares were used in the calculations of basic earnings per share and diluted earnings per share for that period.

The number of stock options and restricted shares that were excluded from the computation of diluted earnings per share because their inclusion would result in an anti-dilutive effect on per share amounts for the three months ended June 30, 2020 and June 30, 2019 and the six months ended June 30, 2020 and June 30, 2019 were 1,031,685, 5,437,403, 758,409 and 4,557,278, respectively.

16. Income taxes

The Company recorded income tax expense of $7.5 million and $7.5 million for the three and six months ended June 30, 2020, respectively, and income tax expense of $0.9 million and an income tax benefit of $6.4 million for the three and six months ended June 30, 2019, respectively.

The income tax expense for the three months ended June 30, 2020 was calculated under the ASC 740-270 principles. The income tax expense for the three months ended June 30, 2020 differs from the expense computed at the federal statutory rate primarily due to the movement of the valuation allowance recorded in the quarter and state income tax expense.

The income tax expense for the six months ended June 30, 2020 differs from the expense computed at the federal statutory rate primarily due to the movement of the valuation allowance recorded in the period and state income tax expense.

The income tax expense for the three months ended June 30, 2019 differs from the expense computed at the federal statutory rate primarily due to the unfavorable permanent add-back of the non-deductible one-time executive severance payment, offset by the favorable return-to-provision adjustment recorded in the quarter.

The income tax benefit for the six months ended June 30, 2019 differs from the benefit computed at the federal statutory rate primarily due to the unfavorable permanent add-back of the non-deductible one-time executive severance payment, offset by the favorable return-to-provision adjustment recorded in the six months ended June 30, 2019.

The Company evaluates the recoverability of its deferred tax assets quarterly to determine if valuation allowances are required or should be adjusted. The Company assesses whether valuation allowances should be established against deferred tax assets based on consideration of all available evidence, both positive and negative, using a “more likely than not” criterion. The analysis used in determining the valuation allowance involves considerable judgment and assumptions. The Company's history of pretax losses limits its ability to rely on projections of future pretax income, therefore, realization of deferred tax assets is based primarily on reversal of taxable temporary differences.

After consideration of all evidence, including the analysis of the reversal pattern of the taxable and deductible temporary differences in the future, the Company increased the overall valuation allowance position by $1.0 million for the six months ended June 30, 2020.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), that, among other things, increased the net interest expense deduction limit from 30% to 50% of adjusted taxable income for tax years beginning January 1, 2019 and 2020, and changed the depreciable life of the qualified improvement property from 39 years to 15 years, thereby making it eligible for 100% bonus depreciation, which the Company intends to claim. The Company has taken, and will continue to take advantage of deferral of the employer portion of the social security taxes that would otherwise be due in 2020, but will be delayed with 50% due by December 31, 2021 and the remaining 50% by December 31, 2022.

17. Segment reporting

Segment information is presented in accordance with ASC 280, *Segment Reporting*, which establishes standards for reporting information about operating segments. It also establishes standards for related disclosures about products and geographic areas. Operating segments are defined as components of an enterprise that engage in business activities that earn revenues, incur expenses and prepare separate financial information that is evaluated regularly by the Company’s chief operating decision maker (“CODM”) in order to allocate resources and assess performance. The Company's Chief Executive Officer is its CODM. The Corporate and Other segment includes expenses related to certain executive salaries, interest costs related to the Company's credit agreements, acquisition-related costs, and other corporate costs that are not directly attributable to the Company's operating segments. The Company's segments follow the same accounting policies as the Company.

Net sales from the major products sold to external customers include drainage pipe and precast products and concrete and steel water transmission pipe.

The Company’s three geographic areas consist of the United States, Canada, and Mexico for which it reports net sales, fixed assets and total assets. For purposes of evaluating segment profit, the CODM reviews EBITDA as a basis for making the decisions to allocate resources and assess performance.

The following tables set forth the disaggregation of revenue earned from contracts with customers based on the Company's reportable segments as well as other financial information attributable to the Company's reportable segments for the three and six months ended June 30, 2020 and 2019 *(in thousands)*:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	**2019**	**2020**	**2019**
Net sales:				
Drainage Pipe & Products	$ 235,596	$ 241,680	$ 405,830	$ 405,414
Water Pipe & Products	190,590	168,539	351,232	296,663
Corporate and Other	—	—	—	—
Total	$ 426,186	$ 410,219	$ 757,062	$ 702,077
Depreciation and amortization:				
Drainage Pipe & Products	$ 8,300	$ 9,456	$ 16,545	$ 18,658
Water Pipe & Products	13,493	14,595	27,372	29,470
Corporate and Other	613	339	990	654
Total	$ 22,406	$ 24,390	$ 44,907	$ 48,782
Segment EBITDA and reconciliation to income (loss) before income taxes:				
Drainage Pipe & Products	$ 57,414	$ 48,997	$ 83,466	$ 74,063
Water Pipe & Products	39,717	24,973	62,590	33,714
Corporate and Other	(20,453)	(19,962)	(40,120)	(37,048)
Less: Interest expense	(19,702)	(25,783)	(40,447)	(50,448)
Depreciation and amortization	(22,406)	(24,390)	(44,907)	(48,782)
Income (loss) before income taxes	$ 34,570	$ 3,835	$ 20,582	$ (28,501)
Capital expenditures:				
Drainage Pipe & Products	$ 2,366	$ 7,519	$ 5,396	$ 15,448
Water Pipe & Products	1,942	2,248	3,123	4,525
Corporate and Other	223	695	362	2,463
Total	$ 4,531	$ 10,462	$ 8,881	$ 22,436

	June 30, 2020	December 31, 2019
Total assets:		
Drainage Pipe & Products	$ 837,390	$ 819,373
Water Pipe & Products	865,237	862,542
Corporate and Other	68,870	58,143
Total	$ 1,771,497	$ 1,740,058

The Company has an investment in an equity method investee included in the Drainage Pipe & Products segment for which earnings from equity method investee were $3.1 million, $5.9 million, $3.4 million and $5.0 million for the three and six months ended June 30, 2020 and June 30, 2019, respectively, and with the following balances *(in thousands)*:

	June 30, 2020	December 31, 2019
Investment in equity method investee	$ 51,459	$ 50,034

Disaggregated revenue by geographic location is provided in the tables below. The Company has operations in the United States, Canada and Mexico. The economic characteristics of the Company's customers do not significantly vary across geographic locations or product lines. The Company has both revenues and long-lived assets in each country; and those assets and revenues are recorded within geographic location as follows *(in thousands)*:

Property, plant, and equipment, net:	June 30, 2020	December 31, 2019
United States	$ 408,159	$ 422,486
Canada	29,903	43,754
Mexico	8,912	9,335
	$ 446,974	$ 475,575

Net sales:	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
United States	$ 407,764	$ 391,721	$ 723,144	$ 668,458
Canada	16,322	16,555	29,808	29,655
Mexico	2,100	1,943	4,110	3,964
	$ 426,186	$ 410,219	$ 757,062	$ 702,077

18. Related party transactions

Tax receivable agreement

The Company has a TRA with Lone Star that provides for, among other things, the payment by the Company to Lone Star of 85% of the amount of certain covered tax benefits, which may reduce the actual liability for certain taxes that the Company might otherwise be required to pay. See Note 14, Commitments and contingencies, for additional information on the tax receivable agreement.

CP&P

The Company sold certain goods and services to its joint venture, CP&P, including spare parts for repairs, and property rentals. For the six months ended June 30, 2020, Forterra sold $0.9 million of product to CP&P and purchased goods and services from CP&P for an amount of $0.6 million. For the six months ended June 30, 2019, Forterra sold $33 thousand of product to CP&P and purchased $176 thousand of goods and services from CP&P.

19. Subsequent events

On July 16, 2020, Forterra Finance, LLC and FRTA Finance Corp., both wholly-owned subsidiaries of the Company, completed the issuance of $500 million senior secured notes due July 16, 2025 (the “Notes”). The Notes have a fixed annual interest rate of 6.50%, which will be paid semi-annually on January 15 and July 15 of each year. Obligations under the Notes are guaranteed by the Company and the Company’s existing and future subsidiaries (other than the issuers) that guarantee the Term Loan and the obligations of the U.S. borrowers under the Revolver. The Notes and the related guarantees are secured by first-priority liens on the collateral that secures the Term Loan on a first-priority basis (which is generally all assets other than those that secure the Revolver on a first-priority basis as set forth below) and second-priority liens on the collateral that secures the Revolver on a first-priority basis (which is generally inventory, accounts receivable, deposit accounts, securities accounts, certain intercompany loans and related assets), which second-priority liens will be ratable with the liens on such assets securing the obligations under the Term Loan and junior to the liens on such assets securing the Revolver.

Upon closing, the Company used the net proceeds from this offering to repay $492.5 million of the principal amount of the Term Loan at par, plus accrued interest.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity, capital resources and other financial and operating information. We have used the words “approximately,” “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “future,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will” and similar terms and phrases to identify forward-looking statements. All of our forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we are expecting, including:

- the impact of the COVID-19 pandemic on the economy, demand for our products and our business, financial condition and results of operations, including the measures taken by governmental authorities in response;
- government funding of infrastructure and related construction activities;
- the level of construction activity, particularly in the residential construction and non-residential construction markets;
- the highly competitive nature of our industry and our ability to effectively compete;
- the availability and price of the raw materials we use in our business;
- our dependence on key customers and the absence of long-term agreements with these customers;
- the level of construction activity in Texas;
- disruption at one or more of our manufacturing facilities or in our supply chain;
- construction project delays and our inventory management;
- the seasonality of our business and its susceptibility to adverse weather;
- our ability to successfully integrate acquisitions;

- labor disruptions and other union activity;
- compliance with applicable regulations;
- a tightening of mortgage lending or mortgage financing requirements;
- the ability to implement our growth strategy;
- our current dispute with HeidelbergCement related to the payment of an earnout;
- compliance with environmental laws and regulations;
- energy costs;
- changes in tax laws could adversely affect us;
- compliance with health and safety laws and regulations;
- our dependence on key executives and key management personnel;
- our ability and that of our customers with which we work to retain and attract additional skilled and non-skilled technical or sales personnel;
- credit and non-payment risks of our customers;
- warranty and related claims;
- legal and regulatory claims;
- our contract backlog;
- our ability to maintain sufficient liquidity and ensure adequate financing or guarantees for large projects;
- delays or outages in our information technology systems and computer networks;
- security breaches in our information technology systems and other cybersecurity incidents; and
- additional factors discussed in our filings with the Securities and Exchange Commission, or the SEC.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on historical performance and management's current plans, estimates and expectations in light of information currently available to us and are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors, many of which are beyond our control, as well as the other factors described in Item 1A, "Risk Factors" in our 2019 10-K filed with the SEC on February 27, 2020, as supplemented in Item 1A. "Risk Factors" of this Quarterly Report on Form 10-Q. The COVID-19 pandemic may also precipitate or exacerbate these and other unknown risks and uncertainties. Additional factors or events that could cause our actual results to differ may also emerge from time to time, and it is not possible for us to predict all of them. Should one or more of these risks or uncertainties materialize or should any of our assumptions prove to be incorrect, our actual results may vary in material respects from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. Any forward-looking statement made by us speaks only as of the date on which we make it. We undertake no *obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable securities laws.*

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed with the SEC on February 27, 2020, or the 2019 10-K.

This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. See the section entitled "Cautionary Statement Concerning Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions associated with those statements.

Unless otherwise specified or where the context otherwise requires, references in this Report to "our," "we," "us," "Forterra", the "Company" and "our business" refer to Forterra, Inc., together with its consolidated subsidiaries.

Overview

Our Company

We are a manufacturer of ductile iron pipe and concrete pipe and precast products in the United States and Eastern Canada for a variety of essential water-related infrastructure applications. We provide critical infrastructure components for a broad spectrum of construction projects across infrastructure, residential and non-residential markets. Our suite of products ranges from large diameter pipe that transports water to and from treatment centers and manages drainage along major transportation corridors, to smaller diameter pipe that delivers potable water to, and removes wastewater from, end users in residential and commercial settings.

Our Segments

Our operations are organized into the following reportable segments:

- Drainage Pipe & Products - We are a producer of concrete drainage pipe and precast products.
- Water Pipe & Products - We are a producer of ductile iron pipe, or DIP, and concrete pressure pipe.
- Corporate and Other - Corporate, general and administrative expenses not allocated to our revenue-generating segments such as certain shared services, executive and other administrative functions.

COVID-19 Pandemic

Beginning in mid-March, local, state, provincial and federal authorities began issuing stay at home orders in response to the spread of the coronavirus disease 2019, or COVID-19, which has quickly spread throughout the United States and worldwide. These government-instituted restrictions, together with the economic volatility and uncertainty the pandemic has created, have had a significant impact on the United States economy in general and certain parts of our end-markets. Despite these events and the related uncertainty, we have continued to operate as an essential business under the government orders, and the COVID-19 pandemic has not materially affected our liquidity, financial results or business operations during the first half of the year. During April and early May, we experienced temporary delays in certain projects primarily related to governmental stay at home orders in place at that time and the reactions of certain customers to those orders, specifically in our residential end-markets. By the end of May, as most states started gradually resuming their normal economic activities, there was some correction in these trends in the residential housing market.

Since the onset of the COVID-19 pandemic, we have focused on protecting the health and safety of our team members while maintaining our operations, which have been deemed essential under relevant pandemic-related government regulations, and continuing to meet our customers' needs. Although we encountered temporary closures of a small number of our manufacturing facilities in the second quarter due to confirmed cases in our workforce or due to government mandate, these temporary closures did not have a significant impact on our operations or our ability to serve our customer needs. Each facility that was temporarily closed has resumed normal operations. In addition, during the second quarter we repaid in full the $180.0 million of first quarter precautionary borrowings under the Revolver and determined that our other precautionary cost-savings and cash conservation measures initiated in response to the pandemic were no longer necessary.

There is still considerable uncertainty regarding the extent and duration of the impact of the COVID-19 pandemic, and the pandemic and related economic impacts may affect our operations in the second half of 2020 and into 2021, in particular due to the uncertainty of future funding and demand in our infrastructure and municipal end-markets as well as increased case numbers in locations where we have large numbers of employees or significant customer concentration. Based on recent trends in our backlogs, along with other factors, we expect our shipment volumes in the second half of the year to continue to be lower than the prior year level as they were during the first half.

Due to the fluidity and unprecedented and uncertain nature of the pandemic, we cannot predict the full impact of the COVID-19 pandemic on our business or that of our customers and participants in our supply chain, or on economic conditions generally, including the effects on infrastructure and other construction activity. The ultimate scope and extent of the effects of the COVID-19 pandemic is highly uncertain and will depend on future developments, and such effects could exist for an extended period of time, even after the pandemic might end.

For additional information on risk factors that could impact our results, please refer to "Risk Factors" in Part II, Item 1A of this Form 10-Q.

Principal Factors Affecting Our Results of Operations

Our financial performance and results of operations are influenced by a variety of factors, including conditions in the residential, non-residential and infrastructure construction markets, general economic conditions, changes in cost of goods sold, and seasonality and weather conditions. Some of the more important factors are discussed in the 2019 10-K, to which there were no material changes during the period covered by this report, with the exception of the impacts of the COVID-19 pandemic, which are discussed above.

Principal Components of Results of Operations

Net Sales

Net sales consist of the consideration which we expect to be entitled to for the sale of products in the ordinary course of business and include the billable costs of delivery of our products to customers. Net sales include any outbound freight charged to the end user. Revenue for certain contracts related to our structural precast products that are designed and engineered specifically for the customer is recognized over time using an acceptable input method which utilizes our cost incurred to date relative to total estimated costs at completion to measure progress.

Cost of Goods Sold

Cost of goods sold includes raw materials (cement, aggregates, scrap, steel and clay) and supplies, labor (including contract labor), freight (including outbound freight for delivery of products to end users and other charges such as inbound freight), energy, depreciation and amortization, repairs and maintenance and other cost of goods sold.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include expenses for sales, marketing, legal, accounting and finance services, human resources, customer support, treasury and other general corporate services. Selling, general and administrative expenses also include transaction costs directly related to any business combinations and other costs incurred with respect to cost savings initiatives.

Impairment and Exit Charges

Impairment and exit charges are primarily comprised of severance and other charges incurred to consolidate certain plants in an effort to optimize our portfolio, as well as asset impairment charges.

Other Operating Income, Net

The remaining categories of operating income and expenses consist of scrap income (associated with scrap from the manufacturing process or remaining scrap after plants are closed), insurance gains, rental income and the gain or loss generated on the sale of assets including property, plant and equipment.

Interest Expense

Interest expense represents interest on indebtedness, including finance lease obligations, the amortization of deferred financing costs, as well as the gain and loss associated with our interest rate swaps.

Earnings from Equity Method Investee

Earnings from equity method investee represents our share of the income of the CP&P joint venture we entered into with Americast, Inc. CP&P is engaged primarily in the manufacture, marketing, sale and distribution of concrete pipe and precast products in Virginia, West Virginia, Maryland, North Carolina, Pennsylvania and South Carolina with sales to contiguous states. See Note 6, *Investment in Equity Method Investee*, to the condensed consolidated financial statements for additional information on CP&P.

Income Tax (Expense) Benefit

Income tax (expense) benefit consists of federal, state, provincial, local and foreign taxes based on income in the jurisdictions in which we operate.

Results of Operations

Three Months Ended June 30, 2020 as Compared to Three Months Ended June 30, 2019

Total Company

The following table summarizes certain financial information relating to our operating results for the three months ended June 30, 2020 and June 30, 2019 (in thousands).

Statements of Income Data:	**Three months ended June 30, 2020**	**Three months ended June 30, 2019**	**% Change**
Net sales	$ 426,186	$ 410,219	3.9 %
Cost of goods sold	320,607	324,405	(1.2)%
Gross profit	105,579	85,814	23.0 %
Selling, general and administrative expenses	(53,283)	(58,640)	(9.1)%
Impairment and exit charges	(265)	(582)	(54.5)%
Other operating income, net	(1,001)	(376)	*
	(54,549)	(59,598)	(8.5)%
Income from operations	51,030	26,216	94.7 %
Other income (expenses)			
Interest expense	(19,702)	(25,783)	(23.6)%
Gain on extinguishment of debt	116	—	*
Earnings from equity method investee	3,126	3,402	(8.1)%
Income before income taxes	34,570	3,835	*
Income tax expense	(7,455)	(881)	*
Net income	$ 27,115	$ 2,954	*

** Represents positive or negative change in excess of 100%*

Net Sales

Net sales for the three months ended June 30, 2020 were $426.2 million, an increase of $16.0 million, or 3.9%, from $410.2 million in the three months ended June 30, 2019. The increase primarily came from the Water Pipe & Products segment driven by higher average selling prices compared to prior year, partially offset by the decrease in the Drainage Pipe & Products segment driven by lower shipments compared to prior year, in part due to delays related to COVID-19.

Cost of Goods Sold

Cost of goods sold were $320.6 million for the three months ended June 30, 2020, a slight decrease of $3.8 million, or 1.2%, from $324.4 million in the three months ended June 30, 2019. The decrease was primarily in the Drainage Pipe & Products segment driven by the lower shipment volume.

Gross Profit

Gross profit increased by $19.8 million, or 23.0%, to $105.6 million in the three months ended June 30, 2020 from $85.8 million in the three months ended June 30, 2019. Most of the increase in gross profit related to our Water Pipe & Products segment and was driven by higher average selling prices in both segments, as well as a slight decline in raw material cost in our Water Pipe & Products segment compared to prior year, partially offset by lower shipments in our Drainage Pipe & Products segment.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $53.3 million for the three months ended June 30, 2020, a decrease of $5.3 million, or 9.1%, from $58.6 million in the three months ended June 30, 2019. During the second quarter of last year, we had a one-time charge of $3.7 million for executive severance primarily related to the change in our CEO, as well as increased expenses related to various pending legal disputes and claims in the ordinary course of our business. These charges contributed to the higher selling, general and administrative expenses in 2019.

Interest Expense

Interest expense for the three months ended June 30, 2020 was $19.7 million, a decrease of $6.1 million or 23.6% from $25.8 million in the three months ended June 30, 2019. The decrease was primarily due to both lower LIBOR and lower outstanding term loan balances in the second quarter of 2020 compared to prior year.

Income Tax Expense

Income tax expense in the three months ended June 30, 2020 was $7.5 million, a change of $6.6 million from an income tax expense of $0.9 million in the three months ended June 30, 2019. The change is primarily due to the higher pretax income during the three months ended June 30, 2020, as well as the additional expense related to the federal and state valuation allowance in the same period.

We have taken, and will continue to take advantage of the provision in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") to defer the employer portion of the social security taxes that would otherwise be due in 2020, but will be delayed with 50% due by December 31, 2021 and the remaining 50% by December 31, 2022, which will allow us to defer up to $12 million of cash payments from 2020 to 2021 and 2022.

Segments

(in thousands)	For the three months ended June 30, 2020	2019	% Change
Net sales:			
Drainage Pipe & Products	$ 235,596	$ 241,680	(2.5)%
Water Pipe & Products	190,590	168,539	13.1 %
Corporate and Other	—	—	*
Total	$ 426,186	$ 410,219	3.9 %
Gross profit (loss):			
Drainage Pipe & Products	61,393	57,717	6.4 %
Water Pipe & Products	44,185	28,147	57.0 %
Corporate and Other	1	(50)	*
Total	$ 105,579	$ 85,814	23.0 %
Segment EBITDA(1):			
Drainage Pipe & Products	57,414	48,997	17.2 %
Water Pipe & Products	39,717	24,973	59.0 %
Corporate and Other	(20,453)	(19,962)	2.5 %

(1) For the purposes of evaluating segment performance, the Company's chief operating decision maker reviews earnings before interest, taxes, depreciation and amortization ("EBITDA") as a basis for making the decisions to allocate resources and assess performance. Our discussion below includes the primary drivers of EBITDA. See *Note 17, Segment Reporting*, to the condensed consolidated financial statements for segment EBITDA reconciliation to income (loss) before income taxes.

* Represents positive or negative change in excess of 100%.

Drainage Pipe & Products

Net Sales

Net sales in the three months ended June 30, 2020 were $235.6 million, a decrease of $6.1 million or 2.5% from $241.7 million in the three months ended June 30, 2019. The slight decrease was driven by lower shipments due primarily to unfavorable weather as compared to 2019, as well as a sales volume decline due primarily to certain temporary delays in projects caused by COVID-19, partially offset by higher average selling prices.

Gross Profit

Gross profit in the three months ended June 30, 2020 was $61.4 million, an increase of $3.7 million or 6.4% from $57.7 million in the three months ended June 30, 2019. The increase was primarily due to higher average selling prices and manufacturing efficiencies.

Water Pipe & Products

Net Sales

Net sales in the three months ended June 30, 2020 were $190.6 million, an increase of $22.1 million or 13.1% from $168.5 million in the three months ended June 30, 2019. The increase was due primarily to higher average selling prices.

Gross Profit

Gross profit in the three months ended June 30, 2020 was $44.2 million, an increase of $16.1 million or 57.0% from $28.1 million in the three months ended June 30, 2019. The increase was primarily due to higher average selling prices, manufacturing efficiencies and lower raw material cost.

Six Months Ended June 30, 2020 as Compared to Six Months Ended June 30, 2019

Total Company

The following table summarizes certain financial information relating to our operating results for the six months ended June 30, 2020 and June 30, 2019 (in thousands).

Statements of Income Data:	**Six months ended June 30, 2020**	**Six months ended June 30, 2019**	**% Change**
Net sales	$ 757,062	$ 702,077	7.8 %
Cost of goods sold	592,741	574,458	3.2 %
Gross profit	164,321	127,619	28.8 %
Selling, general and administrative expenses	(107,523)	(110,031)	(2.3)%
Impairment and exit charges	(1,089)	(813)	33.9 %
Other operating income, net	(671)	203	*
	(109,283)	(110,641)	(1.2)%
Income from operations	55,038	16,978	*
Other income (expenses)			
Interest expense	(40,447)	(50,448)	(19.8)%
Gain on extinguishment of debt	66	—	*
Earnings from equity method investee	5,925	4,969	19.2 %
Income (loss) before income taxes	20,582	(28,501)	*
Income tax (expense) benefit	(7,533)	6,416	*
Net income (loss)	$ 13,049	$ (22,085)	*

** Represents positive or negative change in excess of 100%*

Net Sales

Net sales for the six months ended June 30, 2020 were $757.1 million, an increase of $55.0 million, or 7.8%, from $702.1 million in the six months ended June 30, 2019. The increase primarily came from the Water Pipe & Products segment and was driven by higher average selling prices in both segments and higher shipments in our Water Pipe & Products segment compared to prior year, partially offset by lower shipments and delays related to COVID-19 in our Drainage Pipe & Products segment.

Cost of Goods Sold

Cost of goods sold were $592.7 million for the six months ended June 30, 2020, an increase of $18.2 million, or 3.2%, from $574.5 million in the six months ended June 30, 2019. The increase was primarily in the Water Pipe & Products segment driven by the higher shipment volume.

Gross Profit

Gross profit was $164.3 million for the six months ended June 30, 2020, an increase of $36.7 million, or 28.8%, from $127.6 million in the six months ended June 30, 2019. Most of the increase in gross profit related to our Water Pipe & Products segment driven by higher average selling prices, higher shipments, as well as a slight decline in raw material cost compared to prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $107.5 million for the six months ended June 30, 2020, a decrease of $2.5 million, or 2.3%, from $110.0 million in the six months ended June 30, 2019. In 2019, we incurred a one-time charge related to the change of CEO which drove the higher Selling, general and administrative expenses.

Interest Expense

Interest expense for the six months ended June 30, 2020 was $40.4 million, a decrease of $10.0 million or 19.8% from $50.4 million in the six months ended June 30, 2019. The decrease was primarily due to both the lower LIBOR and the lower outstanding term loan balances in the first half of 2020 compared to prior year.

Income Tax (Expense) Benefit

Income tax expense in the six months ended June 30, 2020 was $7.5 million, a change of $13.9 million from an income tax benefit of $6.4 million in the six months ended June 30, 2019. The change is primarily due to the higher pretax income during the six months ended June 30, 2020, as well as additional expense related to the federal and state valuation allowance for the same period.

Segments

(in thousands)	For the six months ended June 30, 2020	2019	% Change
Net sales:			
Drainage Pipe & Products	$ 405,830	$ 405,414	0.1%
Water Pipe & Products	351,232	296,663	18.4%
Corporate and Other	—	—	*
Total	$ 757,062	$ 702,077	7.8%
Gross profit (loss):			
Drainage Pipe & Products	93,948	89,150	5.4%
Water Pipe & Products	70,345	38,882	80.9%
Corporate and Other	28	(413)	*
Total	$ 164,321	$ 127,619	28.8%
Segment EBITDA(1):			
Drainage Pipe & Products	83,466	74,063	12.7%
Water Pipe & Products	62,590	33,714	85.6%
Corporate and Other	(40,120)	(37,048)	8.3%

(1) For the purposes of evaluating segment performance, the Company's chief operating decision maker reviews EBITDA as a basis for making the decisions to allocate resources and assess performance. Our discussion below includes the primary drivers of EBITDA. See *Note 17, Segment Reporting*, to the condensed consolidated financial statements for segment EBITDA reconciliation to income (loss) before income taxes.

* Represents positive or negative change in excess of 100%.

Drainage Pipe & Products

Net Sales

Net sales in the six months ended June 30, 2020 were $405.8 million, flat compared to $405.4 million in the six months ended June 30, 2019. Higher average selling prices were offset by lower shipments due primarily to unfavorable weather in 2020 as compared to 2019, as well as a sales volume decline due primarily to certain temporary delays in projects caused by COVID-19.

Gross Profit

Gross profit in the six months ended June 30, 2020 was $93.9 million, an increase of $4.8 million or 5.4% from $89.1 million in the six months ended June 30, 2019. The increase was primarily due to higher average selling prices and manufacturing efficiencies.

Water Pipe & Products

Net Sales

Net sales in the six months ended June 30, 2020 was $351.2 million, an increase of $54.5 million or 18.4% from $296.7 million in the six months ended June 30, 2019. The increase was due primarily to higher average selling prices as well as higher shipment volume.

Gross Profit

Gross profit in the six months ended June 30, 2020 was $70.3 million, an increase of $31.5 million, or 80.9% from $38.8 million in the six months ended June 30, 2019. The increase was primarily due to higher average selling prices, manufacturing efficiencies and lower raw material cost as well as higher volumes.

Liquidity and Capital Resources

Our available cash and cash equivalents, borrowing availability under our $350.0 million Revolver, and funds generated from operations are our most significant sources of liquidity. While we believe these sources will be sufficient to finance our working capital requirements, planned capital expenditures that are essential, debt service obligations and other cash requirements for at least the next 12 months, our future liquidity will depend in part upon our operating performance, which will be affected by prevailing economic conditions, including those related to the COVID-19 pandemic, and financial, business and other factors, some of which are beyond our control. See “Risk Factors” in Part II, Item 1A of this Form 10-Q.

We are currently engaged in a dispute with affiliates of HeidelbergCement AG, or Heidelberg, regarding the earnout provision in the purchase agreement entered into in connection with the acquisition of the building products business of Heidelberg in the United States and Eastern Canada by Lone Star Fund IX (U.S.), L.P. in 2015, or the Acquisition. Heidelberg has asserted that an earnout payment should be made in the amount of $100.0 million, and we have taken the position that no payment is due under the purchase agreement. Following a final hearing in June 2020, resolution is expected to be determined by a neutral accounting arbitrator through a written decision in the latter part of August 2020 or thereafter. If it is determined that an earnout payment of significant size is owed and we are required to make such a payment, we may not have sufficient cash to make such payment and may be required to incur additional indebtedness. This dispute is discussed in greater detail in Note 14, Commitments and contingencies, to the condensed consolidated financial statements.

As of June 30, 2020 and December 31, 2019, we had approximately $52.5 million and $34.8 million of cash and cash equivalents, respectively, of which $15.8 million and $12.6 million, respectively, were held by foreign subsidiaries. All of the cash and cash equivalents as of June 30, 2020 and December 31, 2019 were readily convertible as of such dates into currencies used in the Company’s operations, including the U.S. dollar.

We have a tax receivable agreement with Lone Star that provides for the payment by us to Lone Star of specified amounts in respect of any cash savings as a result of the utilization of certain tax benefits. The actual utilization of the relevant tax benefits as well as the timing of any payments under the tax receivable agreement will vary depending upon a number of factors, including the amount, character and timing of our and our subsidiaries’ taxable income in the future. However, we expect that the payments we make under the tax receivable agreement could be substantial. The tax receivable agreement also includes provisions which restrict the incurrence of debt and that require that we make an accelerated payment to Lone Star equal to the present value of all future payments due under the tax receivable agreement, in each case under certain circumstances. Because of the foregoing, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. See Note 14, Commitments and contingencies, to the condensed consolidated financial statements for additional information regarding the tax receivable agreement. Our forecasted payments under the tax receivable agreement in 2020, pertaining to the 2019 tax year, are expected to be in the range of $8 to $10 million. We expect that future annual payments under the tax receivable agreement will decline each year in accordance with our tax basis depreciation and amortization schedule unless future unplanned transactions result in an acceleration of our tax benefits under the agreement.

During the six months ended June 30, 2020, we voluntarily prepaid $15.5 million of our senior term loan and, during the second quarter, we repaid in full the $180.0 million of first quarter precautionary borrowings under the Revolver initially borrowed in response to the pandemic. As of June 30, 2020, we had $1.1 billion outstanding balance under our senior term loan as amended, or the Term Loan, and no borrowings outstanding under the Revolver. Availability under the Revolver, based on draws, outstanding letters of credit of $25.9 million, as well as allowable borrowing base as of June 30, 2020, was $261.9 million.

In June 2020, we entered into a First Amendment to our revolving credit agreement. The Amendment, among other things, (i) increased the size of the Revolver from $300.0 million to $350.0 million of aggregate commitments, with up to $330.0 million to be made available to the U.S. borrowers and up to $20.0 million to be made available to the Canadian borrowers, (ii) extended the maturity date of the Revolver to June 17, 2025, subject to earlier maturity if greater than $75.0 million of our Term Loan remains outstanding 91 days prior to the scheduled maturity of the term loan credit facility or any refinancing thereof, and (iii) modified the interest rates on outstanding borrowings under the Revolver to a rate equal to LIBOR or CDOR plus a margin ranging from 1.75% to 2.25% per annum, or an alternate base rate, Canadian prime rate or Canadian base rate plus a margin ranging from 0.75% to 1.25% per annum, in each case, based upon the average excess availability under the Revolver for the most recently completed calendar quarter and our total leverage ratio as of the end of the most recent fiscal quarter for which financial statements have been delivered.

Subject to the conditions set forth in the revolving credit agreement, as amended, the Revolver may be increased by up to the greater of (i) $100.0 million and (ii) such amount as would not cause the aggregate borrowing base to be exceeded by more than $50.0 million. Borrowings under the Revolver may not exceed a borrowing base equal to the sum of (i) 100% of eligible cash, (ii) 85% of eligible accounts receivable and (iii) the lesser of (a) 75% of eligible inventory and (b) 85% of the orderly liquidation value of eligible inventory, with the U.S. and Canadian borrowings being subject to separate borrowing base limitations.

Our Term Loan provides for a $1.25 billion senior secured term loan. Subject to the conditions set forth in the term loan agreement, the Term Loan may be increased by (i) up to the greater of $285.0 million and 1.0x consolidated EBITDA of Forterra, Inc. and its restricted subsidiaries for the four quarters most recently ended prior to such incurrence plus (ii) the aggregate amount of any voluntary prepayments, plus (iii) an additional unlimited amount, provided (x) in the case of any incremental debt that is secured by a lien that is pari passu with the liens securing the Term Loan, the first lien leverage ratio does not exceed 4.10 to 1.00, (y) in the case of incremental debt that is secured by a lien that is junior to the liens securing the Term Loan, the total leverage ratio does not exceed 5.50 to 1.00 and (z) in the case of incremental debt that is unsecured, the total leverage ratio does not exceed 5.75 to 1.00, in each case, determined on a pro forma basis. The Term Loan matures on October 25, 2023 and is subject to quarterly amortization equal to 0.25% of the initial principal amount. Interest will accrue on outstanding borrowings thereunder at a rate equal to adjusted LIBOR (with a floor of 1.0%) or an alternate base rate, in each case plus a margin of 3.00% or 2.00%, respectively.

The Revolver and the Term Loan contain customary representations and warranties, and affirmative and negative covenants, that, among other things, restrict our ability to incur additional debt, incur or permit liens on assets, make investments and acquisitions, consolidate or merge with any other company, engage in asset sales and pay dividends and make distributions. The Revolver contains a financial covenant restricting us from allowing our fixed charge coverage ratio to drop below 1.00:1.00 during a compliance period, which is triggered when the availability under the Revolver falls below a threshold. The fixed charge coverage ratio is the ratio of consolidated earnings before interest, depreciation, and amortization, less cash payments for capital expenditures and income taxes to consolidated fixed charges (interest expense plus scheduled payments of principal on indebtedness). The Term Loan does not contain any financial covenants. Obligations under the Revolver and the Term Loan may be accelerated upon certain customary events of default (subject to grace periods, as appropriate). As of June 30, 2020, we were in compliance with all applicable covenants under the Revolver and the Term Loan.

On July 16, 2020, two of our subsidiaries, Forterra Finance, LLC and FRTA Finance Corp., completed the issuance of $500 million senior secured notes, or the Notes, that are due July 16, 2025. The Notes have a fixed annual interest rate of 6.50%, which will be paid semi-annually on January 15 and July 15 of each year. Obligations under the Notes will be guaranteed by us and our existing and future subsidiaries (other than the issuers) that guarantee the Term Loan and the obligations of the U.S. borrowers under the Revolver. The Notes and the related guarantees are secured by first-priority liens on the collateral that secures the Term Loan on a first-priority basis (which is generally all assets other than those that secure the Revolver on a first-priority basis as set forth below) and second-priority liens on the collateral that secures the Revolver on a first-priority basis (which is generally inventory, accounts receivable, deposit accounts, securities accounts, certain intercompany loans and related assets), which second-priority liens is ratable with the liens on such assets securing the obligations under the Term Loan and junior to the liens on such assets securing the Revolver. Upon closing, we used the net proceeds from this offering to repay $492.5 million of the principal amount of the Term Loan at par, plus accrued interest.

The following table sets forth a summary of the net cash provided by (used in) operating, investing and financing activities for the periods presented *(in thousands)*:

	For the six months ended	
	June 30, 2020	**June 30, 2019**
Statement of Cash Flows data:		
Net cash provided by (used in) operating activities	$ 40,239	$ (27,322)
Net cash provided by (used in) investing activities	1,536	(24,542)
Net cash provided by (used in) financing activities	(23,556)	32,350

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities was $40.2 million in the six months ended June 30, 2020, compared to net cash used in operating activities of $27.3 million in the six months ended June 30, 2019. Changes between the periods are primarily due to the change in income from operations, as well as the improvements in our working capital.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by investing activities was $1.5 million in the six months ended June 30, 2020, due to $10.6 million proceeds from sale of fixed assets, partially offset by $9.1 million of capital expenditures. Net cash used in investing activities was $24.5 million in the six months ended June 30, 2019, primarily due to capital expenditures of $23.2 million and the acquisition of Buckner assets of $10.8 million, partially offset by $9.5 million proceeds from sale of fixed assets.

Net Cash Provided by (Used in) Financing Activities

Net cash used in financing activities was $23.6 million in the six months ended June 30, 2020 primarily due to $21.3 million repayments of principal on the Term Loan. Net cash provided by financing activities was $32.4 million for the six months ended June 30, 2019 due primarily to $39.0 million net proceeds from the Revolver, partially offset by $6.3 million repayments of principal on the Term Loan.

Capital Expenditures

Under normal circumstances, our annual sustaining capital expenditures would average $45.0 million to $55.0 million. However, as a precautionary measure in response to the COVID-19 pandemic and in order to preserve liquidity, we delayed some non-essential capital spending projects during the second quarter. At the end of the second quarter, given the improvements in cash generation and liquidity, we have resumed capital spending projects. Total capital expenditures were $9.1 million and $23.2 million for the six months ended June 30, 2020 and June 30, 2019, respectively. The majority of our planned capital spending now is related to equipment, such as plant and mobile equipment, upgrade and expansion of existing facilities, and environmental and permit compliance projects.

Off-Balance Sheet Arrangements

In the ordinary course of our business, we are required to provide surety bonds and standby letters of credit to secure performance commitments. As of June 30, 2020, outstanding stand-by letters of credit amounted to $25.9 million.

Application of Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The accounting policies that we believe are critical to or require subjective and/or complex judgments that could potentially affect 2020 reported results are discussed in greater detail in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2019 10-K. There have been no significant changes to those accounting policies or our assessment of which accounting policies we would consider to be critical accounting policies.

Recent Accounting Guidance Adopted

A summary of recent accounting pronouncements and our assessment of any expected impact of these pronouncements, if known, is included in Note 2 to the audited consolidated financial statements included the 2019 10-K and Note 2, Summary of significant accounting policies, to the condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to financial risks such as changes in interest rates, foreign currency exchange rates and commodity price risk associated with our input costs. We utilize derivative instruments to manage selected foreign exchange and interest rate exposures. See Note 12, Derivatives and hedging to the condensed consolidated financial statements.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our long-term debt. The interest expense associated with our long-term debt will vary with market rates. During March 2020, the Company entered into an interest rate swap transaction with a notional value of $400 million to limit our exposure to interest rate increases related to a portion of our floating rate indebtedness. We agreed to pay a fixed rate of interest of 1.08% and receive floating rate of interest indexed to one-month LIBOR, subject to a minimum of 1.00%, with monthly settlement terms with the swap counterparty. The swap has a 30-month term and expires on September 30, 2022. Previously, we had two interest rate swap transactions with a combined notional value of $525 million, in which we agreed to pay a fixed rate of interest of 1.52% and received floating rate interest indexed to one-month LIBOR with monthly settlement terms with the swap counterparties. The swaps expired on March 31, 2020. At June 30, 2020, we estimate that a 1% increase in the rates relating to our floating rate debt would increase annual interest requirements by approximately $7.0 million.

Borrowings under our Term Loan and our Revolver may use LIBOR as a benchmark for establishing the applicable interest rate. LIBOR is the subject of recent regulatory guidance and proposals for reform, which are expected to ultimately lead to the discontinuation of LIBOR or to cause LIBOR to become unavailable as a benchmark rate. The consequences of these developments with respect to LIBOR cannot be entirely predicted but could result in a significant increase in the cost of our variable rate indebtedness causing a negative impact on our financial position, liquidity and results of operations. We plan to carefully monitor the situation and may seek to renegotiate the benchmark for establishing the applicable interest rate with our lenders in the future.

Foreign Currency Risk

Approximately 4.5% of our net sales for the six months ended June 30, 2020, were made in countries outside of the U.S. As a result, we are exposed to movements in foreign exchange rates between the U.S. dollar and other currencies. Based upon our net sales for the six months ended June 30, 2020, we estimate that a 1% change in the exchange rate between the U.S. dollar and foreign currencies would affect net sales by approximately $0.3 million. This may differ from actual results depending on the levels of net sales outside of the U.S.

Commodity Price Risk

We are subject to commodity price risks with respect to price changes mainly in the electricity and natural gas markets and other raw material costs, such as cement, aggregates, steel and clay. Price fluctuations on our key inputs have a significant effect on our financial performance. The markets for most of these commodities are cyclical and are affected by factors such as the global economic conditions, changes in or disruptions to industry production capacity, changes in inventory levels and other factors beyond our control.

Credit Risk

Financial instruments that potentially subject us to a concentration of credit risk consist principally of accounts receivable. We provide our products to customers based on an evaluation of the financial condition of our customers, generally without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. We monitor the exposure for credit losses and maintain allowances for anticipated losses. Concentrations of credit risk with respect to our accounts receivable are limited due to the large number of customers comprising our customer base and their dispersion among many different geographies.

At June 30, 2020, we had an individual customer within our Water Pipe & Products segment that accounted for more than 10% of total net sales for the six months ended June 30, 2020. The customer represented approximately 15% of our total net sales for the six months ended June 30, 2020, and amounts receivable from the customer at June 30, 2020 represented approximately 17% of our total receivables, net.

The COVID-19 pandemic may increase our risk of, or exposure to, credit losses. See Note 2, Summary of significant accounting policies, to the condensed consolidated financial statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2020.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2020.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our system of internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed or operated, can provide only reasonable, but not absolute, assurance that the objectives of the system of internal control are met. The design of our control system reflects the fact that there are resource constraints, and that the benefits of such control system must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control failures and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the intentional acts of individuals, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part on certain assumptions about the likelihood of future events, and there can be no assurance that the design of any particular control will always succeed in achieving its objective under all potential future conditions.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth in Note 14, Commitments and contingencies, to the condensed consolidated financial statements is incorporated by reference herein.

Item 1A. Risk Factors

Our business faces many risks and uncertainties that we cannot control. The risk factors described in Part I, Item 1A. "Risk Factors" of our 2019 10-K, as supplemented below, should be carefully considered, together with the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q. The potential effects of the COVID-19 pandemic could also impact, or amplify, many of the risk factors included in our 2019 10-K. However, given the unpredictable and unprecedented nature of the pandemic, the potential impact it could have remains uncertain. Additionally, other risks that we do not presently know about, or that we presently believe are not material, could also adversely affect us.

Our business, results of operations, financial condition, cash flows and stock price have been and in the future may be adversely affected by the COVID-19 pandemic.

Our operations and business have been adversely affected and could in the future be materially and adversely affected, whether directly or indirectly, by the COVID-19 pandemic and the resulting weakening of economic conditions in the United States and eastern Canada. Local, state, provincial and federal governmental authorities have responded to the pandemic by implementing increasingly stringent measures in geographies where we operate to help control the spread of the virus, including restrictions on movement such as quarantines, “shelter in place,” “stay at home” orders, and travel restrictions, as well as restricting or prohibiting outright some or all forms of commercial and business activity, and other restrictions, including closures of school and childcare facilities. Although we have continued to be categorized as “essential” and therefore permitted to operate our facilities consistent with applicable local, state, provincial and federal orders, any changes in these governmental orders, including extending the duration thereof, or any further, more severe, actions taken by governmental authorities or that we may choose to take whether required or not could have a material adverse effect on our operations.

Our customers have been and could continue to be negatively impacted by the COVID-19 pandemic, including as a result of project delays and other adverse impacts on demand, which could result in adverse impacts on our sales and have a material adverse effect on our business, results of operations and financial condition. Similarly, our suppliers and other parts of our supply chain could experience disruptions and other adverse impacts as a result of the pandemic that could cause us to be unable to obtain key raw materials and supplies on a timely or cost-effective basis, or in some cases, at all, any of which could result in our being unable to service our customers’ demands, and adversely affect our business and results of operations.

The COVID-19 pandemic, including any actions we have taken in response, has disrupted our internal operations, including by heightening the risk that a significant portion of our workforce will suffer illness or otherwise not be permitted or be unable to work, and required that certain of our employees work remotely, which has heightened certain risks, including those related to cybersecurity and internal controls. For example, during the second quarter, a small number of employees tested positive for COVID-19, which required us to temporarily close a small number of our manufacturing facilities. Additionally, we cannot predict whether these conditions and concerns will continue or whether we will experience more significant or frequent disruptions in the future, including the complete closure of one or more of our facilities. In addition, in the event demand for our products is significantly reduced as a result of the COVID-19 pandemic and related economic impacts, we may need to assess different corporate actions and cost-cutting measures, including reducing our workforce or closing one or more facilities, and these actions could cause us to incur costs and expose us to other risks and inefficiencies, including whether we would be able to rehire our workforce or recommence operations at a given facility if our business experiences a subsequent recovery.

The COVID-19 pandemic has also adversely affected economies worldwide and significantly disrupted financial and other capital markets, causing a significant deceleration of economic activity. This slowdown has decreased demand for a wide variety of goods and services, diminished trade levels, reduced production and led to widespread corporate downsizing, causing a sharp increase in unemployment. The impact of this outbreak on the U.S. and world economies is uncertain and, unless until the outbreak is contained, these adverse impacts could worsen, impacting all segments of the global economy, and result in a significant recession or worse. Although we initially took certain precautionary measures to preserve liquidity, including borrowing under our ABL Facility and suspending non-essential capital expenditures, we have since ended these measures and repaid the amounts borrowed under the ABL Facility, and a prolonged period of generating lower cash from operations or other pressures on our liquidity could adversely affect our financial condition, the achievement of our strategic objectives or require us to seek additional capital. Conditions in the financial and capital markets have been extremely volatile and may limit or entirely restrict the availability of funding or increase the cost of funding, which could adversely affect our business, financial position and results of operations.

Considerable uncertainty still surrounds the COVID-19 virus and the pandemic's potential effects, and the extent and effectiveness of responses taken on local, national and global levels. No fully effective vaccines or treatments have been developed and one may not be discovered early enough to protect against a worsening of the pandemic or to prevent COVID-19 from becoming endemic. While we expect the pandemic and related events will continue to have a negative effect on us, the unpredictable and unprecedented nature and fluidity of current circumstances makes it impractical to identify all potential risks or estimate the full extent and scope of the impact on our business and industry, as well as national, regional and global markets and economies. However, our ability to conduct our business in the manner previously or currently expected could be materially and adversely affected, and any of the foregoing risks and uncertainties as well as those that have not yet manifested themselves or been identified could have a material adverse impact on our business, financial condition, results of operations and cash flows.

A dispute with Heidelberg exists related to the payment of an earnout in connection with the Acquisition and any payment we are required to make could have a material adverse effect on us.

In connection with the earnout provision in the purchase agreement entered into in connection with the Acquisition, Heidelberg has asserted in an arbitration proceeding now pending that a payment should be made in the amount of $100.0 million. A hearing on the merits of the dispute was held June 23-25, 2020 before a neutral arbitrator, and the arbitrator is expected to render a written decision on the matter in the latter part of August 2020 or thereafter. If it is determined that a significant payment to Heidelberg is owed and we are required to make such a payment, we may not have sufficient cash to make such payment and may be required to incur additional indebtedness. We cannot be certain that we will be able to borrow any funds for this purpose under the terms of our existing indebtedness or on other terms acceptable to us, if at all. If incurred, additional indebtedness will subject us to additional interest expense, negatively impact our cash flow, increase the risk of a downgrade in our credit rating and could limit our ability to incur other indebtedness or make further acquisitions. For more information, see Note 14, Commitments and contingencies-Legal matters-Earnout Dispute and Part 1, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources” of this Form 10-Q.

The terms of our debt could have a material adverse effect on us.

We have substantial debt and may incur additional debt. As of June 30, 2020, we had approximately $1,101.6 million of total debt and, following the issuance and sale of our Notes, as of July 16, 2020, we had approximately $1,109.1 million of total debt. Our credit facility and the indenture governing our Senior Notes contain a number of significant restrictions and covenants that generally restrict our business and limit our ability to, among other things:

- dispose of certain assets;
- incur or guarantee additional indebtedness;
- enter into new lines of business;
- make investments, intercompany loans or certain payments in respect of indebtedness;

- incur or maintain certain liens;
- enter into transactions with affiliates;
- engage in certain sale and leaseback transactions;
- declare or pay dividends and make other restricted payments, including the repurchase or redemption of our stock; and
- engage in mergers, consolidations, liquidations and certain asset sales.

The Revolver contains a financial covenant restricting us from allowing our fixed charge coverage ratio to drop below 1.00:1.00 during a compliance period, which is triggered when the availability under the Revolver falls below a threshold set forth therein. In addition, our ability to borrow under the Revolver is limited by the amount of the borrowing base applicable to U.S. dollar and Canadian dollar borrowings. Any negative impact on the elements of our borrowing base, such as eligible accounts receivable and inventory, will reduce our borrowing capacity under the Revolver. Moreover, the Revolver provides discretion to the agent bank acting on behalf of the lenders to impose additional requirements on what accounts receivable and inventory may be counted toward the borrowing base availability, and to impose other reserves, which could materially impair the amount of borrowings that would otherwise be available to us. There can be no assurance that the agent bank will not impose such reserves or, were it to do so, that the resulting impact of this action would not materially and adversely impair our liquidity. See Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for more information regarding the terms of our credit facility and the indenture governing our Senior Notes.

We are also party to a U.S. and a Canadian master lease under which we pay an aggregate of $17.8 million and $1.2 million (CAD) per annum, respectively, to lease certain properties through June 30, 2043. Each of these master lease agreements contain certain restrictions and covenants that limit, among other things, our use of and ability to sublease or discontinue use of the leased properties, our ability to consider strategic divestitures of properties that are leased and our ability to consolidate operations as may be appropriate in order to minimize operating costs. See Note 15, Sale-Leaseback transaction in our consolidated financial statements in our 2019 10-K.

These and other similar provisions in these and other documents could have adverse consequences on our business and to our investors because they limit our ability to take these actions even if we believe that it would contribute to our future growth or improve our operating results. For example, these restrictions could limit our flexibility in planning for or reacting to changes in our business and our industry, thereby inhibiting our ability to react to markets, and potentially making us more vulnerable to downturns. These restrictions could also require that, based on our level of indebtedness, a significant portion of our cash flow from operations be used to make interest payments, thereby reducing the cash flow available for working capital, to fund capital expenditures or other corporate purposes and to generally grow our business. Furthermore, these restrictions could prevent us from pursuing a strategic transaction that we believe would benefit our company.

Our ability to comply with these provisions may be affected by events beyond our control. A breach of any of these provisions, or any inability to comply with mandated financial ratios, could result in a default, in which case the counterparties may have the right to declare all borrowings or other amounts due thereunder to be immediately due and payable. If we are unable to pay any amounts when due, whether periodic payments, at maturity or if declared due and payable following a default, the counterparties would have the right to proceed against the pledged collateral securing the indebtedness. Therefore, the restrictions under these agreements and any breach of the covenants or failure to otherwise comply with the terms thereof could have a material adverse effect on our business, financial condition and results of operations.

Our current indebtedness and any future indebtedness we may incur could have a material adverse effect on us.

We expect that we will depend primarily on cash generated by our operations to pay our expenses and any amounts due under our credit facility and any other indebtedness we may incur. However, our business may not generate sufficient cash flows from operations in the future, and any anticipated growth in revenues and cash flows may not be realized, either or both of which could result in us being unable to repay indebtedness or to fund other liquidity or strategic needs. Our ability to make these payments depends on our future performance, which will be affected by financial, business, economic and other factors, many of which are beyond our control. If we do not have sufficient liquidity, we may be required to refinance all or part of our then existing debt, sell assets or borrow more money.

If we incur additional indebtedness, the risks related to our indebtedness that we currently face could intensify. In addition to the risk of higher interest rates and fees, the non-economic terms of any additional indebtedness may contain covenants and other terms restricting our financial, operating and strategic flexibility to an equal or greater extent as those imposed by our credit facility, the indenture governing the Senior Notes and the master leases. Additional indebtedness may also include cross-default provisions such that, if we breach a restrictive covenant with respect to any of our indebtedness, or an event of default occurs, lenders may be entitled to accelerate all amounts owing under other outstanding indebtedness.

If we are required to refinance our indebtedness or otherwise incur additional indebtedness to fund strategic transactions or otherwise, any additional financing may not be available on terms favorable to us, or at all. If, at such time, market conditions are materially different or our credit profile has deteriorated, the cost of refinancing our debt may be significantly higher than our indebtedness existing at that time, or we may not be able to refinance our debt at all. Any failure to meet any future debt service obligations or any inability to obtain any additional financing on terms acceptable to us or to comply therewith could have a material adverse effect on our business, financial condition and results of operations.

The phase-out of LIBOR could increase our interest expense and have a material adverse effect on us.

LIBOR is the basic rate of interest used in lending between banks on the London interbank market. Borrowings under the Term Loan and Revolver, which were an aggregate of approximately $1,101.6 million and $609.1 million as of June 30, 2020 and July 16, 2020 following the issuance and sale of our Senior Notes, respectively, use the London Interbank Offering Rate, or LIBOR, as a benchmark for establishing the applicable interest rate. The Financial Conduct Authority of the United Kingdom has announced that it plans to phase out LIBOR by the end of 2021. It is unclear if LIBOR will cease to exist at that time or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with a new index, the Secured Overnight Financing Rate, or SOFR, calculated using short-term repurchase agreements backed by Treasury securities. Whether or not SOFR, or another alternative reference rate, attains market traction as a LIBOR replacement tool remains in question. Although our borrowing arrangements provide for alternative base rates, those alternative base rates historically would often have led to increased interest rates, in some cases significantly higher, than those we paid based on LIBOR, and may similarly be higher in the future. Therefore, if LIBOR ceases to exist, we will likely need to agree upon a replacement index with our lenders, which would require an amendment to our borrowing arrangements, and the interest rate thereunder will likely change.

The consequences of the phase out of LIBOR cannot be entirely predicted at this time. For example, we may not be successful in amending our borrowing arrangements to provide for a replacement rate. Any new or alternative base rate for calculating interest with respect to our outstanding indebtedness may not be as favorable or perform in the same manner as LIBOR and could lead to an increase in our interest expense or could impact our ability to refinance some or all of our existing indebtedness. In addition, the transition process may involve, among other things, increased volatility or illiquidity in financial markets, which could also have an adverse effect on us whether or not any replacement rate applicable to our borrowings is affected. Any such effects of the transition away from LIBOR, as well as other unforeseen impacts, may result in increased interest expense and other expenses, difficulties, complications or delays in connection with future financing efforts, or otherwise have a material adverse impact on our business, financial condition, and results of operations.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits and Financial Statement Schedules

Exhibit No.	Description of Exhibit	
4.1	Indenture, dated as of July 16, 2020 among Forterra Finance, LLC, FRTA Finance Corp., the guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee.	(a)
4.2	Form of Global Note for 6.50% Senior Secured Notes due 2025 (included as Exhibit A to Exhibit 4.1 hereto).	(a)
10.1	First Amendment, dated as of June 17, 2020 to the ABL Credit Agreement dated as of October 25, 2016 by and among Forterra, Inc. and certain of its subsidiaries, as borrowers, the lenders party thereto and Bank of America, N.A., as agent.	*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	^
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.	*
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.	*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.	*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.	*
104.1	Cover page interactive data file - The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 is formatted in Inline XBRL (included as Exhibit 101).	*

* Filed herewith

^ Exhibit 32.1 shall not be deemed filed with the SEC, nor shall it be deemed incorporated by reference in any filing with the SEC under the Exchange Act or the Securities Act of 1933, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

(a) Previously filed on July 17, 2020 as an exhibit to the Company's Current Report on Form 8-K and incorporated herein by reference.

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.

FORTERRA, INC.
(Registrant)

/s/ Karl Watson, Jr.	July 28, 2020
By: Karl Watson, Jr. Chief Executive Officer (Principal Executive Officer)	
/s/ Charles R. Brown, II	July 28, 2020
By: Charles R. Brown, II Executive Vice President and Chief Financial Officer (Principal Financial Officer)	

EXHIBIT 10.1

Execution Version

FIRST AMENDMENT TO ABL CREDIT AGREEMENT

dated as of June 17, 2020,

among

FORTERRA, INC.,

THE OTHER US BORROWERS PARTY HERETO,

THE CANADIAN BORROWERS PARTY HERETO,

THE LENDERS PARTY HERETO,

and

BANK OF AMERICA, N.A.,

as Agent,

BOFA SECURITIES, INC.

DEUTSCHE BANK SECURITIES INC.,

and

SUNTRUST ROBINSON HUMPHREY, INC.
as Joint Lead Arrangers and Joint Bookrunners,

Increasing the Revolving Credit Commitments to $350.0 million and making certain amendments to the ABL Credit Agreement dated as of October 25, 2016

FIRST AMENDMENT TO ABL CREDIT AGREEMENT dated as of June 17, 2020 (this "***Amendment***"), to the ABL Credit Agreement dated as of October 25, 2016 (as amended, restated, amended and restated, supplemented or otherwise modified through the date hereof, the "***Credit Agreement***"), among Forterra, Inc., a Delaware corporation ("***Holdings***"), the other US Borrowers (as defined in the Credit Agreement) party thereto, the Canadian Borrowers (as defined in the Credit Agreement) party thereto (together with Holdings and the US Borrowers, collectively, the "***Borrowers***", and, each, a "***Borrower***"), the lenders and issuing banks party thereto from time to time and BANK OF AMERICA, N.A., as administrative agent and collateral agent (in such capacity, together with its successors and permitted assigns, the "***Agent***").

RECITALS

A. Pursuant to Section 2.23 of the Credit Agreement, Borrowers have requested that the persons set forth on ***Schedule I*** hereto (the "***Incremental Revolving Lenders***") extend commitments (the "***Incremental Revolving Commitments***") to US Borrowers under the Credit Agreement in an aggregate principal amount equal to $50.0 million.

B. The Incremental Revolving Lenders are willing to provide the Incremental Revolving Commitments to US Borrowers on the Amendment Effective Date (as defined below) on the terms set forth herein and in the Credit Agreement and subject to the conditions set forth herein.

C. The Incremental Revolving Commitments shall constitute Revolving Credit Commitments under the US Revolving Credit Facility. After giving effect to the Incremental Revolving Commitments, the amount of the total US Tranche Revolving Credit Commitments on the Amendment Effective Date shall be $330.0 million.

D. Borrowers have also requested that Agent and Lenders amend the Credit Agreement to, among other things, extend the Maturity Date (as defined therein) as set forth herein.

E. Certain Exiting Lenders (as defined herein) will be terminating their Revolving Credit Commitments under the Credit Agreement and will be replaced by certain New Lenders (as defined herein).

F. Agent and Lenders party hereto are willing to provide the Incremental Revolving Commitments to US Borrowers, extend the Maturity Date and make certain other amendments set forth herein on the Amendment Effective Date (as defined below) on the terms and subject to the conditions set forth herein.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions. Capitalized terms used but not defined in this Amendment have the meanings assigned thereto in the Credit Agreement. The provisions of Section 1.2 of the Credit Agreement are hereby incorporated by reference herein, *mutatis mutandis*. This Amendment shall be an "Incremental Facility Amendment" for all purposes of the Credit Agreement and a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents. The loans and other extensions of credit made under the Incremental Revolving Commitments shall be additional "Loans" for all purposes of the Credit Agreement and the other Loan Documents. Each Incremental Revolving Lender shall, upon the effectiveness of this Amendment in accordance with ***Section 5*** hereof, be a party to the Credit Agreement, have the rights and obligations of a Lender thereunder and shall be an "Incremental Revolving Lender" and a "Lender" for all purposes of the Credit Agreement and the other Loan Documents.

SECTION 2. Incremental Revolving Commitments.

(a) On the terms and subject to the conditions set forth herein, effective as of the Amendment Effective Date (which date shall constitute the Incremental Facility Closing Date for the Incremental Revolving Commitments granted under this ***Section 2***), each Incremental Revolving Lender hereby agrees to provide Incremental Revolving Commitments in the amount set forth opposite its name on ***Schedule I*** hereto.

(b) The Incremental Revolving Commitments and the loans and other extensions of credit made thereunder shall have the same terms applicable to the US Tranche Revolving Credit Commitments under the Credit Agreement and the existing Loans and other extensions of credit made thereunder, respectively, immediately prior to giving effect to the establishment of the Incremental Revolving Commitments hereunder, subject to the amendments contemplated by ***Section 3*** hereof. From and after the Amendment Effective Date, the Incremental Revolving Lenders shall constitute "Lenders", the Incremental Revolving Commitments shall constitute "US Tranche Revolving Credit Commitments" and "Revolving Credit Commitments" and the loans made thereunder shall constitute "US Tranche Revolving Credit Loans" and "Revolving Credit Loans", in each case for all purposes of the Credit Agreement and the other Loan Documents.

(c) US Borrowers may request the making of Loans under the Incremental Revolving Commitments from time to time on or after the Amendment Effective Date for general corporate and working capital purposes of the Group Members.

(d) On the Amendment Effective Date, pursuant to Section 2.23(c) of the Credit Agreement, (i) each Lender (other than Incremental Revolving Lenders in their capacity as such) immediately prior to the increase in Revolving Credit Commitments provided by this Amendment will automatically and without further act be deemed to have assigned to each Incremental Revolving Lender providing an Incremental Revolving Commitment, and each such Incremental Revolving Lender will automatically and without further act be deemed to have assumed, a portion of such Lender's participations under the Credit Agreement in outstanding Letters of Credit such that, after giving effect to the Incremental Revolving Commitments and each such deemed assignment and assumption of participations, the percentage of the aggregate outstanding participations under the Credit Agreement in Letters of Credit held by each Lender (including the Incremental Revolving Lenders) will equal such Lender's US Tranche Percentage, and (ii) if, on the Amendment Effective Date, there are any Revolving Credit Loans outstanding, such Revolving Credit Loans shall on the Amendment Effective Date be prepaid from the proceeds of additional Loans made under the Credit Agreement (reflecting the Incremental Revolving Commitments), which prepayment shall be accompanied by accrued interest on the Loans being prepaid and any costs incurred by any Lender in accordance with Section 2.18 of the Credit Agreement. The minimum borrowing, *pro rata* borrowing and *pro rata* payment requirements contained in the Credit Agreement shall not apply to the transactions effected pursuant to the immediately preceding sentence.

SECTION 3. Amendments to the Credit Agreement.

(a) Section 1.1 of the Credit Agreement is hereby amended by adding each of the following definitions in the appropriate alphabetical order:

"Adjustment": as defined in Section 1.9.

"Affected Financial Institution": any EEA Financial Institution or any UK Financial Institution.

"Beneficial Ownership Certification": a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation, in form and substance satisfactory to the Agent.

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

"Consolidated Cash Balance": at any time, the aggregate amount of Unrestricted Cash of the Group Members.

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

"First Amendment": that certain First Amendment to ABL Credit Agreement dated as of the First Amendment Effective Date, by and among Borrowers, the Lenders party thereto and the Agent.

"First Amendment Effective Date": June 17, 2020.

"FRB": Federal Reserve Board of Governors.

"FRBNY": Federal Reserve Bank of New York.

"LIBOR Screen Rate": as defined in Section 1.9.

"LIBOR Successor Rate": as defined in Section 1.9.

"LIBOR Successor Rate Conforming Changes": with respect to any proposed LIBOR Successor Rate, any conforming changes to this Agreement, including changes to Alternate Base Rate, Canadian Base Rate, Interest Period, timing and frequency of determining rates and payments of interest and other technical, administrative or operational matters as may be appropriate, in the Agent's discretion, to reflect the adoption and implementation of such LIBOR Successor Rate and to permit its administration by the Agent in a manner substantially consistent with market practice (or, if the Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such LIBOR Successor Rate exists, in such other manner of administration as the Agent determines, in consultation with the Borrower Representative, is reasonably necessary in connection with administration of this Agreement).

"Potential Maturity Spring Date": as defined in the definition of Maturity Date.

"Relevant Governmental Body": the FRB and/or FRBNY, or a committee officially endorsed or convened by the FRB and/or FRBNY for the purpose of recommending a benchmark rate to replace the LIBO Rate in loan agreements similar to this Agreement.

"Resolution Authority": an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

"Scheduled Unavailability Date": as defined in Section 1.9.

"SOFR": with respect to any day, the secured overnight financing rate that is published for such day by FRBNY as administrator of the benchmark (or a successor administrator) on FRBNY's website and that has been selected or recommended by the Relevant Governmental Body.

"SOFR-Based Rate": SOFR or Term SOFR.

"Term SOFR": the forward-looking term rate for any period that is approximately (as determined by the Agent) as long as any interest period option set forth in the definition of "Interest Period" and that is based on SOFR and selected or recommended by the Relevant Governmental Body, in each case as published on an information service selected by Agent from time to time in its discretion.

"UK Financial Institution": any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended form time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person subject to IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

"UK Resolution Authority": the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

(b) Section 1.1 of the Credit Agreement is hereby amended by amending and restating each of the following definitions in their entirety to read as follows:

"Applicable Margin": on the First Amendment Effective Date, a rate per annum equal to, in the case of Loans maintained as (A) ABR Loans, 0.75%, and (B) Eurodollar Loans, 1.75%, and continuing until the date of the delivery of the Quarterly Pricing Certificate with respect to the calendar quarter ending September 30, 2020, in accordance with the first sentence of the following paragraph (each such date of delivery of a Quarterly Pricing Certificate, a "Start Date"). From and after the first Start Date to and including the applicable End Date described below, the Applicable Margins for such Type of Loans shall be (i) at any time the Total Leverage Ratio (calculated with netting of Unrestricted Cash of the Group Members not to exceed $75.0 million) as of the last day of the most recent fiscal quarter for which financial statements have been delivered pursuant to Section 5.1 is greater than 6.25:1.00, a rate per annum equal, to in the case of Loans maintained as (A) ABR Loans, 1.25%, and (B) Eurodollar Loans, 2.25%, and (ii) at any time the Total Leverage Ratio (calculated with netting of Unrestricted Cash of the Group Members not to exceed $75.0 million) as of the last day of the most recent fiscal quarter for which financial statements have been delivered pursuant to Section 5.1 is not greater than 6.25:1.00, a rate per annum equal to those set forth below opposite the Historical Excess Availability indicated to have been achieved in any certificate delivered in accordance with the first sentence of the following paragraph:

Level	**Historical Excess Availability:**	**Applicable Margin for Eurodollar Loans:**	**Applicable Margin for ABR Loans:**
I	Equal to or greater than 67.0%	1.75%	0.75%
II	Less than 67.0% and equal to or greater than 33.0%	2.00%	1.00%
III	Less than 33.0%	2.25%	1.25%

The Historical Excess Availability used in a determination of the Applicable Margins shall be determined based on the delivery of a certificate of an Responsible Officer of Holdings (each, a "Quarterly Pricing Certificate") to the Agent (with a copy to be sent by the Agent to each Lender), within fifteen (15) Business Days after the last day of any calendar quarter, which Quarterly Pricing Certificate shall set forth the calculation of the Historical Excess Availability as at the last day of the fiscal quarter ended immediately prior to the relevant Start Date. The Applicable Margins so determined shall apply, except as set forth in the succeeding sentence, from and including the relevant Start Date to but excluding the earlier of (x) the date on which the next Quarterly Pricing Certificate is delivered to the Agent and (y) the date which is fifteen (15) Business Days following the last day of the calendar quarter in which the previous Start Date occurred (such earlier date, the "End Date"), at which time, if no Quarterly Pricing Certificate has been delivered to the Agent (and thus commencing a new Start Date), the Applicable Margins shall be those that correspond to a Historical Excess Availability at Level III above (such Applicable Margins as so determined, the "Highest Applicable Margins") and the Highest Applicable Margins shall apply until a Quarterly Pricing Certificate is delivered to the Agent (and thus commencing a new Start Date). Notwithstanding anything to the contrary contained above in this definition, (i) the Applicable Margins shall be the Highest Applicable Margins at all times during which there shall exist any Event of Default, (ii) from and after the most recent Incremental Facility Closing Date for any Incremental Facility Amendment pursuant to which the Applicable Margins have been increased above the Applicable Margins in effect immediately prior to such Incremental Facility Closing Date, the Applicable Margins shall be increased to those respective percentages per annum set forth in the applicable Incremental Facility Amendment and (iii) from and after any Extension, with respect to any Extended Revolving Credit Commitments, the Applicable Margins specified for such Extended Revolving Credit Commitments shall be those specified in the applicable definitive documentation thereof.

"Arranger": collectively, BofA Securities, Inc., Deutsche Bank Securities Inc. and SunTrust Robinson Humphrey, Inc., as joint lead arrangers and bookrunners for the Revolving Credit Facilities.

"Bail-In Action": the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of any Affected Financial Institution.

“Bail-In Legislation”: (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, rule, regulation or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“CDOR Rate”: with respect to each day during each Interest Period pertaining to a Eurodollar Loan denominated in Canadian Dollars, the per annum rate of interest equal to the Canadian Dollar bankers’ acceptance rate, or comparable or successor rate approved by the Agent, determined by it at or about 10:00 a.m. (Toronto time) on the applicable day (or the preceding business day, if the applicable day is not a business day) for a term comparable to the Eurodollar Loan, as published on the CDOR or other applicable Reuters screen page (or other commercially available source designated by the Agent from time to time); provided, that in no event shall the CDOR Rate be less than 1%.

“Facility Fee Rate”: the rate per annum on the undrawn portion of the Revolving Credit Commitments (excluding any Revolving Credit Commitments of Defaulting Lenders, except to the extent such Revolving Credit Commitments are reallocated to Lenders that are not Defaulting Lenders) equal to 0.325%.

“Issuing Bank”: as the context may require, (a) with respect to Letters of Credit issued as of the First Amendment Effective Date and any time thereafter, Bank of America, and (b) with respect to Letters of Credit issued after the First Amendment Effective Date, (i) in the case of US Tranche Letters of Credit, any US Tranche Revolving Credit Lender that elects to issue a US Tranche Letter of Credit, and (ii) in the case of Canadian Tranche Letters of Credit, any Canadian Tranche Revolving Credit Lender that elects to issue a Canadian Tranche Letter of Credit, in each case, in its respective capacity as issuer of Letters of Credit hereunder and its successors in such capacity as provided in Section 2.7(i). An Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates or branches of such Issuing Bank, in which case the term “Issuing Bank” shall include any such Affiliate or branch with respect to Letters of Credit issued by such Affiliate or branch and for all purposes of the Loan Documents. References herein and in the other Loan Documents to Issuing Banks shall be deemed to refer to the Issuing Bank in respect of the applicable Letter of Credit or to all Issuing Banks, as the context requires.

“LC Issuer Sublimit”: with respect to any Issuing Bank, the aggregate stated amount of all Letters of Credit that such Issuing Bank agrees to issue at any time which, for each Issuing Bank shall (a) in the case of US Tranche Letters of Credit, not to exceed the US Tranche LC Sublimit, and (b) in the case of Canadian Tranche Letters of Credit, not to exceed the Canadian Tranche LC Sublimit. As of the First Amendment Effective Date, Bank of America’s US Tranche LC Sublimit is $50,000,000, and its Canadian Tranche LC Sublimit is $10,000,000.

“LIBO Rate”: with respect to any Interest Period pertaining to a Eurodollar Loan or Borrowing denominated in US Dollars, the per annum rate of interest (rounded up to the nearest 1/8th of 1%) determined by the Agent at or about 11:00 a.m. (London time) two Business Days prior to such Interest Period, for a term equivalent to such Interest Period, equal to the London Interbank Offered Rate, or comparable or successor rate approved by the Agent, as published on the applicable Reuters screen page (or other commercially available source designated by the Agent from time to time); provided, that any comparable or successor rate shall be applied by the Agent, if administratively feasible, in a manner consistent with market practice; provided further, that in no event shall the LIBO Rate be less than 1%.

"Maturity Date": with respect to (a) Revolving Credit Commitments (including, for the avoidance of doubt, any Incremental Revolving Commitments) that have not been extended pursuant to Section 2.25, the date that is the earlier of (i) June 17, 2025 or (ii) 91 days prior to the scheduled maturity date under, or such later maturity date resulting from a refinancing or extension of, the Term Loan Credit Agreement if, as of such date (the "Potential Maturity Spring Date"), more than $75.0 million in principal amount of indebtedness remains outstanding under the Term Loan Credit Agreement or refinancing facility in respect thereof which is maturing on the 91st day thereafter, and (b) with respect to Extended Revolving Credit Commitments, the final maturity date thereof as specified in the applicable Extension Offer accepted by the respective Revolving Credit Lender or Revolving Credit Lenders.

"Qualified Jurisdiction": (a) with respect to Holdings, the United States, and (b) with respect to any other Loan Party, the United States or Canada, in each case, together with any state, province, territory or other political sub-division therein, or such other jurisdiction as shall be consented to by the Required Lenders, subject to Section 9.2(b)(B); provided that no Lender will be obligated to extend credit to a Loan Party that is organized in a Qualified Jurisdiction other than the United States and Canada if it would be legally prohibited from doing so.

"Reserves": reserves, if any, established by the Agent from time to time hereunder in its Permitted Discretion against the US Borrowing Base or the Canadian Borrowing Base, including (but without duplication), (i) Rent Reserves, (ii) potential dilution related to Accounts, (iii) sums that the Qualified Loan Parties are or will be required to pay (such as taxes, assessments and insurance premiums) and have not yet paid, (iv) amounts owing by any Qualified Loan Party to any Person to the extent secured by a Lien on, or trust over, any Collateral, (v) the full amount of any liabilities or amounts which rank or are capable of ranking in priority to the Agent's Liens and/or for amounts which may represent costs relating to the enforcement of such Liens including, (a) amounts due to employees in respect of unpaid wages, payment in lieu of notice and holiday pay or vacation pay (including amounts protected by the Wage Earner Protection Program Act (Canada)), (b) the expenses and liabilities incurred by any administrator (or other insolvency officer) and any remuneration of such administrator (or other insolvency officer), (c) all amounts deducted or withheld and not paid and remitted when due under the ITA, sales tax, goods and services tax, value added tax, harmonized tax, excise tax, tax payable pursuant to Part IX of the Excise Tax Act (Canada) or similar applicable provincial legislation, government royalties, amounts currently or past due and not paid for realty, municipal or similar taxes, and (d) amounts subject to First Priority Priming Liens of the type described in clause (i) of the definition thereof, (vi) all contributions and other amounts payable by a Qualified Loan Party under or with respect to any Canadian Pension Plan (including the amount of any wind-up or solvency deficiency (without duplication) with respect to a Canadian Defined Benefit Plan that is due and payable), (vii) the uncrystallized amount of any wind-up or solvency deficiency (without duplication) with respect to a Canadian Defined Benefit Plan that is not yet due or payable, (viii) if, as of the Potential Maturity Spring Date, indebtedness is outstanding under the Term Loan Credit Agreement or refinancing facility in respect thereof which is maturing on the 91st day thereafter in an aggregate principal amount not in excess of $75.0 million, a reserve in the outstanding amount of such indebtedness for so long as it remains outstanding and is scheduled to mature within 91 days, and (ix) such other events, conditions or contingencies as to which the Agent, in its Permitted Discretion, determines reserves should be established (without duplication of any reserves established pursuant to foregoing clauses (i) through (viii)) from time to time hereunder; provided, however, that the Agent may not implement reserves with respect to matters which are already specifically reflected as ineligible Accounts or Inventory or criteria deducted in computing the amount of Eligible Accounts, Eligible Progress Billings, the Value of Eligible Inventory or Eligible Work-in-Process Inventory or the Net Orderly Liquidation Value of Eligible Inventory or Eligible Work-in-Process Inventory. For the purposes of determining the amount of any wind-up or solvency deficiency of a Canadian Defined Benefit Plan, reference shall be had to the most recent actuarial valuation filed with the Governmental Authority as required by applicable law, subject to any update prepared to reflect current asset values and discount rates.

"US Sublimit" means $330.0 million as such amount may be increased from time to time in accordance with Section 2.23 or as may be increased or decreased from time to time in connection with Section 2.10(d).

"Write-Down and Conversion Powers": (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

(c) Section 1.2 of the Credit Agreement is hereby amended by adding a new clause (g) to read as follows:

(g) Any reference herein to a merger, transfer, consolidation, amalgamation, consolidation, assignment, sale, disposition or transfer, or similar term, shall be deemed to apply to a division of or by a limited liability company, or an allocation of assets to a series of a limited liability company (or the unwinding of such a division or allocation), as if it were a merger, transfer, consolidation, amalgamation, consolidation, assignment, sale, disposition or transfer, or similar term, as applicable, to, of or with a separate Person. Any division of a limited liability company shall constitute a separate Person hereunder (and each division of any limited liability company that is a Subsidiary, joint venture or any other like term shall also constitute such a Person or entity).

(d) Section 1.8(c) of the Credit Agreement is hereby amended by adding a new clause (s) to read as follows:

and (s) “foreclosure” shall include “the exercise of a hypothecary right”.

(e) Section 1 of the Credit Agreement is hereby amended by adding a new Section 1.9 to read as follows:

1.9 LIBOR Amendment. Notwithstanding anything to the contrary in this Agreement or any other Loan Documents, if the Agent determines (which determination shall be conclusive absent manifest error), or Borrower Representative or Required Lenders notify the Agent (with, in the case of the Required Lenders, a copy to Borrower Representative) that Borrowers or Required Lenders (as applicable) have determined, that:

(a) adequate and reasonable means do not exist for ascertaining the LIBO Rate for any applicable Interest Period, including, without limitation, because the LIBO Rate quote on the applicable screen page (or other source) used by the Agent to determine the LIBO Rate (“LIBOR Screen Rate”) is not available or published on a current basis, and such circumstances are unlikely to be temporary; or

(b) the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Agent has made a public statement identifying a specific date (“Scheduled Unavailability Date”) after which the LIBO Rate or the LIBOR Screen Rate will no longer be available or used for determining the interest rate of loans, provided that, at the time of such statement, there is no successor administrator satisfactory to the Agent that will continue to provide the LIBO Rate after the Scheduled Unavailability Date; or

(c) syndicated loans currently being executed, or that include language similar to that contained in this Section, are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace the LIBO Rate;

then, reasonably promptly after such determination or receipt of notice by Agent, Agent and Borrower Representative may amend this Agreement to replace the LIBO Rate with (x) one or more SOFR-Based Rates or (y) another alternate benchmark rate giving due consideration to any evolving or then existing convention for similar US Dollar denominated syndicated credit facilities for such alternative benchmarks and, in each case, including any mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar US Dollar denominated syndicated credit facilities for such benchmarks, which adjustment or method for calculating such adjustment shall be published on an information service selected by the Agent from time to time in its discretion and may be periodically updated (“Adjustment” and any such proposed rate, a “LIBOR Successor Rate”), and the amendment shall be effective at 5:00 p.m. on the fifth Business Day after the Agent posts the amendment to all Lenders and Borrowers unless, prior to such time, Required Lenders notify the Agent that they (A) in the case of an amendment to replace the LIBO Rate with a rate described in clause (x), object to the Adjustment; or (B) in the case of an amendment to replace the LIBO Rate with a rate described in clause (y), object to such amendment; provided, that in the case of clause (A), Required Lenders shall not be entitled to object to any SOFR-Based Rate contained in any such amendment. Such LIBOR Successor Rate shall be applied in a manner consistent with market practice; provided, that to the extent such market practice is not administratively feasible for the Agent, such LIBOR Successor Rate shall be applied in a manner as otherwise reasonably determined by the Agent.

If no LIBOR Successor Rate has been determined and the circumstances under clause (a) above exist or the Scheduled Unavailability Date has occurred, the Agent will promptly notify Borrowers and Lenders. Thereafter, (i) the obligation of Lenders to make or maintain Eurodollar Loans shall be suspended (to the extent of the affected Eurodollar Loans or Interest Periods), and (ii) the LIBO Rate component shall no longer be used in determining Alternate Base Rate or Canadian Base Rate. Upon receipt of such notice, Borrower Representative may revoke any pending request for funding, conversion or continuation of a Eurodollar Loan (to the extent of the affected Eurodollar Loans or Interest Periods) or, failing that, will be deemed to have requested an ABR Loan.

Notwithstanding anything else herein, any definition of LIBOR Successor Rate shall provide that in no event shall such rate be less than 1% for purposes of this Agreement. In connection with the implementation of a LIBOR Successor Rate, the Agent shall have the right to make LIBOR Successor Rate Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such LIBOR Successor Rate Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(f) Section 2.7(a) of the Credit Agreement is hereby amended by amending and restating the third sentence therein to read as follows:

Subject to the terms and conditions set forth herein, the applicable Borrower may request the issuance of Letters of Credit for its own account or for its own account for the benefit of any applicable Restricted Subsidiary, in a form reasonably acceptable to the applicable Issuing Bank, at any time and from time to time during the Availability Period (but not later than the date that is five business days prior to the Maturity Date); provided, further, that, notwithstanding anything to the contrary herein, (1) no Issuing Bank shall have any obligation to issue any Letter of Credit if, after giving effect to such issuance, such Issuing Bank's total LC Exposure with respect to all Letters of Credit (determined for this purpose without giving effect to the participations therein of the Lenders pursuant to Section 2.7(d)) would exceed such Issuing Bank's LC Issuer Sublimit, and (2) no Issuing Bank shall have any obligation to issue any US Tranche Letter of Credit or Canadian Tranche Letter of Credit if the issuance of such Letter of Credit would violate one or more policies of such Issuing Bank applicable to letters of credit generally.

(g) Section 2.23(a) of the Credit Agreement is hereby amended by adding the following sentences to the end thereto to read as follows:

For the avoidance of doubt, the Incremental Revolving Commitments granted pursuant to the First Amendment shall not count towards the $100.0 million Incremental Facilities described in this Section 2.23.

(h) Section 2.23(c) of the Credit Agreement is hereby amended by amending and restating the ninth sentence therein to read as follows:

The effectiveness of any Incremental Facility Amendment shall, unless otherwise agreed to by the Agent and the Additional Lenders party thereto, be subject to (i) the payment in full of all fees and expenses owing to the Agent and the Lenders in respect of such Incremental Facility, to the extent invoiced prior to such date, and (ii) the satisfaction or waiver on the date of the effectiveness of the Incremental Revolving Commitments thereunder (each, an "Incremental Facility Closing Date") of (x) the representations and warranties made by any Loan Party in or pursuant to the Loan Documents being true and correct in all material respects on and as of the Incremental Facility Closing Date as if made on and as of such date, except for representations and warranties expressly stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date (provided, that in each case such materiality qualifier shall not be applicable to any representations or warranties that already are qualified or modified by materiality or "Material Adverse Effect"; provided, further, that, in connection with any Limited Conditionality Transaction, the only representations and warranties that will be required to be true and correct in all material respects as of the applicable Incremental Facility Closing Date shall be (a) the Specified Representations and (b) such of the representations and warranties made by or on behalf of the applicable acquired company or business (or the seller thereof) in the applicable acquisition agreement as are material to the interests of the Lenders, but only to the extent that Holdings (or any Subsidiary of Holdings) has the right to terminate the obligations of Holdings or such Subsidiary under such acquisition agreement or not consummate such acquisition as a result of the inaccuracy of such representations or warranties in such acquisition agreement), (y) no Default or Event of Default (or, in the case of any Limited Conditionality Transaction, and to the extent agreed to by the lenders and other investors providing such Incremental Facilities, no Specified Event of Default) having occurred and being continuing on the Incremental Facility Closing Date or after giving effect to the Incremental Facility requested to be made on such date, and (z) ***the incurrence of the Incremental Revolving Commitments thereunder (assuming that such Incremental Revolving Commitments are fully drawn) not violating any applicable limitation on Indebtedness contained in the Term Loan Credit Agreement or any refinancing facility in respect thereof***.

(i) Section 3 of the Credit Agreement is hereby amended to clarify that the provision entitled "Borrowing Base Calculation" and the related language thereto at the end of Section 3.22(c) is a separate Section 3.23.

(j) Section 3 of the Credit Agreement is hereby amended by adding new Sections 3.24 and 3.25 to read as follows:

3.24 Affected Financial Institution. No Loan Party is an Affected Financial Institution or Covered Entity.

3.25 Beneficial Ownership. The information included in the Beneficial Ownership Certification most recently provided to the Agent and each Lender is true and complete in all respects.

(k) Section 4.2 of the Credit Agreement is hereby amended by adding a new clause (e) to read as follows:

(e) Consolidated Cash Balance. Delivery of a certificate executed by the Borrower Representative that the Consolidated Cash Balance will not exceed $75.0 million commencing on the tenth (10th) Business Day after giving effect to the requested extension of credit.

(l) Section 5.2(f) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(f) promptly after the request by any Lender, all documentation and other information that such Lender reasonably requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the PATRIOT Act, Canadian Anti-Money Laundering Laws and Beneficial Ownership Regulation;

(m) Section 8 of the Credit Agreement is hereby amended by adding a new Section 8.12 to read as follows:

8.12 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the “Bookrunners” or “Arrangers” listed on the cover page of this Agreement or amendment hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Agent, a Lender or an Issuing Bank hereunder.

(n) Section 9.4(b)(i)(B) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(B) the Agent; provided, that no consent of Agent shall be required for an assignment to a Lender, an Affiliate or branch of a Lender or an Approved Fund; and

(o) Section 9.13(a) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(a) Each Lender that is subject to the requirements of the PATRIOT Act hereby notifies the Borrowers that pursuant to the requirements of the PATRIOT Act, it may be required to obtain, verify and record information that identifies the Borrowers, which information includes the name and address of the Borrowers and other information that will allow such Lender to identify the Borrowers in accordance with the PATRIOT Act and Beneficial Ownership Regulation;

(p) Section 9.20 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

9.20 Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an Affected Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of the applicable Resolution Authority.

(q) Section 9 of the Credit Agreement is hereby amended by adding new Sections 9.21 and 9.22 to read as follows:

9.21 Acknowledgement Regarding Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any swap or any other agreement or instrument that is a QFC (such support, "QFC Credit Support", and each such QFC, a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) Covered Party. If a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regimes if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. If a Covered Party or BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regimes if the Supported QFC and Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) Definitions. As used in this Section, (a) "BHC Act Affiliate" means an "affiliate," as defined in and interpreted in accordance with 12 U.S.C. §1841(k); (b) "Default Right" has the meaning assigned in and interpreted in accordance with 12 C.F.R. §§252.81, 47.2 or 382.1, as applicable; and (c) "QFC" means a "qualified financial contract," as defined in and interpreted in accordance with 12 U.S.C. §5390(c)(8)(D).

9.22 Electronic Signatures. This Agreement and any document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to this Agreement (each a "Communication"), including Communications required to be in writing, may be in the form of an Electronic Record and may be executed using Electronic Signatures. Each of the Loan Parties agrees that any Electronic Signature on or associated with any Communication shall be valid and binding on each of the Loan Parties to the same extent as a manual, original signature, and that any Communication entered into by Electronic Signature, will constitute the legal, valid and binding obligation of each of the Loan Parties enforceable against such in accordance with the terms thereof to the same extent as if a manually executed original signature was delivered. Any Communication may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Communication. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Agent and each of the Secured Parties of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. The Agent and each of the Secured Parties may, at its option, create one or more copies of any Communication in the form of an imaged Electronic Record ("Electronic Copy"), which shall be deemed created in the ordinary course of the such Person's business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity and enforceability as a paper record. Notwithstanding anything contained herein to the contrary, the Agent is under no obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by the Agent pursuant to procedures approved by it; provided, further, without limiting the foregoing, (a) to the extent the Agent has agreed to accept such Electronic Signature, the Agent and each of the Secured Parties shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of any Loan Party without further verification and (b) upon the request of the Agent or any Lender, any Electronic Signature shall be promptly followed by such manually executed counterpart. For purposes hereof, "Electronic Record" and "Electronic Signature" shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

(r) Section 10.1(c) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(c) as a condition to the effectiveness of any joinder of any Additional Borrower, such Additional Borrower shall deliver all documentation and other information reasonably requested in writing by each Lender within ten Business Days following receipt of such Notice of Additional Borrower to satisfy requirements under applicable "know your customer" and anti-money-laundering rules and regulations, including the PATRIOT Act and Beneficial Ownership Regulation and, in the case of any Canadian Borrower, Canadian Anti-Money Laundering Laws.

(s) Section 10.2(d) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(d) as a condition to the effectiveness of any joinder of any Discretionary Guarantor, such Discretionary Guarantor shall deliver opinions, board resolutions and officers' certificates and/or reaffirmation agreements consistent with those delivered on the Closing Date under Section 4.1 and all other documentation and other information, in each case as reasonably requested in writing by the Agent or any Lender within ten Business Days following receipt of such Notice of Additional Guarantor to satisfy requirements under applicable "know your customer" and anti-money-laundering rules and regulations, including, the PATRIOT Act, Beneficial Ownership Regulation and the Canadian Anti-Money Laundering Laws.

(t) Schedule 2.4 of the Credit Agreement is hereby amended and restated in its entirety as set forth on ***Schedule 2.4*** attached hereto.

SECTION 4. Representations and Warranties. To induce the other parties hereto to enter into this Amendment, Holdings and each other Borrower hereby jointly and severally represent and warrant to Agent and each Lender that (i) the representations and warranties set forth in Section 3 of the Credit Agreement and in each other Loan Document shall be true and correct in all material respects on and as of the Amendment Effective Date as if made on and as of such date, except for representations and warranties expressly stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date (it being understood and agreed that the reference in Section 3.18 of the Credit Agreement to "the Closing Date, after giving effect to the Transactions to be consummated on the Closing Date" shall be deemed to refer instead to "the Amendment Effective Date, after giving effect to the transactions consummated on the Amendment Effective Date"); *provided*, that in each case such materiality qualifier shall not be applicable to any representations or warranties that already are qualified or modified by materiality or "Material Adverse Effect"; and (ii) no Default or Event of Default has occurred and is continuing on the Amendment Effective Date or after giving effect to the transactions contemplated hereby.

SECTION 5. Conditions Precedent to the Effectiveness of this Amendment. This Amendment shall become effective on the date (the "***Amendment Effective Date***") on which the following conditions shall have been satisfied; *provided* that the Amendment Effective Date shall be deemed to occur notwithstanding Agent's failure to receive certain documents set forth in ***subsections (b)*** or ***(c)*** below if

Agent, in its sole discretion, elects to waive the delivery of such documents for a period not to exceed fifteen (15) Business Days after the Amendment Effective Date:

(a) Agent shall have received this Amendment, a Reaffirmation of the US Security Documents, a Reaffirmation of the Canadian Security Documents, Note(s) requested by any Incremental Revolving Lender, an IP Security Agreement and a Notice of Additional Borrowers for the New Borrowers (as defined below) (including any supplements or other documents required thereby), in each case, executed and delivered by each party thereto.

(b) Agent shall have received, on behalf of itself and Lenders, an opinion of (i) Gibson, Dunn & Crutcher LLP, counsel to the Loan Parties, (ii) Blake, Cassels & Graydon LLP, Canadian counsel to the Loan Parties, (iii) Maynard Cooper & Gale, P.C., Alabama counsel to the Loan Parties, (iv) Rogers Towers, P.A., Florida counsel to the Loan Parties, (v) Butler Snow LLP, Tennessee counsel to the Loan Parties, and (vi) Belin McCormick, P.C., Iowa counsel to the Loan Parties, in each case, dated the Amendment Effective Date and addressed to Agent and Lenders and in form and substance reasonably satisfactory to Agent, and each Borrower hereby requests such counsel to deliver such opinions.

(c) Agent shall have received, with respect to each Loan Party, (i) a copy of the charter or other similar Organizational Document of each Loan Party and each amendment thereto, certified (as of a date reasonably near the Amendment Effective Date) as being a true and correct copy thereof by the Secretary of State or other applicable Governmental Authority of the jurisdiction in which each such Loan Party is organized or incorporated (or, in the case of any Loan Party incorporated under the laws of Canada or a province or territory thereof, by the Secretary, Assistant Secretary or other appropriate Responsible Officer of such Loan Party); *provided* that no such Organizational Document shall be required to be delivered if a Responsible Officer of any Loan Party certifies that such Loan Party's Organizational Documents have not been amended and have remained in full force and effect since the Closing Date; (ii) a copy of a certificate of the Secretary of State or other applicable Governmental Authority of the jurisdiction in which each such Loan Party is organized, dated reasonably near the Amendment Effective Date, certifying that such Person is duly organized and in good standing under the laws of such jurisdiction; and (iii) a certificate of the Secretary, Assistant Secretary or other appropriate Responsible Officer of each Loan Party dated as of the Amendment Effective Date and certifying (A) that attached thereto is a true and complete copy of the by-laws, or operating or partnership agreement of such Loan Party as in effect on the Amendment Effective Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of such Loan Party authorizing the execution, delivery and performance of the this Amendment and the other Loan Documents to which such Person is a party and, in the case of the US Borrowers, the borrowings under the Incremental Revolving Commitments, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate or articles of incorporation or formation, partnership agreement or other constitutive documents of such Loan Party have not been amended since the date the documents furnished pursuant to clause (i) above were certified, and (D) as to the incumbency and specimen signature of each officer executing any Loan Document or any other document delivered in connection herewith on behalf of such Loan Party.

(d) Agent shall have received a solvency certificate in the form of Exhibit J of the Credit Agreement from a Responsible Officer of Holdings certifying that after giving effect to this Amendment and the transactions contemplated hereby, Holdings and its Subsidiaries, on a consolidated basis, are solvent;

(e) Agent shall have received UCC, PPSA and other Lien searches covering the Loan Parties showing that there are no Liens upon the Collateral, other than Liens permitted by Section 6.03 of the Credit Agreement;

(f) Agent shall have received proper financing statements for USP Land Holdings FP&P, LLC, USP Land Holdings FCP, LLC and Constructure Fabrication, LLC (collectively, the "***New Borrowers***"), in form appropriate for filing under the UCC of all jurisdictions that Agent may deem necessary or desirable, in order to perfect the Liens created under the applicable Security Documents;

(g) Agent shall have received a Borrowing Base Certificate as of April 30, 2020, as revised to give effect to this Amendment and the Incremental Revolving Commitments granted hereunder;

(h) Each of the conditions set forth in Sections 4.2(a), (b), (d) and (e) of the Credit Agreement shall be satisfied and Agent shall have received a certificate to that effect dated the Amendment Effective Date, substantially in the form of Exhibit C of the Credit Agreement, with appropriate insertions and attachments and executed by a Responsible Officer of Holdings;

(i) As requested by Borrower Representative, Bank of America shall have issued a US Tranche Letter of Credit in the amount of $9,249,080.70 for the benefit of Wells Fargo Bank, National Association (the "***Backstop LC***");

(j) All reasonable expenses (to the extent invoiced at least two (2) Business Days prior to the Amendment Effective Date) and fees due to Lenders, Arranger and Agent existing under the Credit Agreement and as set forth in that certain Fee Letter dated as of June 1, 2020, by and among Agent, Holdings and BofA Securities, Inc. that are required to be paid on the Amendment Effective Date shall have been paid; and

(k) Agent shall have received, no later than two (2) Business Days prior to the Amendment Effective Date, all documentation and other information about the Loan Parties as has been reasonably requested in writing at least three Business Days prior to the Amendment Effective Date by Agent with respect to applicable "know your customer" and anti-money laundering rules and regulations, including the PATRIOT Act, Canadian Anti-Money Laundering Laws and Beneficial Ownership Regulation. If any Loan Party qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, it shall deliver a Beneficial Ownership Certification to the Agent and the Lenders upon request.

SECTION 6. New and Exiting Lenders.

(a) By its execution of this Amendment, each of Deutsche Bank AG New York Branch and Deutsche Bank AG Canada Branch (each a "***New Lender***" and collectively, the "***New Lenders***") (i) shall be deemed to have become a party to the Credit Agreement and shall have all the rights and obligations of a "US Tranche Revolving Credit Lender" or a "Canadian Tranche Revolving Credit Lender", as the case may be, and an "Issuing Bank" under the Credit Agreement as if it were an original signatory thereto and (ii) agrees to be bound by the terms and conditions set forth in the Credit Agreement as if it were an original signatory thereto. Each of the New Lenders hereby confirms that it has received a copy of the Loan Documents, together with copies of the documents which were required to be delivered under this Amendment as a condition to the effectiveness hereof. Each of the New Lenders acknowledges and agrees that it has made and will continue to make, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, its own credit analysis and decisions relating to the Credit Agreement. Each of the New Lenders further acknowledges and agrees that the Agent has not made any representations or warranties about the credit worthiness of Borrowers or any other party to the Credit Agreement or any other Loan Document or with respect to the legality, validity, sufficiency or enforceability of the Credit Agreement or any other Loan Document or the value of any security therefor. For the avoidance of doubt, the New Lenders' Revolving Credit Commitments shall be $65,000,000 in the aggregate, which shall include the $50,000,000 Incremental Revolving Commitments set forth on ***Schedule I*** hereto.

(b) By its execution of this Amendment, each of Wells Fargo Bank, National Association, Wells Fargo Capital Finance Corporation Canada, Barclays Bank PLC, and Citibank, N.A. (each an "***Exiting Lender***" and collectively, the "***Exiting Lenders***") hereby (a) consents to this Amendment in its capacity as a US Tranche Revolving Credit Lender or a Canadian Tranche Revolving Credit Lender and in the case of Wells Fargo Bank, National Association, as Issuing Bank, respectively, under the Credit Agreement solely for purposes of Section 9.2 of the Credit Agreement, and (b) acknowledges and agrees to this ***Section 6***. Each of the parties hereto hereby agrees and confirms that after giving effect to this ***Section 6*** and subject to the receipt of funds necessary to repay all principal, interest and fees through the Amendment Effective Date owing to the respective Exiting Lenders and in the case of Wells Fargo Bank, National Association, the receipt of the Backstop LC, (i) each of the Exiting Lenders' Revolving Credit Commitments shall be $0.00, (ii) the Exiting Lenders' Revolving Credit Commitments to lend or issue a Letter of Credit and all other obligations of the Exiting Lenders under the Credit Agreement shall be terminated (other than any obligations of the Loan Parties that expressly survive the termination or departure of a Lender under the Loan Documents in accordance with their terms), and (iii) each Exiting Lender shall cease to be a US Tranche Revolving Credit Lender, Canadian Tranche Revolving Credit Lender or Issuing Bank for all purposes under the Loan Documents.

SECTION 7. Effect of this Amendment. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of Lenders or Agent under the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances. This Amendment shall apply and be effective only with respect to the provisions of the Credit Agreement specifically referred to herein. After the Amendment Effective Date, any reference to the Credit Agreement shall mean the Credit Agreement as modified hereby. The parties hereto agree that this Amendment is designated as a Loan Document.

SECTION 8. Reaffirmation. Each of Holdings and each Borrower identified on the signature pages hereto (collectively, the "***Reaffirming Loan Parties***") hereby acknowledges that it expects to receive substantial direct and indirect benefits as a result of this Amendment and the transactions contemplated hereby. Each Reaffirming Loan Party hereby consents to this Amendment and the transactions contemplated hereby, and hereby confirms its respective guarantees (including in respect of the Incremental Revolving Commitments), pledges and grants of security interests, as applicable, under each of the Loan Documents to which it is party, and agrees that, notwithstanding the effectiveness of this Amendment and the transactions contemplated hereby, such guarantees, pledges and grants of security interests shall continue to be in full force and effect and shall accrue to the benefit of the Secured Parties. Each of the Reaffirming Loan Parties further agrees to take any action that may be required or that is reasonably requested by Agent to effect the purposes of this Amendment, the transactions contemplated hereby or the Loan Documents and hereby reaffirms its obligations under each provision of each Loan Document to which it is party.

SECTION 9. Counterparts; Integration; Effectiveness. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Amendment, the other Loan Documents and any separate letter agreements with respect to fees payable to the Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Amendment shall become effective when it shall have been executed by the Agent and when the Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or other electronic transmission (e.g., “PDF” or “TIFF”) shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 10. Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment.

SECTION 11. GOVERNING LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. The provisions of Sections 9.9 and 9.10 of the Credit Agreement shall apply to this Amendment, *mutatis mutandis*.

SECTION 12. Release of Forterra Pressure Pipe. Borrower Representative has requested that the Agent and the Lenders release Forterra Pressure Pipe, Inc., an Ohio corporation (“Forterra Pressure Pipe”), as a US Borrower under the Credit Agreement based on its representation that Forterra Pressure Pipe has become an Immaterial Subsidiary (except for its current status as a Borrower). In furtherance of such request, the Lenders hereby authorize the Agent to (a) release Forterra Pressure Pipe from all of its obligations under the Loan Documents (except for obligations and provisions that expressly survive termination pursuant to their terms), and Forterra Pressure Pipe shall no longer constitute a “US Borrower” or “Loan Party” thereunder, (b) release Agent’s security interests created under the Security Documents in the Collateral of Forterra Pressure Pipe, and (c) execute or file any relevant lien release documentation to effect the foregoing, such releases to occur concurrently with the Term Loan Agent releasing Forterra Pressure Pipe as a guarantor under the Term Loan Facility Credit Documents and the Term Loan Agent releasing its security interests in the assets of Forterra Pressure Pipe.

[*Remainder of page intentionally left blank.*]

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

HOLDINGS:

FORTERRA, INC.

By: ________________________________
Name:
Title:

US BORROWERS:

STARDUST HOLDINGS (USA), LLC
FORTERRA FINANCE, LLC
FORTERRA PIPE & PRECAST, LLC
USP HOLDINGS, INC.
FORTERRA PRESSURE PIPE, INC.
BIO CLEAN ENVIRONMENTAL SERVICES, INC.
FORTERRA CONCRETE INDUSTRIES, INC.
FORTERRA CONCRETE PRODUCTS, INC.
FORTERRA STRUCTURAL PRECAST, LLC
MODULAR WETLAND SYSTEMS, INC.
UNITED STATES PIPE AND FOUNDRY COMPANY, LLC
US PIPE FABRICATION, LLC
MILL HANDLING LLC
DIP ACQUISITION LLC
FAB PIPE LLC
CUSTOM FAB, INC.
GRIFFIN PIPE PRODUCTS CO., LLC
FORTERRA CONCRETE OPERATIONS, LLC
FORTERRA PRECAST CONCEPTS, LLC
USP LAND HOLDINGS FP&P, LLC
USP LAND HOLDINGS FCP, LLC
CONSTRUCTURE FABRICATION, LLC

By: ________________________________
Name:

Title:

CANADIAN BORROWERS:

FORTERRA PIPE & PRECAST, LTD.
FORTERRA PRESSURE PIPE, ULC
FORTERRA PIPE & PRECAST BC, ULC

By: ______________________________
Name:
Title:

BANK OF AMERICA, N.A.,
as Agent, as a US Tranche Revolving Credit Lender and an Issuing Bank

By: ______________________________
Name:
Title:

BANK OF AMERICA, N.A. (acting through its Canada branch), as a Canadian Tranche Revolving Credit Lender and an Issuing Bank

By: ______________________________
Name:
Title:

GOLDMAN SACHS BANK USA,
as a US Tranche Revolving Credit Lender and a Canadian Tranche Revolving Credit Lender

By: ______________________________
Name:
Title:

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as a US Tranche Revolving Credit Lender and a Canadian Tranche Revolving Credit Lender

By: ______________________________
Name:
Title:

Signature Page to
First Amendment to the ABL Credit Agreement

ROYAL BANK OF CANADA,
as a US Tranche Revolving Credit Lender and Canadian Tranche Revolving Credit Lender

By: ______________________________
Name:
Title:

TRUIST BANK, as successor-in-interest to SunTrust Bank, as a US Tranche Revolving Credit Lender and a Canadian Tranche Revolving Credit Lender

By: ______________________________
Name:
Title:

DEUTSCHE BANK AG NEW YORK BRANCH,
as a New Lender, US Tranche Revolving Credit Lender and an Incremental Revolving Credit Lender

By: ______________________________
Name:
Title:

DEUTSCHE BANK AG CANADA BRANCH,
as a New Lender and Canadian Tranche Revolving Credit Lender

By: ______________________________
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as an Exiting Lender

By: ______________________________
Name:
Title:

WELLS FARGO CAPITAL FINANCE CORPORATION CANADA,
as an Exiting Lender

By: ______________________________
Name:
Title:

BARCLAYS BANK PLC,
as an Exiting Lender

By: ______________________________
Name:
Title:

CITIBANK, N.A.,
as an Exiting Lender

By: ______________________________
Name:
Title:

Incremental Revolving Commitments

Incremental Revolving Lender	Incremental Revolving Commitment
Deutsche Bank AG New York Branch	$50,000,000.00
Total	**$50,000,000.00**

Schedule 2.4

Lenders

Lender	US Tranche Revolving Commitment	Canadian Tranche Revolving Commitment
Bank of America, N.A.	$84,857,142.85	$0.00
Bank of America, N.A. (acting through its Canada branch)	$0.00	$5,142,857.15
Deutsche Bank AG New York Branch	$61,285,714.29	$0.00
Deutsche Bank AG Canada Branch	$0.00	$3,714,285.71
Truist Bank	$61,285,714.29	$3,714,285.71
Goldman Sachs Bank USA	$47,142,857.14	$2,857,142.86
Royal Bank of Canada	$47,142,857.14	$2,857,142.86
Credit Suisse AG, Cayman Islands Branch	$28,285,714.29	$1,714,285.71
Total	**$330,000,000.00**	**$20,000,000**

Schedule I

EXHIBIT 31.1

SECTION 302 CERTIFICATION

I, Karl Watson, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forterra, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2020

/s/ Karl Watson, Jr.

Karl Watson, Jr.
Chief Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, Charles R. Brown II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forterra, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2020

/s/ Charles R. Brown, II

Charles R. Brown, II
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION
Pursuant to 18 U.S.C. Section 1350
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2020 of Forterra, Inc. (the “Company”) as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of the Company certifies to his knowledge that:

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

Date: July 28, 2020

/s/ Karl Watson, Jr.
Karl Watson, Jr.
Chief Executive Officer

Date: July 28, 2020

/s/ Charles R. Brown, II
Charles R. Brown, II
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.