CANADIAN IMPERIAL BANK OF COMMERCE /CAN/
Form 424B2
January 03, 2018

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**Registration No. 333-216286**

PRICING SUPPLEMENT No. WF-42 dated December 29, 2017

(To Prospectus Supplement dated March 28, 2017

and Prospectus dated March 28, 2017)

# Canadian Imperial Bank of Commerce

## Senior Global Medium-Term Notes (Structured Notes)

# Market Linked Securities Leveraged Upside Participation to a Cap and Fixed Percentage Buffered Downside

## Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

- ¢ Linked to the Russell 2000® Index
- ¢ Unlike ordinary debt securities, the securities do not pay interest at a specified rate or repay a fixed amount of principal at maturity. Instead, the securities provide for a payment at maturity that may be greater than, equal to or less than the principal amount of the securities, depending on the performance of the Index from its starting level to its ending level. The payment at maturity will reflect the following terms:
  - ¢ If the level of the Index increases, you will receive the principal amount plus 200% participation in the upside performance of the Index, subject to a maximum total return at maturity of 10.5% of the principal amount
  - ¢ If the level of the Index decreases but the decrease is not more than 7.5%, you will be repaid the principal amount
  - ¢ If the level of the Index decreases by more than 7.5%, you will receive less than the principal amount and have 1-to-1 downside exposure to the decrease in the level of the Index in excess of 7.5%
- ¢ Investors may lose up to 92.5% of the principal amount
- ¢ All payments on the securities are subject to the credit risk of Canadian Imperial Bank of Commerce and you will have no ability to pursue any securities included in the Index for payment; if Canadian Imperial Bank of Commerce defaults on its obligations, you could lose all or some of your investment
- ¢ No periodic interest payments or dividends
- ¢ No exchange listing; designed to be held to maturity

**The securities have complex features and investing in the securities involves risks not associated with an investment in conventional debt securities. See Risk Factors herein.**

**The securities are unsecured obligations of Canadian Imperial Bank of Commerce and all payments on the securities are subject to the credit risk of Canadian Imperial Bank of Commerce. The securities will not constitute deposits insured by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other government agency or instrumentality of Canada, the United States or any other jurisdiction.**

**Neither the Securities and Exchange Commission (the SEC ) nor any state or provincial securities commission has approved or disapproved of these securities or determined if this pricing supplement or the accompanying prospectus supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

| | Principal amount(1) | Underwriting Discount and Commission(2) | Proceeds to Canadian Imperial Bank of Commerce |
|---|---|---|---|
| **Per Security** | $1,000.00 | $2.40 | $997.60 |
| **Total** | $6,306,000.00 | $15,134.40 | $6,290,865.60 |

(1) Our estimated value of the securities on the pricing date, based on our internal pricing models, is $991.50 per security. The estimated value is expected to be less than the principal amount of the securities. See The Estimated Value of the Securities in this pricing supplement.

(2) The agent, Wells Fargo Securities, LLC, will receive an underwriting discount of $2.40 per security. The agent may resell the securities to other securities dealers at the principal amount less a concession not in excess of $1.40 per security. Such securities dealers may include Wells Fargo Advisors ( WFA ) (the trade name of the retail brokerage business of Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, each an affiliate of Wells Fargo Securities, LLC). See Use of Proceeds and Hedging and Supplemental Plan of Distribution in this pricing supplement for information regarding how we may hedge our obligations under the securities.

**Wells Fargo Securities**

# Market Linked Securities Leveraged Upside Participation to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

**ABOUT THIS PRICING SUPPLEMENT**

You should read this pricing supplement together with the prospectus dated March 28, 2017 and the prospectus supplement dated March 28, 2017, relating to our Senior Global Medium-Term Notes (Structured Notes), of which these securities are a part, for additional information about the securities. Information included in this pricing supplement supersedes information in the prospectus supplement and prospectus to the extent it is different from that information. Certain defined terms used but not defined herein have the meanings set forth in the prospectus supplement and prospectus.

You should rely only on the information contained in or incorporated by reference in this pricing supplement, the accompanying prospectus supplement and the accompanying prospectus. This pricing supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this pricing supplement, the accompanying prospectus supplement and the accompanying prospectus, and in the documents referred to in this pricing supplement, the prospectus supplement and the prospectus and which are made available to the public. We have not, and Wells Fargo Securities, LLC ( Wells Fargo Securities ) has not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it.

We are not, and Wells Fargo Securities is not, making an offer to sell the securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in or incorporated by reference in this pricing supplement, the accompanying prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither this pricing supplement, nor the accompanying prospectus supplement, nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of Wells Fargo Securities, to subscribe for and purchase any of the securities and may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

References to CIBC, the Issuer, the Bank, we, us and our in this pricing supplement are references to Canadian Imperial Bank of Comme
not to any of our subsidiaries, unless we state otherwise or the context otherwise requires.

You may access the prospectus supplement and prospectus on the SEC website www.sec.gov as follows (or if such address has changed, by reviewing our filing for the relevant date on the SEC website):

- Prospectus Supplement dated March 28, 2017 and Prospectus dated March 28, 2017 filed with the SEC on March 28, 2017:

https://www.sec.gov/Archives/edgar/data/1045520/000110465917019619/a17-8647_1424b3.htm

PRS-2

# Market Linked Securities Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

**INVESTMENT DESCRIPTION**

The Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019 (the securities ) are senior unsecured debt securities of Canadian Imperial Bank of Commerce that do not pay interest at a specified rate or repay a fixed amount of principal at maturity. Instead, the securities provide for a payment at maturity that may be greater than, equal to or less than the principal amount of the securities depending on the performance of the Russell 2000® Index (the Index ) from its starting level on the pricing date to its ending level on the calculation date. The securities provide:

(i) the possibility of a 200% leveraged return at maturity if the level of the Index increases from its starting level to its ending level, provided that the total return at maturity of the securities will not exceed the maximum total return of 10.5% of the principal amount;

(ii) repayment of principal if, and only if, the ending level of the Index is not less than the starting level by more than 7.5%; and

(iii) 1-to-1 downside exposure to decreases in the level of the Index if and to the extent the ending level is less than the starting level by more than 7.5%.

**If the ending level is less than the starting level by more than 7.5%, you will receive at maturity less, and up to 92.5% less, than the principal amount of your securities**. All payments on the securities are subject to the credit risk of Canadian Imperial Bank of Commerce.

The Index is designed to track the performance of the small capitalization segment of the U.S. equity market.

The Index was developed by Russell Investments and is calculated, maintained and published by Russell Investments. Russell 2000® Index is a trademark of Russell Investments and has been licensed for use by Canadian Imperial Bank of Commerce. The securities are not sponsored, endorsed, sold, or promoted by Russell Investments and Russell Investments makes no representation regarding the advisability of investing in the securities. See The Russell 2000® Index in this pricing supplement for additional information.

# Market Linked Securities  Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

**INVESTOR CONSIDERATIONS**

We have designed the securities for investors who:

- seek 200% leveraged exposure to any upside performance of the Index if the ending level is greater than the starting level, subject to the maximum total return at maturity of 10.5% of the principal amount;

- desire to limit downside exposure to the Index through the 7.5% buffer;

- understand that if the ending level is less than the starting level by more than 7.5%, they will receive at maturity less, and up to 92.5% less, than the principal amount per security;

- are willing to forgo periodic interest payments on the securities and dividends on securities included in the Index; and

- are willing to hold the securities until maturity.

The securities are not designed for, and may not be a suitable investment for, investors who:

- seek a liquid investment or are unable or unwilling to hold the securities to maturity;

- are unwilling to accept the risk that the ending level of the Index may decrease by more than 7.5% from the starting level;

- seek uncapped exposure to the upside performance of the Index;

- seek full return at maturity of the principal amount of the securities;

- are unwilling to purchase securities with an estimated value as of the pricing date that is lower than the principal amount;

- seek current income (including income in the form of periodic interest payments);

- are unwilling to accept the risk of exposure to the small capitalization segment of the U.S. equity market;

- seek exposure to the Index but are unwilling to accept the risk/return trade-offs inherent in the payment at stated maturity for the securities;

- are unwilling to accept the credit risk of Canadian Imperial Bank of Commerce to obtain exposure to the Index generally, or to the exposure to the Index that the securities provide specifically; or

- prefer the lower risk of fixed income investments with comparable maturities issued by companies with comparable credit ratings.

# Market Linked Securities Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

## Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

### TERMS OF THE SECURITIES

The information in this Terms of the Securities section is only a summary and is qualified by the more detailed information set forth in this pricing supplement, the prospectus supplement dated March 28, 2017 and the prospectus dated March 28, 2017, each filed with the SEC. See About This Pricing Supplement in this pricing supplement.

| | |
|---|---|
| **Market Measure:** | Russell 2000® Index (Bloomberg ticker symbol RTY ) |
| **Pricing Date:** | December 29, 2017 |
| **Issue Date:** | January 5, 2018 |
| **Principal Amount:** | $1,000 per security. References in this pricing supplement to a security are to a security with a face amount of $1,000. |
| **Redemption Amount:** | On the stated maturity date, you will be entitled to receive a cash payment per security in U.S. dollars equal to the redemption amount. The redemption amount per security will equal:<br>• if the ending level is greater than the starting level: the lesser of: |

(i) $1,000 *plus*:

(ii) the capped value;

- if the ending level is less than or equal to the starting level, but greater than or equal to the threshold level: $1,000; or

- if the ending level is less than the threshold level: $1,000 *minus*:

**If the ending level is less than the threshold level, you will receive at stated maturity less, and up to 92.5% less, than the principal amount of your securities.**

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| **Stated Maturity Date:** | January 3, 2019. If a market disruption event occurs and is continuing on the calculation date, the stated maturity date will be postponed until the later of (i) January 3, 2019 and (ii) three business days after the ending level is determined. See Additional Terms of the Securities Market Disruption Events in this pricing supplement. The securities are not subject to redemption at the option of Canadian Imperial Bank of Commerce or repayment at the option of any holder of the securities prior to the stated maturity date. |

## Market Linked Securities Leveraged Upside Participation

## to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

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| **Starting Level:** | 1535.511, the closing level of the Index on the pricing date. The closing level of the Index on any trading day means the official closing level of the Index as reported by the Index sponsor (as defined below) on such trading day. |
| **Ending Level:** | The ending level will be the closing level of the Index on the calculation date. |
| **Capped Value:** | The capped value is 110.5% of the principal amount per security ($1,105 per security). As a result of the capped value, the maximum total return at maturity of the securities is 10.5% of the principal amount. |
| **Threshold Level:** | 1420.347675, which is equal to 92.5% of the starting level. |
| **Participation Rate:** | 200% |
| **Calculation Date:** | December 28, 2018 or, if such day is not a trading day, the next succeeding trading day. The calculation date is subject to postponement due to the occurrence of a market disruption event. See Additional Terms of the Securities Market Disruption Events in this pricing supplement. A trading day means a day, as determined by the calculation agent, on which (i) the relevant stock exchanges with respect to each security underlying the Index are scheduled to be open for trading for their respective regular trading sessions and (ii) each related futures or options exchange is scheduled to be open for trading for its regular trading session. The relevant stock exchange for any security underlying the Index means the primary exchange or quotation system on which such security is traded, as determined by the calculation agent. The related futures or options exchange for the Index means an exchange or quotation system where trading has a material effect (as determined by the calculation agent) on the overall market for futures or options contracts relating to the Index. |

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| **Calculation Agent:** | Canadian Imperial Bank of Commerce. We may appoint a different calculation agent without your consent and without notifying you.<br><br>All determinations made by the calculation agent will be at the sole discretion of it, and, in the absence of manifest error, will be conclusive for all purposes and binding on us and you. All percentages and other amounts resulting from any calculation with respect to the securities will be rounded at the calculation agent s discretion. The calculation agent will have no liability for its determinations. |
| **Business Day:** | A Monday, Tuesday, Wednesday, Thursday or Friday that is neither a legal holiday nor a day on which banking institutions are authorized or obligated by law, regulation or order to close in New York or Toronto. |
| **No Listing:** | The securities will not be listed on any securities exchange or quoted on any automated quotation system. |

# Market Linked Securities Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

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| **Clearance and Settlement:** | The Depository Trust Company ( DTC ) |
| **Material U.S. Tax Consequences:** | By purchasing the securities, each holder agrees to treat them as pre-paid cash-settled derivative contracts for U.S. federal income tax purposes. Assuming this treatment is respected, gain or loss recognized on the securities should be treated as short-term capital gain or loss. However, if the Internal Revenue Service were successful in asserting an alternative treatment of the securities, the tax consequences of the ownership and disposition of the securities might be materially and adversely affected. As described below under Certain United States Federal Income Tax Considerations, the U.S. Treasury Department and the Internal Revenue Service released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of prepaid forward contracts and similar instruments. Any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, including the character and timing of income or loss and the degree, if any, to which income realized by non-U.S. persons should be subject to withholding tax, possibly with retroactive effect. Both U.S. and non-U.S. persons considering an investment in the securities should review carefully the section of this pricing supplement entitled Certain United States Federal Income Tax Considerations and consult their tax advisers regarding the U.S. federal tax consequences of an investment in the securities (including possible alternative treatments and the issues presented by the notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction. |
| **Benefit Plan Investor Considerations:** | For a discussion of benefit plan investor considerations, please see Certain U.S. Benefit Plan Investor Considerations in the accompanying prospectus. |
| **Agent:** | Wells Fargo Securities. The agent may resell the securities to other securities dealers, including securities dealers acting as custodians, at the principal amount of the securities less a concession of not in excess of $1.40 per security. Such securities dealers may include Wells Fargo Advisors ( WFA ) (the trade name of the retail brokerage business of Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, each an affiliate of Wells Fargo Securities). |

| | |
|---|---|
| **Denominations:** | $1,000 and any integral multiple of $1,000. |
| **CUSIP / ISIN:** | 13605WHE4 / US13605WHE49 |

# Market Linked Securities  Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

**DETERMINING PAYMENT AT MATURITY**

On the stated maturity date, you will receive a cash payment per security (the redemption amount) calculated as follows:

# Market Linked Securities Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

**HYPOTHETICAL PAYOUT PROFILE**

The following profile is based on a capped value of 110.50% or $1,105 per security, a participation rate of 200% and a threshold level equal to 92.5% of the starting level. This graph has been prepared for purposes of illustration only. Your actual return will depend on the actual ending level and whether you hold your securities to maturity.

# Market Linked Securities  Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

## Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

**RISK FACTORS**

The securities have complex features and investing in the securities will involve risks not associated with an investment in conventional debt securities or in the Index. You should carefully consider the risk factors set forth below as well as the other information contained in this pricing supplement and the accompanying prospectus supplement and prospectus, including the documents they incorporate by reference. As described in more detail below, the value of the securities may vary considerably before the stated maturity date due to events that are difficult to predict and are beyond our control. You should reach an investment decision only after you have carefully considered with your advisors the suitability of an investment in the securities in light of your particular circumstances.

**If The Ending Level Is Less Than The Threshold Level, You Will Receive At Maturity Less, And Up To 92.5% Less, Than The Principal Amount Of Your Securities.**

We will not repay you a fixed amount on the securities on the stated maturity date. The redemption amount will depend on the direction of and percentage change in the ending level of the Index relative to the starting level and the other terms of the securities. Because the level of the Index will be subject to market fluctuations, the redemption amount you receive may be more or less, and possibly significantly less, than the principal amount of your securities.

If the ending level is less than the threshold level, the redemption amount that you receive at stated maturity will be reduced by an amount equal to the decline in the level of the Index to the extent it is below the threshold level (expressed as a percentage of the starting level). The threshold level is 92.5% of the starting level. As a result, you may receive less, and up to 92.5% less, than the principal amount per security at maturity even if the level of the Index is greater than or equal to the starting level or the threshold level at certain times during the term of the securities.

Even if the ending level is greater than the starting level, the amount you receive at stated maturity may only be slightly greater than the principal amount, and your yield on the securities may be less than the yield you would earn if you bought a traditional interest-bearing debt security of Canadian Imperial Bank of Commerce or another issuer with a similar credit rating with the same stated maturity date.

**Your Return Will Be Limited By The Capped Value And May Be Lower Than The Return On A Direct Investment In The Index.**

The opportunity to participate in the possible increases in the level of the Index through an investment in the securities will be limited because the redemption amount will not exceed the capped value. Furthermore, the effect of the participation rate will be progressively reduced for all ending levels exceeding the ending level at which the capped value is reached.

**Your Return On The Securities Could Be Less Than If You Owned Securities Included In The Index.**

Your return on the securities will not reflect the return you would realize if you actually owned the securities included in the Index and received the dividends and other payments paid on those securities. This is in part because the redemption amount payable at stated maturity will be determined by reference to the ending level of the Index, which will be calculated by reference to the prices of the securities in the Index without taking into consideration the value of dividends and other payments paid on those securities. In addition, the redemption amount will not be greater than the capped value.

**No Periodic Interest Will Be Paid On The Securities.**

No periodic interest will be paid on the securities. However, because it is possible that the securities may be classified for U.S. federal income tax purposes as contingent payment debt instruments rather than prepaid forward contracts, you may be required to accrue interest income over the term of your securities. See Certain United States Federal Income Tax Considerations in this pricing supplement.

# Market Linked Securities Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

**The Securities Are Subject To The Credit Risk Of Canadian Imperial Bank of Commerce.**

The securities are our obligations exclusively and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the securities are subject to our creditworthiness, and you will have no ability to pursue any securities included in the Index for payment. As a result, our actual and perceived creditworthiness and actual or anticipated decreases in our credit ratings may affect the value of the securities and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the securities.

**The Estimated Value Of The Securities Is Not An Indication Of The Price, If Any, At Which Wells Fargo Securities Or Any Other Person May Be Willing To Buy The Securities From You In The Secondary Market.**

The price, if any, at which Wells Fargo Securities or any of its affiliates may purchase the securities in the secondary market will be based on Wells Fargo Securities proprietary pricing models and will fluctuate over the term of the securities as a result of changes in the market and other factors described in the next risk factor. Any such secondary market price for the securities will also be reduced by a bid-offer spread, which may vary depending on the aggregate principal amount of the securities to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Unless the factors described in the next risk factor change significantly in your favor, any such secondary market price for the securities will likely be less than the principal amount.

If Wells Fargo Securities or any of its affiliates makes a secondary market in the securities at any time up to the issue date or during the three-month period following the issue date, the secondary market price offered by Wells Fargo Securities or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the securities that are included in the principal amount. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by Wells Fargo Securities or any of its affiliates during this period will be higher than it would be if it were based solely on Wells Fargo Securities proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this three-month period. If you hold the securities through an account at Wells Fargo Securities or one of its affiliates, we expect that this increase will also be reflected in the value indicated for the securities on your brokerage account statement. If you hold your securities through an account at a broker-dealer other than Wells Fargo Securities or any of its affiliates, the value of the securities on your brokerage account statement may be different than if you held your securities at Wells Fargo Securities or any of its affiliates.

**The Value Of The Securities Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.**

The value of the securities prior to stated maturity will be affected by the level of the Index at that time, interest rates at that time and a number of other factors, some of which are interrelated in complex ways. The effect of any one factor may be offset or magnified by the effect of another factor. The following factors, among others, are expected to affect the value of the securities. When we refer to the value of your security, we mean the value you could receive for your security if you are able to sell it in the open market before the stated maturity date.

- **Index Performance.** The value of the securities prior to maturity will depend substantially on the level of the Index. The price at which you may be able to sell the securities before stated maturity may be at a discount, which could be substantial, from their principal amount, if the level of the Index at such time is less than, equal to or not sufficiently above its starting level.

- **Capped Value.** We anticipate that the value of the securities will always be at a discount to the capped value.

- **Interest Rates.** The value of the securities may be affected by changes in the interest rates in the U.S. markets.

## Market Linked Securities Leveraged Upside Participation

## to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

- **Volatility Of The Index.** Volatility is the term used to describe the size and frequency of market fluctuations. The value of the securities may be affected if the volatility of the Index changes.

- **Time Remaining To Maturity.** The value of the securities at any given time prior to maturity will likely be different from that which would be expected based on the then-current level of the Index. This difference will most likely reflect a discount due to expectations and uncertainty concerning the level of the Index during the period of time still remaining to the maturity date. In general, as the time remaining to maturity decreases, the value of the securities will approach the amount that could be payable at maturity based on the then-current level of the Index.

- **Dividend Yields On Securities Included In The Index.** The value of the securities may be affected by the dividend yields on securities included in the Index.

- **Events Involving Companies Included In The Index.** General economic conditions and earnings results of the companies whose stocks are included in the Index and real or anticipated changes in those conditions or results may affect the value of the securities. Additionally, as a result of a merger or acquisition, one or more of the stocks in the Index may be replaced with a surviving or acquiring entity s securities. The surviving or acquiring entity s securities may not have the same characteristics as the stock originally included in the Index.

- **Our Credit Ratings, Financial Condition And Results Of Operation.** Actual or anticipated changes in our credit ratings, financial condition or results of operation may affect the value of the securities. However, because the return on the securities is dependent upon factors in addition to our ability to pay our obligations under the securities, such as the level of the Index, an improvement in our credit ratings, financial condition or results of operation will not reduce the other investment risks related to the securities.

You should understand that the impact of one of the factors specified above, such as a change in interest rates, may offset some or all of any change in the value of the securities attributable to another factor, such as a change in the level of the Index.

**Our Estimated Value Of The Securities Is Lower Than The Principal Amount Of The Securities.**

Our estimated value is only an estimate using several factors. The principal amount of the securities exceeds our estimated value because costs associated with selling and structuring the securities, as well as hedging the securities, are included in the principal amount of the securities. See The Estimated Value of the Securities in this pricing supplement.

**Our Estimated Value Does Not Represent Future Values Of The Securities And May Differ From Others Estimates.**

Our estimated value of the securities was determined by reference to our internal pricing models when the terms of the securities were set. This estimated value was based on market conditions and other relevant factors existing at that time and our assumptions about market parameters, which can include volatility, dividend rates, interest rates and other factors. Different pricing models and assumptions could provide valuations for the securities that are greater than or less than our estimated value. In addition, market conditions and other relevant factors in the future may change, and any assumptions may prove to be incorrect. On future dates, the value of the securities could change significantly based on, among other things, changes in market conditions, our creditworthiness, interest rate movements and other relevant factors, which may impact the price, if any, at which Wells Fargo Securities or any other person would be willing to buy securities from you in secondary market transactions. See The Estimated Value of the Securities in this pricing supplement.

**Our Estimated Value Was Not Determined By Reference To Credit Spreads For Our Conventional Fixed-Rate Debt.**

The internal funding rate used in the determination of our estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. If we were to have used the interest rate implied by our conventional fixed-rate credit spreads, we would expect the economic terms of the securities to be more favorable to you. Consequently, our use of an internal funding rate had an adverse effect on the terms of the securities and could have an adverse effect on any secondary market prices of the securities. See The Estimated Value of the Securities in this pricing supplement.

# Market Linked Securities  Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

**The Securities Will Not Be Listed On Any Securities Exchange And We Do Not Expect A Trading Market For The Securities To Develop.**

The securities will not be listed or displayed on any securities exchange or any automated quotation system. Although Wells Fargo Securities and/or its affiliates may purchase the securities from holders, they are not obligated to do so and are not required to make a market for the securities. There can be no assurance that a secondary market will develop. Because we do not expect that any market makers will participate in a secondary market for the securities, the price at which you may be able to sell your securities is likely to depend on the price, if any, at which Wells Fargo Securities and/or its affiliates are willing to buy your securities.

If a secondary market does exist, it may be limited. Accordingly, there may be a limited number of buyers if you decide to sell your securities prior to stated maturity. This may affect the price you receive upon such sale. Consequently, you should be willing to hold the securities to stated maturity.

**Historical Levels Of The Index Should Not Be Taken As An Indication Of The Future Performance Of The Index During The Term Of The Securities.**

The trading prices of the securities included in the Index will determine the redemption amount payable at maturity to you. As a result, it is impossible to predict whether the ending level of the Index will fall or rise compared to its starting level. Trading prices of the securities included in the Index will be influenced by complex and interrelated political, economic, financial and other factors that can affect the markets in which those securities are traded and the values of those securities themselves. Accordingly, any historical levels of the Index do not provide an indication of the future performance of the Index.

**Changes That Affect The Index May Adversely Affect The Value Of The Securities And The Amount You Will Receive At Stated Maturity.**

The policies of the Index sponsor concerning the calculation of the Index and the addition, deletion or substitution of securities comprising the Index and the manner in which the Index sponsor takes account of certain changes affecting such securities may affect the level of the Index and, therefore, may affect the value of the securities and the redemption amount payable at maturity. The Index sponsor may discontinue or suspend calculation or dissemination of the Index or materially alter the methodology by which it calculates the Index. Any such actions could adversely affect the value of the securities.

**We Cannot Control Actions By Any Of The Unaffiliated Companies Whose Securities Are Included In The Index.**

Actions by any company whose securities are included in the Index may have an adverse effect on the price of its security, the ending level and the value of the securities. These companies will not be involved in the offering of the securities and will have no obligations with respect to the securities, including any obligation to take our or your interests into consideration for any reason. These companies will not receive any of the proceeds of the offering of the securities and will not be responsible for, and will not have participated in, the determination of the timing of, prices for, or quantities of, the securities to be issued. These companies will not be involved with the administration, marketing or trading of the securities and will have no obligations with respect to the redemption amount to be paid to you at maturity.

**We, Wells Fargo Securities, And Our Respective Affiliates Have No Affiliation With The Index Sponsor And Have Not Independently Verified Its Public Disclosure Of Information.**

We, Wells Fargo Securities, and our respective affiliates are not affiliated in any way with the Index sponsor and have no ability to control or predict its actions, including any errors in or discontinuation of disclosure regarding the methods or policies relating to the calculation of the Index. We have derived the information about the Index sponsor and the Index contained herein from publicly available information, without independent verification. You, as an investor in the securities, should make your own investigation into the Index and the Index sponsor. The Index sponsor is not involved in the offering of the securities made hereby in any way and has no obligation to consider your interest as an owner of securities in taking any actions that might affect the value of the securities.

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## Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

**An Investment In The Securities Is Subject To Risks Associated With Investing In U.S. Stocks With A Small Market Capitalization.**

The stocks that constitute the Index are issued by companies with relatively small market capitalization. These companies often have greater stock price volatility, lower trading volume and less liquidity than large capitalization companies. As a result, the Index may be more volatile than that of an equity index that does not track solely small capitalization stocks. Stock prices of small capitalization companies are also generally more vulnerable than those of large capitalization companies to adverse business and economic developments, and the stocks of small capitalization companies may be thinly traded, and be less attractive to many investors if they do not pay dividends. In addition, small capitalization companies are typically less well-established and less stable financially than large capitalization companies and may depend on a small number of key personnel, making them more vulnerable to loss of those individuals. Small capitalization companies tend to have lower revenues, less diverse product lines, smaller shares of their target markets, fewer financial resources and fewer competitive strengths than large capitalization companies. These companies may also be more susceptible to adverse developments related to their products or services.

**The Stated Maturity Date May Be Postponed In Certain Circumstances.**

The determination of the ending level will be postponed if the originally scheduled calculation date is not a trading day or if the calculation agent determines that a market disruption event has occurred or is continuing on that day. If such a postponement occurs, the stated maturity date will be postponed until the later of (i) three business days after the ending level is determined and (ii) the initial stated maturity date.

**We Or One Of Our Affiliates Will Be The Calculation Agent And, As A Result, Potential Conflicts Of Interest Could Arise.**

We or one of our affiliates will be the calculation agent for purposes of determining, among other things, the starting level and the ending level, calculating the redemption amount, determining whether adjustments should be made to the ending level, determining whether a market disruption event has occurred and, if publication of the Index is discontinued, selecting a successor or, if no successor is available, determining the closing level. Although the calculation agent will exercise its judgment in good faith when performing its functions, potential conflicts of interest may exist between the calculation agent and you.

**Our Economic Interests And Those Of Any Dealer Participating In The Offering Of Securities Will Potentially Be Adverse To Your Interests.**

You should be aware of the following ways in which our economic interests and those of any dealer participating in the distribution of the securities, which we refer to as a participating dealer, will potentially be adverse to your interests as an investor in the securities. In engaging in certain of the activities described below, our affiliates or any participating dealer or its affiliates may take actions that may adversely affect the value of and your return on the securities, and in so doing they will have no obligation to consider your interests as an investor in the securities. Our affiliates or any participating dealer or its affiliates may realize a profit from these activities even if investors do not receive a favorable investment return on the securities.

• ***Research reports by our affiliates or any participating dealer or its affiliates may be inconsistent with an investment in the securities and may adversely affect the level of the Index.*** Our affiliates or any dealer participating in the offering of the securities or its affiliates may, at present or in the future, publish research reports on the Index or the companies whose securities are included in the Index. This research will be modified from time to time without notice and may, at present or in the future, express opinions or provide recommendations that are inconsistent with purchasing or holding the securities. Any research reports on the Index or the companies whose securities are included in the Index could adversely affect the level of the Index and, therefore, adversely affect the value of and your return on the securities. You are encouraged to derive information concerning the Index from multiple sources and should not rely on the views expressed by us or our affiliates or any participating dealer or its affiliates. In addition, any research reports on the Index or the companies whose securities are included in the Index published on or prior to the pricing date could result in an increase in the level of the Index on the pricing date, which would adversely affect investors in the securities by increasing the level at which the Index must close on the calculation date in order for investors in the securities to receive a favorable return.

• ***Business activities of our affiliates or any participating dealer or its affiliates with the companies whose securities are included in the Index may adversely affect the level of the Index.*** Our affiliates or any participating dealer

# Market Linked Securities Leveraged Upside Participation

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### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

or its affiliates may, at present or in the future, engage in business with the companies whose securities are included in the Index, including making loans to those companies (including exercising creditors remedies with respect to such loans), making equity investments in those companies or providing investment banking, asset management or other advisory services to those companies. These business activities could adversely affect the level of the Index and, therefore, adversely affect the value of and your return on the securities. In addition, in the course of these business activities, our affiliates or any participating dealer or its affiliates may acquire non-public information about one or more of the companies whose securities are included in the Index. If our affiliates or any participating dealer or its affiliates do acquire such non-public information, we and they are not obligated to disclose such non-public information to you.

- ***Hedging activities by our affiliates or any participating dealer or its affiliates may adversely affect the level of the Index.*** We expect to hedge our obligations under the securities through one or more hedge counterparties, which may include our affiliates or any participating dealer or its affiliates. Pursuant to such hedging activities, our hedge counterparty may acquire securities included in the Index or listed or over-the-counter derivative or synthetic instruments related to the Index or such securities. Depending on, among other things, future market conditions, the aggregate amount and the composition of such positions are likely to vary over time. To the extent that our hedge counterparty has a long hedge position in any of the securities included in the Index, or derivative or synthetic instruments related to the Index or such securities, they may liquidate a portion of such holdings at or about the time of the calculation date or at or about the time of a change in the securities included in the Index. These hedging activities could potentially adversely affect the level of the Index and, therefore, adversely affect the value of and your return on the securities.

- ***Trading activities by our affiliates or any participating dealer or its affiliates may adversely affect the level of the Index.*** Our affiliates or any participating dealer or its affiliates may engage in trading in the securities included in the Index and other instruments relating to the Index or such securities on a regular basis as part of their general broker-dealer and other businesses. Any of these trading activities could potentially adversely affect the prices of the securities included in the Index and, therefore, adversely affect the value of and your return on the securities.

- ***A participating dealer or its affiliates may realize hedging profits projected by its proprietary pricing models in addition to any selling concession or any distribution expense fee, creating a further incentive for the participating dealer to sell the securities to you.*** If any participating dealer or any of its affiliates conducts hedging activities for us in connection with the securities, that participating dealer or its affiliates will expect to realize a projected profit from such hedging activities, and this projected profit will be in addition to any concession or distribution expense fee that the participating dealer receives for the sale of the securities to you. This additional projected profit may create a further incentive for the participating dealer to sell the securities to you.

**The U.S. Federal Tax Consequences Of An Investment In The Securities Are Unclear.**

There is no direct legal authority regarding the proper U.S. federal tax treatment of the securities, and we do not plan to request a ruling from the Internal Revenue Service. Consequently, significant aspects of the tax treatment of the securities are uncertain, and the Internal Revenue Service or a court might not agree with the treatment of the securities as pre-paid cash-settled derivative contracts. If the Internal Revenue Service were successful in asserting an alternative treatment of the securities, the tax consequences of the ownership and disposition of the securities might be materially and adversely affected. As described below under Certain United States Federal Income Tax Considerations, the U.S. Treasury Department and the Internal Revenue Service released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of prepaid forward contracts and similar instruments. Any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, including the character and timing of income or loss and the degree, if any, to which income realized by non-U.S. persons should be subject to withholding tax, possibly with retroactive effect.

Furthermore, Section 871(m) of the Internal Revenue Code and Treasury regulations promulgated thereunder ( Section 871(m) ) imposes a withholding tax of up to 30% on dividend equivalents paid to non-U.S. investors in respect of certain financial instruments linked to U.S. equities. An IRS notice provides a general exemption for non-delta-one financial instruments issued prior to 2019. In addition, Section 871(m) does not apply to derivatives that reference qualified indices. Based on these rules, the securities should not be subject to withholding under Section 871(m). However, the IRS could challenge this conclusion.

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### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

Both U.S. and non-U.S. persons considering an investment in the securities should review carefully the section of this pricing supplement entitled Certain United States Federal Income Tax Considerations and consult their tax advisers regarding the U.S. federal tax consequences of an investment in the securities (including possible alternative treatments and the issues presented by the notice), as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

**There Can Be No Assurance That The Canadian Federal Income Tax Consequences Of An Investment In The Securities Will Not Change In The Future.**

There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, or the administrative policies and assessing practices of the Canada Revenue Agency will not be changed in a manner that adversely affects investors. For a discussion of the Canadian federal income tax consequences of investing in the securities, please read the section entitled Certain Canadian Federal Income Tax Considerations in this pricing supplement as well as the section entitled Material Income Tax Consequences Canadian Taxation in the accompanying prospectus dated March 28, 2017. You should consult your tax advisor with respect to your own particular situation.

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**HYPOTHETICAL RETURNS**

The following table illustrates, for a capped value of 110.5% or $1,105.00 per security, a starting level of 1535.511, a participation rate of 200%, a term to maturity of approximately 1 year and a range of hypothetical ending levels of the Index:

- the hypothetical percentage change from the starting level to the hypothetical ending level;
- the hypothetical redemption amount payable at stated maturity per security;
- the hypothetical pre-tax total rate of return; and
- the hypothetical pre-tax annualized rate of return.

| Hypothetical Ending Level | Hypothetical Percentage Change from the Starting Level to the Hypothetical Ending Level | Hypothetical Redemption Amount Payable at Stated Maturity per $1,000 Note | Hypothetical Pre-Tax Total Rate of Return | Hypothetical Pre-Tax Annualized Rate of Return(1) |
|---|---|---|---|---|
| 2687.144 | 75.00% | $1,105.00 | 10.50% | 10.30% |
| 2303.267 | 50.00% | $1,105.00 | 10.50% | 10.30% |
| 2072.940 | 35.00% | $1,105.00 | 10.50% | 10.30% |
| 1996.164 | 30.00% | $1,105.00 | 10.50% | 10.30% |
| 1842.613 | 20.00% | $1,105.00 | 10.50% | 10.30% |
| 1689.062 | 10.00% | $1,105.00 | 10.50% | 10.30% |
| 1612.287 | 5.00% | $1,100.00 | 10.00% | 9.82% |
| 1535.511(2) | 0.00% | $1,000.00 | 0.00% | 0.00% |
| 1458.735 | -5.00% | $1,000.00 | 0.00% | 0.00% |
| 1420.348 | -7.50% | $1,000.00 | 0.00% | 0.00% |
| 1381.960 | -10.00% | $975.00 | -2.50% | -2.53% |
| 1305.184 | -15.00% | $925.00 | -7.50% | -7.69% |
| 1228.409 | -20.00% | $875.00 | -12.50% | -12.99% |
| 1151.633 | -25.00% | $825.00 | -17.50% | -18.44% |
| 767.756 | -50.00% | $575.00 | -42.50% | -48.57% |
| 383.848 | -75.00% | $325.00 | -67.50% | -86.33% |

| | | | | |
|---|---|---|---|---|
| 0.00 | -100.00% | $75.00 | -92.50% | -145.62% |

(1) The annualized rates of return are calculated on a semi-annual bond equivalent basis with compounding.

(2) The starting level.

The above figures are for purposes of illustration only and may have been rounded for ease of analysis. The actual amount you receive at stated maturity and the resulting pre-tax rates of return will depend on the actual ending level.

# Market Linked Securities  Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

## Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

**HYPOTHETICAL PAYMENTS AT STATED MATURITY**

Set forth below are four examples of payment at stated maturity calculations (rounded to two decimal places), reflecting a capped value of 110.5% or $1,105 per security, a participation rate of 200%, and a threshold level of 92.5% of the starting level, and assuming hypothetical ending levels as indicated in the examples.

**Example 1. Redemption amount is greater than the principal amount but less than the capped value:**

Starting level: 1535.511

Hypothetical ending level: 1612.287

Since the hypothetical ending level is greater than the starting level, the redemption amount would equal:

On the stated maturity date you would receive $1,100.00  per security.

**Example 2. Redemption amount is equal to the capped value:**

Starting level: 1535.511

Hypothetical ending level: 1996.164

The redemption amount would be equal to the capped value since the capped value is less than:

On the stated maturity date you would receive $1,105.00 per security.

In addition to limiting your return on the securities, the capped value limits the positive effect of the participation rate. If the ending level is greater than the starting level, you will participate in the performance of the Index at a rate of 200% up to a certain point. However, the effect of the participation rate will be progressively reduced for ending levels that are greater than approximately 105.25% of the starting level since your return on the securities for any ending level greater than approximately 105.25% of the starting level will be limited to the capped value.

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**Example 3. Redemption amount is equal to the principal amount:**

Starting level: 1535.511

Hypothetical ending level: 1458.735

Threshold level: 1420.347675, which is 92.5% of the starting level

Since the hypothetical ending level is less than the starting level, but not by more than 7.5%, you would not lose any of the principal amount of your securities.

On the stated maturity date you would receive $1,000.00 per security.

**Example 4. Redemption amount is less than the principal amount:**

Starting level: 1535.511

Hypothetical ending level: 767.756

Threshold level: 1420.347675, which is 92.5% of the starting level

Since the hypothetical ending level is less than the starting level by more than 7.5%, you would lose a portion of the principal amount of your securities and receive the redemption amount equal to:

On the stated maturity date you would receive $575.00 per security.

To the extent that the actual ending level differs from the values assumed above, the results indicated above would be different.

# Market Linked Securities Leveraged Upside Participation to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

**ADDITIONAL TERMS OF THE SECURITIES**

CIBC will issue the securities as part of a series of senior unsecured debt securities entitled Senior Global Medium-Term Notes (Structured Notes), which is more fully described in the accompanying prospectus supplement and prospectus. Information included in this pricing supplement supersedes information in the prospectus supplement and prospectus to the extent that it is different from that information.

**Payment of Redemption Amount**

In the event that the stated maturity date is not a business day, then the redemption amount will be paid on the next business day.

**Market Disruption Events**

A market disruption event means any of the following events as determined by the calculation agent in its sole discretion:

(A) The occurrence or existence of a material suspension of or limitation imposed on trading by the relevant stock exchanges or otherwise relating to securities which then comprise 20% or more of the level of the Index or any successor equity index at any time during the one-hour period that ends at the close of trading on that day, whether by reason of movements in price exceeding limits permitted by those relevant stock exchanges or otherwise.

(B) The occurrence or existence of a material suspension of or limitation imposed on trading by any related futures or options exchange or otherwise in futures or options contracts relating to the Index or any successor equity index on any related futures or options exchange at any time during the one-hour period that ends at the close of trading on that day, whether by reason of movements in price exceeding limits permitted by the related futures or options exchange or otherwise.

(C) The occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, securities that then comprise 20% or more of the level of the Index or any successor equity index on their relevant stock exchanges at any time during the one-hour period that ends at the close of trading on that day.

(D) The occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, futures or options contracts relating to the Index or any successor equity index on any related futures or options exchange at any time during the one-hour period that ends at the close of trading on that day.

(E) The closure on any exchange business day of the relevant stock exchanges on which securities that then comprise 20% or more of the level of the Index or any successor equity index are traded or any related futures or options exchange prior to its scheduled closing time unless the earlier closing time is announced by the relevant stock exchange or related futures or options exchange, as applicable, at least one hour prior to the earlier of (1) the actual closing time for the regular trading session on such relevant stock exchange or related futures or options exchange, as applicable, and (2) the submission deadline for orders to be entered into the relevant stock exchange or related futures or options exchange, as applicable, system for execution at such actual closing time on that day.

(F) The relevant stock exchange for any security underlying the Index or successor equity index or any related futures or options exchange fails to open for trading during its regular trading session.

For purposes of determining whether a market disruption event has occurred:

(1) the relevant percentage contribution of a security to the level of the Index or any successor equity index will be based on a comparison of (x) the portion of the level of such index attributable to that security and (y) the overall level of the Index or successor equity index, in each case immediately before the occurrence of the market disruption event;

(2) the close of trading on any trading day for the Index or any successor equity index means the scheduled closing time of the relevant stock exchanges with respect to the securities underlying the Index or successor equity index on such trading day; provided that, if the actual closing time of the regular trading session of any such relevant stock exchange is earlier than its scheduled closing time on such trading day, then (x) for purposes of clauses (A) and (C) of the definition of market disruption event above, with respect to any security underlying the Index or successor equity index for which such relevant stock exchange is its relevant stock exchange, the close of trading means such actual closing time and (y) for purposes of clauses (B) and (D) of the definition of market disruption event above, with respect to any futures or options contract relating to the Index or successor equity index, the close of trading means the latest actual closing time of the

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regular trading session of any of the relevant stock exchanges, but in no event later than the scheduled closing time of the relevant stock exchanges;

(3) the scheduled closing time of any relevant stock exchange or related futures or options exchange on any trading day for the Index or any successor equity index means the scheduled weekday closing time of such relevant stock exchange or related futures or options exchange on such trading day, without regard to after hours or any other trading outside the regular trading session hours; and

(4) an exchange business day means any trading day for the Index or any successor equity index on which each relevant stock exchange for the securities underlying the Index or any successor equity index and each related futures or options exchange are open for trading during their respective regular trading sessions, notwithstanding any such relevant stock exchange or related futures or options exchange closing prior to its scheduled closing time.

If a market disruption event occurs or is continuing on the calculation date, then the calculation date will be postponed to the first succeeding trading day on which a market disruption event has not occurred and is not continuing; however, if such first succeeding trading day has not occurred as of the eighth trading day after the originally scheduled calculation date, that eighth trading day shall be deemed to be the calculation date. If the calculation date has been postponed eight trading days after the originally scheduled calculation date and a market disruption event occurs or is continuing on such eighth trading day, the calculation agent will determine the closing level of the Index on such eighth trading day in accordance with the formula for and method of calculating the closing level of the Index last in effect prior to commencement of the market disruption event, using the closing price (or, with respect to any relevant security, if a market disruption event has occurred with respect to such security, its good faith estimate of the value of such security at the scheduled closing time of the relevant stock exchange for such security or, if earlier, the actual closing time of the regular trading session of such relevant stock exchange) on such date of each security included in the Index. As used herein, closing price means, with respect to any security on any date, the relevant stock exchange traded or quoted price of such security as of the scheduled closing time of the relevant stock exchange for such security or, if earlier, the actual closing time of the regular trading session of such relevant stock exchange.

**Adjustments to the Index**

If at any time a sponsor or publisher of the Index (the Index sponsor ) makes a material change in the formula for or the method of calculating the Index, or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock and capitalization and other routine events), then, from and after that time, the calculation agent will, at the close of business in New York, New York, on each date that the closing level of the Index is to be calculated, calculate a substitute closing level of the Index in accordance with the formula for and method of calculating the Index last in effect prior to the change, but using only those securities that comprised the Index immediately prior to that change. Accordingly, if the method of calculating the Index is modified so that the level of the Index is a fraction or a multiple of what it would have been if it had not been modified, then the calculation agent will adjust the Index in order to arrive at a level of the Index as if it had not been modified.

**Discontinuance of the Index**

If the Index sponsor discontinues publication of the Index, and such Index sponsor or another entity publishes a successor or substitute equity index that the calculation agent determines, in its sole discretion, to be comparable to the Index (a successor equity index ), then, upon the calculation agent s notification of that determination to the trustee and Canadian Imperial Bank of Commerce, the calculation agent will substitute the successor equity index as calculated by the relevant Index sponsor or any other entity and calculate the ending level as described above. Upon any selection by the calculation agent of a successor equity index, Canadian Imperial Bank of Commerce will cause notice to be given to holders of the securities.

In the event that the Index sponsor discontinues publication of the Index prior to, and the discontinuance is continuing on, the calculation date and the calculation agent determines that no successor equity index is available at such time, the calculation agent will calculate a substitute closing level for the Index in accordance with the formula for and method of calculating the Index last in effect prior to the discontinuance, but using only those securities that comprised the Index immediately prior to that discontinuance. If a successor equity index is selected or the calculation agent calculates a level as a substitute for the Index, the successor equity index or level will be used as a substitute for the Index for all purposes, including the purpose of determining whether a market disruption event exists.

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If on the calculation date the Index sponsor fails to calculate and announce the level of the Index, the calculation agent will calculate a substitute closing level of the Index in accordance with the formula for and method of calculating the Index last in effect prior to the failure, but using only those securities that comprised the Index immediately prior to that failure; *provided* that, if a market disruption event occurs or is continuing on such day, then the provisions set forth above under Market Disruption Events shall apply in lieu of the foregoing.

Notwithstanding these alternative arrangements, discontinuance of the publication of, or the failure by the Index sponsor to calculate and announce the level of, the Index may adversely affect the value of the securities.

**Calculation Agent**

We or one of our affiliates will act as calculation agent for the securities and may appoint agents to assist it in the performance of its duties. See Risk Factors We Or One Of Our Affiliates Will Be The Calculation Agent And, As A Result, Potential Conflicts Of Interest Could Arise in this pricing supplement. We may appoint a different calculation agent without your consent and without notifying you.

The calculation agent will determine the redemption amount you receive at stated maturity. In addition, the calculation agent will, among other things:

- determine whether a market disruption event has occurred;
- determine if adjustments are required to the closing level of the Index under various circumstances; and
- if publication of the Index is discontinued, select a successor equity index or, if no successor equity index is available, determine the closing level of the Index.

All determinations made by the calculation agent will be at the sole discretion of the calculation agent and, in the absence of manifest error, will be conclusive for all purposes and binding on us and you. All percentages and other amounts resulting from any calculation with respect to the securities will be rounded at the calculation agent s discretion. The calculation agent will have no liability for its determinations.

**Appointment of Independent Calculation Experts**

If a calculation or valuation described above under Market Disruption Events or Discontinuance of the Index contemplated to be made by the calculation agent involves the application of material discretion and is not based on information or calculation methodologies compiled or utilized by, or derived from, independent third party sources, we will appoint one or more calculation experts to confirm such calculation or valuation. Such calculation experts will be independent from us and active participants in the financial markets in the relevant jurisdiction in which futures or options contracts on the Index are traded. Calculation experts will not assume any obligation or duty to, or any relationship of agency or trust for or with, the holders of the securities or us. Holders of the securities will be entitled to rely on any valuation or calculations made by such calculation experts and such valuations or calculations will (except in the case of manifest error) be final and binding on us, the calculation agent and the holders of the securities. Calculation experts will not be responsible for good faith errors or omissions in the making of any such valuations or calculations. Calculation experts may, with the consent of us, delegate any of their obligations and functions to a third party as they deem appropriate, but acting honestly and reasonably at all times. The valuations and calculations of calculation experts will be made available to the holders of the securities upon request.

**Events of Default and Acceleration**

If the securities have become immediately due and payable following an event of default (as defined in the section Description of Senior Debt Securities Events of Default in the accompanying prospectus) with respect to the securities, the amount payable on the securities will be equal to the redemption amount, calculated as though the date of acceleration were the calculation date.

If the securities have become immediately due and payable following an event of default, you will not be entitled to any payments with respect to the securities in addition to the redemption amount, calculated as set forth in the preceding paragraph. For more information, see Description of Senior Debt Securities Events of Default beginning on page 7 of the accompanying prospectus.

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**Withholding**

We or the applicable paying agent will deduct or withhold from a payment on a security any present or future tax, duty, assessment or other governmental charge that we determine is required by law or the interpretation or administration thereof to be deducted or withheld. Payments on a security will not be increased by any amount to offset such deduction or withholding.

## THE RUSSELL 2000® INDEX

### General

Included in the following pages is a brief description of the Russell 2000® Index (the Index ). This information has been obtained from publicly available sources.

Information from outside sources is not incorporated by reference in, and should not be considered part of, this pricing supplement or the accompanying prospectus or prospectus supplement. We have not independently verified any of the information herein obtained from outside sources.

This pricing supplement relates only to the securities offered hereby and does not relate to the Index or the securities that make up the Index.

All information regarding the Russell 2000® Index (the Russell 2000 Index ) set forth in this pricing supplement reflects the policies of, and is subject to change by, Russell Investments ( Russell ), the index sponsor. The Russell 2000® Index was developed by Russell and is calculated, maintained and published by Russell. The Russell 2000® Index is reported by Russell on Bloomberg page RTY <Index> .

The Russell 2000 Index is designed to track the performance of the small capitalization segment of the U.S. equity market. As a subset of the Russell 3000® Index (the Russell 3000 Index ), it consists of approximately 2,000 of the smallest companies (based on a combination of their market capitalization and the current index membership) included in the Russell 3000 Index. The Russell 3000 Index, in turn, comprises the 3,000 largest U.S. companies as measured by total market capitalization. All Russell U.S. equity indexes (together, the Russell U.S. Indexes or Russell Indexes ) are subsets of the Russell 3000E™ Index (the Russell 3000E Index ) which is the broadest U.S. index, containing the largest 4,000 U.S. public companies. The members of the Russell 3000E Index and its subsets are determined each year during annual reconstitution and enhanced quarterly with the addition of initial public offerings.

Additional information on the Russell 2000 Index is available on the following website: http://www.ftserussell.com. No information on the website shall be deemed to be included or incorporated by reference in this pricing supplement.

**License Agreement**

The Bank has entered into a non-exclusive license agreement with Russell (as defined below) whereby we, in exchange for a fee, are permitted to use the Russell 2000 Index and its related trademarks in connection with certain securities, including the securities. We are not affiliated with Russell; the only relationship between Russell and us is any licensing of the use of Russell s indices and trademarks relating to them.

The license agreement between Russell and the Bank provides that the following language must be set forth when referring to any Russell Indexes or the Russell trademarks in this pricing supplement:

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# Market Linked Securities Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

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**Historical Data**

We obtained the closing levels listed below from Bloomberg Professional® Service ( Bloomberg ) without independent verification. You can obtain the level of the Russell 2000® Index at any time from Bloomberg under the symbol RTY <Index> .

We have not undertaken an independent review or due diligence of the information obtained from Bloomberg. The historical performance of the Index should not be taken as an indication of future performance, and no assurances can be given as to the ending level of the Index. We cannot give you assurance that the performance of the Index will result in any positive return on your initial investment.

The following graph sets forth daily closing levels of the Index for the period from January 1, 2007 to December 29, 2017. The closing level on December 29, 2017 was 1535.511.

# Market Linked Securities Leveraged Upside Participation

# to a Cap and Fixed Percentage Buffered Downside

### Principal at Risk Securities Linked to the Russell 2000® Index due January 3, 2019

The following table sets forth the high and low closing levels, as well as end-of-period closing levels, of the Index for each quarter in the period from January 1, 2007 through September 30, 2017 and from October 2, 2017 through December 29, 2017.

| | High | Low | Last |
|---|---|---|---|
| 2007 | | | |
| First Quarter | 829.458 | 760.081 | 800.729 |
| Second Quarter | 855.113 | 803.237 | 833.719 |
| Third Quarter | 855.794 | 751.544 | 805.450 |
| Fourth Quarter | 845.720 | 735.066 | 766.037 |
| 2008 | | | |
| First Quarter | 753.554 | 643.966 | 687.967 |
| Second Quarter | 763.266 | 686.073 | 689.659 |
| Third Quarter | 754.377 | 657.718 | 679.583 |
| Fourth Quarter | 671.590 | 385.308 | 499.453 |
| 2009 | | | |
| First Quarter | 514.710 | 343.260 | 422.748 |
| Second Quarter | 531.680 | 429.158 | 508.281 |
| Third Quarter | 620.695 | 479.267 | 604.278 |
| Fourth Quarter | 634.072 | 562.395 | 625.389 |
| 2010 | | | |
| First Quarter | 690.303 | 586.491 | 678.643 |
| Second Quarter | 741.922 | 609.486 | 609.486 |
| Third Quarter | 677.641 | 590.034 | 676.139 |
| Fourth Quarter | 792.347 | 669.450 | 783.647 |
| 2011 | | | |
| First Quarter | 843.548 | 773.184 | 843.548 |
| Second Quarter | 865.291 | 777.197 | 827.429 |
| Third Quarter | 858.113 | 643.421 | 644.156 |
| Fourth Quarter | 765.432 | 609.490 | 740.916 |
| 2012 | | | |
| First Quarter | 846.129 | 747.275 | 830.301 |
| Second Quarter | 840.626 | 737.241 | 798.487 |
| Third Quarter | 864.697 | 767.751 | 837.450 |
| Fourth Quarter | 852.494 | 769.483 | 849.349 |
| 2013 | | | |
| First Quarter | 953.068 | 872.605 | 951.542 |
| Second Quarter | 999.985 | 901.513 | 977.475 |
| Third Quarter | 1078.409 | 989.535 | 1073.786 |
| Fourth Quarter | 1163.637 | 1043.459 | 1163.637 |
| 2014 | | | |
| First Quarter | 1208.651 | 1093.594 | 1173.038 |
| Second Quarter | 1192.964 | 1095.986 | 1192.964 |
| Third Quarter | 1208.150 | 1101.676 | 1101.676 |
| Fourth Quarter | 1219.109 | 1049.303 | 1204.696 |
| 2015 | | | |
| First Quarter | 1266.373 | 1154.709 | 1252.772 |
| Second Quarter | 1295.799 | 1215.417 | 1253.947 |
| Third Quarter | 1273.328 | 1083.907 | 1100.688 |
| Fourth Quarter | 1204.159 | 1097.552 | 1135.889 |
| 2016 | | | |
| First Quarter | 1114.028 | | |

2015 Acquisitions

On February 23, 2015, we acquired the equity of Right Away Redy Mix, Inc. ("Right Away"), located in Oakland, California. The purchase price was $18.0 million in cash, plus closing adjustments of $0.8 million, final working capital adjustments of $1.1 million, and potential future earn-out payments of up to $6.0 million based on the achievement of certain defined annual volume thresholds over a six-year period (the "Right Away Earn-out"). We funded the purchase with cash on hand. The acquisition included four ready-mixed concrete facilities, 49 mixer trucks, and a fleet of transfer trucks used to transport cement and aggregates. The acquisition expanded our business in our existing northern California market. The fair value of the assets acquired and liabilities assumed in the Right Away acquisition is final.

On April 1, 2015, we acquired the equity of Ferrara Bros. Building Materials Corp. ("Ferrara Bros."), located in New York, New York. We acquired the equity of Ferrara Bros. for $45.0 million in cash, approximately 442,000 shares of our common stock, calculated in accordance with the terms of the share purchase agreement ("SPA"), and valued at approximately $15.1 million on the date of issuance, less final working capital adjustments of $0.9 million, plus potential incentive awards in the form of equity of up to $35.0 million based on the achievement of certain EBITDA thresholds, as defined in the SPA, over a four-year period beginning in 2017 ("Ferrara Bros. Contingent Consideration"). We funded the purchase through a combination of cash on hand and borrowings under our Revolving Facility. The acquisition included six ready-mixed concrete plants at four facilities in New York and New Jersey and a fleet of 89 mixer trucks. The acquisition expanded our presence in the New York metropolitan market and allows us to more effectively serve construction projects in Manhattan. The fair value of the assets acquired and liabilities assumed in the Ferrara Bros. acquisition is final.

On May 21, 2015, we acquired the equity of Colonial Concrete Co. ("Colonial"), located in Newark, New Jersey. The purchase price was $15.0 million in cash plus closing adjustments of $0.2 million. We funded the purchase through a combination of cash on hand and borrowings under our Revolving Facility. The acquisition included four ready-mixed concrete plants at three locations and a fleet of approximately 40 mixer trucks. The acquisition expanded our business in the New York metropolitan and northern New Jersey markets. The fair value of the assets acquired and liabilities assumed in the Colonial acquisition is final.

On May 29, 2015, we acquired the assets of DuBrook Concrete, Inc. ("DuBrook"), located in Chantilly, Virginia, part of the greater Washington, D.C. metropolitan area. The purchase price was $11.5 million in cash, less final working capital adjustments of $0.5 million, plus potential future earn-out payments based on volumes sold over a four-year period (the "DuBrook Earn-out").

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The DuBrook Earn-out payments are not capped; however, we do not expect total payments to exceed $1.0 million. We funded the purchase through a combination of cash on hand and borrowings under our Revolving Facility. The acquisition included three ready-mixed concrete plants and a fleet of 42 mixer trucks. The purchase of these assets expanded our existing business in the Washington, D.C. metropolitan area. The fair value of the assets acquired and liabilities assumed in the DuBrook acquisition is final.

On September 24, 2015, we acquired the Wantage Stone (“Wantage”) reserves, a site development quarry including an 80 acre quarry along with mining rights to an additional 77 acres of land located in Hamburg, NJ, from Bicsak Brothers Realty, LLC and Wantage Stone, LLC. We have operated the Wantage quarry under a lease agreement since October 2014. The purchase price was $15.2 million in cash plus deferred payments of $3.0 million payable over a three-year period. We funded the purchase price through a combination of cash on hand and borrowings under our Revolving Facility. This acquisition expanded our aggregates operations in our New York and New Jersey markets. The fair value of the assets acquired and liabilities assumed in the Wantage acquisition is preliminary and remains subject to adjustments, including, but not limited to, adjustments to the fair value of identifiable intangible assets and property, plant, and equipment.

On October 27, 2015, we acquired the equity of Heavy Materials, LLC ("Heavy"), a vertically integrated ready-mixed concrete producer located in the U.S. Virgin Islands. The purchase price was $22.7 million in cash, less purchase adjustments of $0.8 million, plus deferred payments of $5.0 million, to be paid over a two-year period. We funded the purchase price through a combination of cash on hand and borrowings under our Revolving Facility. The acquisition included four ready-mixed concrete plants, a fleet of 32 mixer trucks, and two quarries. Heavy also leases an industrial waterfront property that it utilizes as a marine terminal and sales yard. This acquisition expanded our ready-mixed concrete and aggregates operations into new markets in the Caribbean islands. The fair value of the assets acquired and liabilities assumed in the Heavy acquisition is preliminary and remains subject to adjustments, including, but not limited to, adjustments related to working capital and the fair value of identifiable intangible assets and property, plant and equipment.

During the year ended December 31, 2015, we also completed two other individually immaterial acquisitions (the "2015 Other Acquisitions") comprised of two sand and gravel operations near Vernon, Texas and Waurika, Oklahoma and one ready-mixed concrete operation in the U.S. Virgin Islands. The aggregate consideration paid consisted of $12.0 million in cash and $1.9 million in deferred payments payable within ten years. We funded these purchases through a combination of cash on hand and borrowings under our Revolving Facility. The acquisition of these assets expanded our business in our existing west Texas market and in the Caribbean market. The purchase price allocation for these two acquisitions is preliminary and remains subject to adjustments, including, but not limited to, the fair value of identifiable intangible assets and property, plant and equipment.

We made changes to the preliminary purchase price allocations for the 2015 acquisitions during the first six months of 2016 primarily related to (i) valuation of property, plant, and equipment for Wantage, Heavy, and the 2015 Other Acquisitions, (ii) adjustments for Right Away related to determination of the conclusion of tax attributes as of the acquisition date, (iii) working capital adjustments for Colonial, Dubrook, Heavy, and one of the 2015 Other Acquisitions, (iv) total consideration for Heavy, DuBrook, and one of the 2015 Other Acquisitions, (v) valuation of identifiable intangible assets for Heavy and the 2015 Other Acquisitions, and (vi) valuation of unfavorable lease intangibles for Heavy. The following table summarizes the total consideration for the 2015 acquisitions and summarizes the amounts of assets acquired and liabilities assumed based on the estimated fair values as of the respective acquisition dates as adjusted through June 30, 2016 (in thousands).

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| | 2015 Acquisitions | | | | | | |
|---|---|---|---|---|---|---|---|
| | Right Away(1) | Ferrara Bros.(2) | Colonial(3) | DuBrook(4) | Wantage(5)(6) | Heavy(5)(7) | All Other(5)(8) |
| Cash | $928 | $67 | $ 888 | $ — | $ — | $ 20 | $ — |
| Accounts receivable | 1,832 | 13,224 | 4,305 | 1,218 | — | 1,364 | — |
| Inventory | 348 | 1,434 | 378 | 349 | — | 1,449 | 754 |
| Other current assets | 196 | 608 | 126 | — | — | 92 | — |
| Property, plant and equipment | 9,696 | 13,147 | 6,325 | 2,394 | 15,793 | 15,339 | 6,835 |
| Definite-lived intangible assets | 7,036 | 50,310 | 4,640 | 4,473 | — | 5,435 | 2,856 |
| Other long-term assets | — | — | 153 | — | — | 47 | — |
| Total assets acquired | 20,036 | 78,790 | 16,815 | 8,434 | 15,793 | 23,746 | 10,445 |
| Current liabilities | 1,399 | 6,944 | 6,003 | 910 | — | 3,230 | 91 |
| Long-term deferred income tax | 5,546 | — | — | — | — | — | — |
| Other long-term liabilities | — | — | — | 59 | — | 2,187 | 15 |
| Total liabilities assumed | 6,945 | 6,944 | 6,003 | 969 | — | 5,417 | 106 |
| Goodwill | 10,703 | 6,916 | 4,384 | 4,092 | 2,202 | 8,323 | 3,410 |
| Total consideration | $23,794 | $78,762 | $ 15,196 | $ 11,557 | $ 17,995 | $ 26,652 | $ 13,749 |

(1) The fair value of the Right Away acquired accounts receivable is $1.8 million, with a gross contractual amount of $2.2 million. We do not expect to collect $0.4 million of the Right Away acquired accounts receivable. Total consideration for the Right Away acquisition includes $19.9 million of cash and $3.9 million for the fair value of the Right Away Earn-out as of the acquisition date. The purchase price allocation for Right Away is final.

(2) The fair value of the Ferrara Bros. acquired accounts receivable is $13.2 million, with a gross contractual amount of $14.3 million. We do not expect to collect $1.1 million of the Ferrara Bros. acquired accounts receivable. Total consideration for the Ferrara Bros. acquisition includes $44.1 million of cash, approximately 442,000 shares of our common stock valued at approximately $15.1 million on the date of issuance, and $19.6 million for the fair value of the Ferrara Bros. Contingent Consideration as of the acquisition date. The purchase price allocation for Ferrara Bros. is final.

(3) The fair value of the Colonial acquired accounts receivable approximates the gross contractual amount as of the acquisition date. The purchase price allocation for Colonial is final.

(4) The fair value of the DuBrook acquired accounts receivable approximates the gross contractual amount as of the acquisition date. Total consideration for the DuBrook acquisition includes $11.0 million of cash and $0.6 million for the fair value of the Dubrook Earn-out as of the acquisition date. The purchase price allocation for Dubrook is final.

(5) The purchase price allocations for the Wantage and Heavy acquisitions and the 2015 Other Acquisitions are preliminary and remain subject to adjustments, including, but not limited to, working capital and the fair value of identifiable intangible assets and property, plant, and equipment.

(6) Total consideration for the Wantage acquisition includes $15.2 million of cash and $2.8 million for the fair value of deferred payments due to the previous owners.

(7) The fair value of the Heavy acquired accounts receivable is $1.4 million, pending further analysis, with a gross contractual amount of $4.3 million. We do not expect to collect $2.9 million of the Heavy acquired accounts receivable, pending further review. Total consideration for the Heavy acquisition includes $21.9 million of cash and $4.8 million for the fair value of deferred payments due to the previous owners.

(8)

Total consideration for the 2015 Other Acquisitions includes $12.0 million of cash and $1.7 million for the fair value of deferred payments due to the previous owners.

The accounting for business combinations requires the significant use of estimates and is based on information that was available to management at the time these condensed consolidated financial statements were prepared. We utilized recognized valuation techniques, including the income approach, sales approach, and cost approach to value the net assets acquired. See Note

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11 for additional information regarding valuation of contingent consideration. Any changes to the provisional business combination accounting will be made as soon as practical, but no later than one year from the respective acquisition dates.

Acquired Intangibles

Acquired intangible assets in 2015 of $74.8 million consisted of trade names, customer relationships, non-compete agreements, leasehold interests, a favorable contract, and backlog. The amortization period of these intangible assets ranges from one year to 25 years. These intangible assets exclude identifiable intangible assets from the 2016 Greco and Nycon acquisitions as management has not yet completed valuations of these assets. The major classes of intangible assets acquired in the 2015 acquisitions were as follows (in thousands of dollars):

| | Weighted Average Amortization Period (In Years) | Fair Value At Acquisition Date |
|---|---|---|
| Trade names | 23.35 | $ 37,374 |
| Customer relationships | 7.99 | 24,893 |
| Non-compete agreements | 5.95 | 3,050 |
| Leasehold interests | 12.89 | 4,143 |
| Favorable contract | 3.50 | 3,650 |
| Backlog | 1.00 | 1,640 |
| Total | | $ 74,750 |

As of June 30, 2016, the estimated future aggregate amortization expense of definite-lived intangible assets from the 2015 acquisitions was as follows (in thousands):

| | Year Ending December 31, |
|---|---|
| 2016 (remainder of the year) | $ 3,702 |
| 2017 | 7,293 |
| 2018 | 6,873 |
| 2019 | 5,864 |
| 2020 | 5,540 |
| Thereafter | 33,502 |
| Total | $ 62,774 |

Also included in other non-current liabilities in the accompanying condensed consolidated balance sheet are unfavorable lease intangibles with a gross carrying amount of $2.1 million and a net carrying amount of $1.8 million as of June 30, 2016. These unfavorable lease intangibles are amortized over their remaining lease terms at time of acquisition ranging from 4.75 years to 10.00 years. These unfavorable lease intangibles have a weighted average life of 5.04 years.

We recorded $2.0 million and $4.1 million of amortization expense related to these intangible assets and unfavorable lease intangibles during the three and six months ended June 30, 2016, respectively. During the three and six months ended June 30, 2016, we recognized $0.3 million and $0.2 million, respectively, of amortization expense that related to previous periods but had not been recorded since the fair value of those intangible assets had not yet been determined.

The goodwill ascribed to each of these acquisitions is related to the synergies we expect to achieve with expansion in the markets in which we already operate as well as entry into new metropolitan areas of our existing geographic markets. The goodwill relates to our ready-mixed concrete reportable segment, with the exception of Heavy, Wantage, and one of the 2015 Other Acquisitions. Goodwill resulting from our Heavy acquisition relates to our ready-mixed concrete reportable segment and our aggregate products reportable segment. Goodwill resulting from the Wantage acquisition and one of the 2015 Other Acquisitions relates to our aggregate products reportable segment. See Note 6 for the allocation of goodwill from our 2016 and 2015 acquisitions to our segments. We expect the goodwill to be deductible for tax purposes, with the exception of the Right Away acquisition. See Note 12 for additional information regarding income taxes.

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Actual and Pro Forma Impact of Acquisitions

During the three months ended June 30, 2016, we recorded approximately $55.1 million of revenue and $0.9 million of income from operations in our condensed consolidated statements of operations related to the 2016 and 2015 acquisitions following their respective acquisition dates. During the three months ended June 30, 2015, we recorded approximately $33.4 million of revenue and $2.9 million of income from operations in our condensed consolidated statements of operations related to the acquisitions completed in the first half of 2015 following their respective acquisition dates.

During the six months ended June 30, 2016, we recorded approximately $99.4 million of revenue and $0.5 million of loss from operations in our condensed consolidated statements of operations related to the 2016 and 2015 acquisitions following their respective acquisition dates. During the six months ended June 30, 2015, we recorded approximately $36.3 million of revenue and $3.2 million of income from operations in our condensed consolidated statements of operations related to the acquisitions completed in the first half of 2015 following their respective acquisition dates.

The unaudited pro forma information presented below reflects the combined financial results for all of the acquisitions completed during 2016 and 2015, excluding one of the 2015 Other Acquisitions, as historical financial results for these operations were not material and impractical to obtain from the former owners. All other acquisitions have been included and represent our estimate of the results of operations for the three and six months ended June 30, 2016 and 2015 as if the 2015 acquisitions had been completed on January 1, 2014 and the 2016 acquisitions had been completed on January 1, 2015 (in thousands, except per share information):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue from continuing operations | $287,499 | $277,684 | $551,837 | $497,251 |
| Net (loss) income | $(2,337) | $12,118 | $(3,896) | $(2,591) |
| (Loss) income per share, basic | $(0.16) | $0.86 | $(0.26) | $(0.19) |
| (Loss) income per share, diluted | $(0.16) | $0.80 | $(0.26) | $(0.19) |

The above pro forma results are unaudited and were prepared based on the historical U.S. GAAP results of the Company and the historical results of the nine acquired companies for which financial information was available, based on data provided by the former owners. These results are not necessarily indicative of what the Company's actual results would have been had the 2015 acquisitions occurred on January 1, 2014 and had the 2016 acquisitions occurred on January 1, 2015.

The unaudited pro forma net income (loss) and net income (loss) per share amounts above reflect the following adjustments:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| (Decrease) increase in intangible amortization expense | $(275) | $1,168 | $(627) | $2,886 |
| Decrease in depreciation expense | — | — | — | (231) |
| Exclusion of buyer transaction costs | 327 | 813 | 4,582 | 1,397 |
| Exclusion of seller transaction costs | — | — | — | 46 |

| | | | | |
|---|---|---|---|---|
| Exclusion of pension expense for pension plan not acquired | — | — | — | 212 |
| Exclusion of segment results for segment not acquired | — | — | — | (99 ) |
| Increase in interest expense | 48 | 67 | 94 | 374 |
| Increase (decrease) in income tax expense | 990 | (503 ) | (467 ) | 3,471 |
| Net adjustments | $1,090 | $1,545 | $3,582 | $8,056 |

As the business combination accounting for Greco and Nycon are still preliminary and the fair value measurements for the Greco and Nycon intangible assets and the Nycon tangible assets have not been determined, no adjustments to depreciation or amortization related to these tangible and intangible assets were included in the pro forma results. The unaudited pro forma results do not reflect any operational efficiencies or potential cost savings that may occur as a result of consolidation of the operations.

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4. DISCONTINUED OPERATIONS

In June 2015, we completed the sale of substantially all of our assets associated with our one remaining precast concrete operation in Pennsylvania. We sold the operation's fixed assets and inventory for net proceeds of $0.3 million in cash and a promissory note of $1.2 million, net of a $0.1 million discount. For the three and six months ended June 30, 2015, we recorded a pre-tax loss on the transaction of $0.1 million. The loss is included in discontinued operations in the accompanying condensed consolidated statements of operations for the three and six months ended June 30, 2015. We have presented the results of operations for this business for the three and six months ended June 30, 2015 in discontinued operations in the accompanying condensed consolidated statements of operations. During the first half of 2016, we received payments totaling $0.3 million in accordance with the terms of the promissory note.

The results of these discontinued operations were as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue | $— | $2,229 | $— | $5,523 |
| Operating expenses excluding depreciation, depletion and amortization | 271 | 2,659 | 571 | 5,729 |
| Loss from discontinued operations | (271) | (430) | (571) | (206) |
| Loss on sale of assets | — | 92 | — | 92 |
| Loss from discontinued operations, before income taxes | (271) | (522) | (571) | (298) |
| Income tax benefit | (107) | (2) | (219) | (1) |
| Loss from discontinued operations, net of taxes | $(164) | $(520) | $(352) | $(297) |

Cash flows from operating activities included operating cash flows used in discontinued operations of $0.3 million during the six months ended June 30, 2016. Cash flows from investing activities included investing cash flows provided by discontinued operations of $0.3 million for the six months ended June 30, 2016. Cash flows from operating activities included operating cash flows used in discontinued operations of $1.1 million during the six months ended June 30, 2015. Cash flows from investing activities included investing cash flows provided by discontinued operations of $0.2 million during the six months ended June 30, 2015.

5. INVENTORIES

Inventories as of June 30, 2016 and December 31, 2015 consisted of the following (in thousands):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Raw materials | $36,355 | $ 33,792 |
| Building materials for resale | 2,140 | 1,736 |
| Other | 1,324 | 1,198 |
| Total inventories | $39,819 | $ 36,726 |

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6. GOODWILL AND OTHER INTANGIBLES

Goodwill

The changes in goodwill by reportable segment from January 1, 2016 to June 30, 2016 were as follows (in thousands):

| | June 30, 2016 | | | |
|---|---|---|---|---|
| | Ready-Mixed Concrete Segment | Aggregate Products Segment | Other Non-Reportable Segments | Total |
| Balance at January 1, 2016 | $82,958 | $13,984 | $ 3,262 | $100,204 |
| 2016 acquisitions (See Note 3) | 34,356 | — | — | 34,356 |
| Measurement period adjustments, for prior business combinations[1] | (15,085) | (4,931) | — | (20,016) |
| Balance at June 30, 2016 | $102,229 | $9,053 | $ 3,262 | $114,544 |

(1) The measurement period adjustments are primarily related to $14.0 million of property, plant and equipment and $8.3 million of definite-lived intangible assets offset by $2.1 million of unfavorable lease intangibles representing changes to the preliminary purchase price allocations for Wantage, Heavy and the 2015 Other Acquisitions. (See Note 3)

Other Intangibles

Our purchased intangible assets were as follows as of June 30, 2016 and December 31, 2015 (in thousands):

| | June 30, 2016 | | | |
|---|---|---|---|---|
| | Gross | Accumulated Amortization | Net | Weighted Average Remaining Life (In Years) |
| Definite-lived intangible assets | | | | |
| Trade names | $42,104 | $ (3,406) | $38,698 | 20.80 |
| Customer relationships | 50,948 | (11,274) | 39,674 | 6.29 |
| Non-competes | 11,677 | (3,418) | 8,259 | 3.84 |
| Leasehold interests | 7,525 | (1,015) | 6,510 | 10.02 |
| Favorable contract | 3,650 | (1,390) | 2,260 | 2.17 |
| Backlog | 1,640 | (1,640) | — | — |
| Total definite-lived intangible assets | 117,544 | (22,143) | 95,401 | 12.43 |
| Indefinite-lived intangible assets | | | | |
| Land rights[1] | 1,478 | — | 1,478 | |
| Total purchased intangible assets | $119,022 | $ (22,143) | $96,879 | |

(1) Land rights acquired in the 2014 acquisition of the Custom-Crete assets from Oldcastle Architectural, Inc. will be reclassified to property, plant and equipment upon the division of certain shared properties and settlement of the associated deferred payment.

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| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Gross | Accumulated Amortization | Net | Weighted Average Remaining Life (In Years) |
| Definite-lived intangible assets | | | | |
| Trade names | $40,302 | $ (2,060 ) | $38,242 | 22.04 |
| Customer relationships | 45,969 | (7,939 ) | 38,030 | 7.34 |
| Non-competes | 10,167 | (2,211 ) | 7,956 | 3.87 |
| Leasehold interests | 7,525 | (668 ) | 6,857 | 10.49 |
| Favorable contract | 3,650 | (869 ) | 2,781 | 2.67 |
| Backlog | 1,640 | (1,230 ) | 410 | 0.25 |
| Total definite-lived intangible assets | 109,253 | (14,977 ) | 94,276 | 13.07 |
| Indefinite-lived intangible assets | | | | |
| Land rights[(1)] | 1,478 | — | 1,478 | |
| Total purchased intangible assets | $110,731 | $ (14,977 ) | $95,754 | |

(1) Land rights acquired in the 2014 acquisition of the Custom-Crete assets from Oldcastle Architectural, Inc. will be reclassified to property, plant and equipment upon the division of certain shared properties and settlement of the associated deferred payment.

As of June 30, 2016, the estimated remaining amortization of our definite-lived intangible assets was as follows (in thousands):

| | Year Ending December 31, |
|---|---|
| 2016 (remainder of the year) | $ 6,490 |
| 2017 | 12,788 |
| 2018 | 12,341 |
| 2019 | 10,932 |
| 2020 | 9,188 |
| Thereafter | 43,662 |
| Total | $ 95,401 |

Also included in other non-current liabilities in the accompanying condensed consolidated balance sheet are unfavorable lease intangibles with a gross carrying amount of $2.1 million and a net carrying amount of $1.8 million as of June 30, 2016. These unfavorable lease intangibles have a weighted average remaining life of 5.04 years.

We recorded $3.5 million and $2.3 million of amortization expense on our definite-lived intangible assets and unfavorable lease intangibles for the three months ended June 30, 2016 and 2015, respectively. We recorded $6.9 million and $3.3 million of amortization expense on our definite-lived intangible assets and unfavorable lease liabilities for the six months ended June 30, 2016 and 2015, respectively. This amortization expense is included in the accompanying condensed consolidated statements of operations.

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## 7. ACCRUED LIABILITIES

Our accrued liabilities were as follows (in thousands):

| | June 30, 2016 | December 31, 2015 (Restated) |
|---|---|---|
| Accrued materials | $20,156 | $ 22,428 |
| Accrued insurance reserves | 14,386 | 15,341 |
| Deferred consideration | 11,605 | 4,774 |
| Accrued compensation and benefits | 11,574 | 15,024 |
| Accrued property, sales and other taxes | 5,770 | 14,916 |
| Contingent consideration, current portion | 3,324 | 2,635 |
| Deferred rent | 1,956 | 1,838 |
| Accrued interest | 1,802 | 1,500 |
| Other | 6,199 | 7,398 |
| Total accrued liabilities | $76,772 | $ 85,854 |

## 8. DEBT

A summary of our debt and capital leases was as follows (in thousands):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Senior unsecured notes due 2024 | $400,000 | $— |
| Senior secured notes due 2018 | — | 200,000 |
| Senior secured credit facility | — | 45,000 |
| Capital leases | 30,673 | 16,555 |
| Other financing | 20,024 | 20,194 |
| Debt issuance costs | (9,053 ) | (6,149 ) |
| Total debt | 441,644 | 275,600 |
| Less: current maturities | (13,185 ) | (9,386 ) |
| Long-term debt, net of current maturities | $428,459 | $266,214 |

### Senior Unsecured Notes due 2024

On June 7, 2016, we completed an offering of $400.0 million aggregate principal amount of 6.375% senior unsecured notes due 2024 (the "2024 Notes"). We used a portion of the net proceeds from the 2024 Notes to repay all of our outstanding borrowings under the Revolving Facility and to redeem all $200.0 million of our outstanding 8.5% senior secured notes due 2018 (the "2018 Notes"). In connection with issuing the 2024 Notes, we incurred $7.6 million of deferred financing costs.

The 2024 Notes are governed by an indenture (the “Indenture”) dated as of June 7, 2016, by and among U.S. Concrete, Inc., as issuer, the subsidiary guarantors party thereto, and U.S. Bank National Association, as trustee. The 2024 Notes accrue interest at a rate of 6.375% per annum. We pay interest on the 2024 Notes on June 1 and December 1 of each year. The 2024 Notes mature on June 1, 2024, and are redeemable at our option prior to maturity at prices specified in the Indenture. The Indenture contains negative covenants that restrict our ability and our restricted subsidiaries' ability to engage in certain transactions, as described below, and also contains customary events of default.

The Indenture contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur additional debt or issue disqualified stock or preferred stock;

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- pay dividends or make other distributions, repurchase or redeem our stock or subordinated indebtedness or make certain investments;
- sell assets and issue capital stock of our restricted subsidiaries;
- incur liens;
- allow to exist certain restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- enter into transactions with affiliates;
- consolidate, merge or sell all or substantially all of our assets; and
- designate our subsidiaries as unrestricted subsidiaries.

The 2024 Notes are issued by U.S. Concrete, Inc. (the "Parent"). Our obligations under the 2024 Notes are jointly and severally and fully and unconditionally guaranteed on a senior unsecured basis by each of our restricted subsidiaries that guarantees any obligations under the Revolving Facility or that guarantees certain of our other indebtedness or certain indebtedness of our restricted subsidiaries (other than foreign restricted subsidiaries that guarantee only indebtedness incurred by another foreign subsidiary).

U.S. Concrete, Inc. does not have any independent assets or operations, and none of its foreign subsidiaries guarantee the 2024 Notes. There are no significant restrictions on the ability of the Company or any guarantor to obtain funds from its subsidiaries by dividend or loan. For additional information regarding our guarantor and non-guarantor subsidiaries, see the information set forth in Note 17.

The 2024 Notes and the guarantees thereof are effectively subordinated to all of our and our guarantors' existing and future secured obligations, including obligations under the Revolving Facility, to the extent of the value of the collateral securing such obligations; senior in right of payment to any of our and our guarantors' future subordinated indebtedness; pari passu in right of payment with any of our and our guarantors' existing and future senior indebtedness, including our and our guarantors' obligations under the Revolving Facility; and structurally subordinated to all existing and future indebtedness and other liabilities, including preferred stock, of any non-guarantor subsidiaries.

Senior Secured Notes due 2018

In June 2016, we redeemed all $200.0 million of the 2018 Notes at a redemption price of 104.25% of the principal amount thereof, plus accrued interest of $0.7 million. We recorded a $12.0 million pre-tax loss on extinguishment of debt in our condensed consolidated statements of operations associated with the redemption of the 2018 Notes. This loss consisted of an $8.5 million redemption premium and a $3.5 million write-off of unamortized deferred financing costs.

Senior Secured Credit Facility

On November 18, 2015, we entered into the Second Amended and Restated Loan and Security Agreement (the “Second A/R Loan Agreement”) with Bank of America, N.A., as administrative agent, and certain financial institutions named therein, as lenders (the "Lenders"), which amended and restated the First Amended and Restated Loan and Security Agreement dated October 29, 2013 (the "2013 Loan Agreement") and provides us with the Revolving Facility of up to $250.0 million. The maturity date of the Revolving Facility is November 18, 2020. The Second A/R Loan Agreement also includes an accordion feature that allows for increases in the total revolving commitments by as much as $100.0 million. Depending on the average availability under the Second A/R Loan Agreement, the applicable margin ranges from 1.25% to 1.75% for LIBOR loans and 0.00% to 0.50% for base rate loans. As of June 30, 2016, we had no outstanding borrowings on the Second A/R Loan Agreement and we had $12.7 million of undrawn standby letters of credit under the Revolving Facility.

Our actual maximum credit availability under the Revolving Facility varies from time to time and is determined by calculating the value of our eligible accounts receivable, inventory, mixer trucks and machinery, minus reserves imposed by the Lenders and other adjustments, all as specified in the Second A/R Loan Agreement and discussed further below. Our availability under the Revolving Facility at June 30, 2016 increased to $193.1 million from $131.2 million at December 31, 2015. The Second A/R Loan Agreement also contains a provision for over-advances and protective advances by Lenders, in each case, of up to $25.0 million in excess of borrowing base levels. The Second A/R Loan Agreement provides for swingline loans, up to a $15.0 million sublimit, and letters of credit, up to a $30.0 million sublimit.

Loans under the Revolving Facility are in the form of either base rate loans or "LIBOR loans" denominated in U.S. dollars. The interest rate for base rate loans denominated in U.S. dollars fluctuates and is equal to the greatest of (a) Bank of America's prime rate; (b) the Federal funds rate, plus 0.50%; or (c) the rate per annum for a 30-days interest period equal to the British Bankers Association LIBOR Rate, as published by Reuters at approximately 11:00 a.m. (London time) two business days prior ("LIBOR"), plus 1.0%; in each case plus the Applicable Margin, as defined in the Second A/R Loan Agreement. The interest rate for LIBOR loans denominated in U.S. dollars is equal to the rate per annum for the applicable interest period equal to LIBOR, plus the Applicable Margin, as defined in the Second A/R Loan Agreement. Issued and outstanding letters of credit are subject to a fee equal to the Applicable Margin, as defined in the Second A/R Loan Agreement, in effect for LIBOR loans, a fronting fee equal to 0.125% per annum on the stated amount of such letter of credit, and customary charges associated with the issuance and administration of letters of credit. Among other fees, we pay a commitment fee of either 0.25% or 0.375% per annum (due monthly) on the aggregate unused revolving commitments under the Revolving Facility. The fee we pay is determined by whether the amount of the unused line is above or below 50% of the aggregate Revolver Commitments, as defined in the Second A/R Loan Agreement. The Applicable Margin ranges from 0.00% to 0.50% for base rate loans and from 1.25% to 1.75% for LIBOR loans, and is determined based on Average Availability for the most recent fiscal quarter, as defined in the Second A/R Loan Agreement.

Up to $30.0 million of the Revolving Facility is available for the issuance of letters of credit, and any such issuance of letters of credit will reduce the amount available for loans under the Revolving Facility. Loans under the Revolving Facility are limited by a borrowing base which is equal to the least of (a) the aggregate amount of Revolver Commitments minus each of the LC Reserve and the Tax Amount, all as defined in the Second A/R Loan Agreement, (b) the sum of (i) 90% of the face amount of eligible accounts receivable (reduced to 85% under certain circumstances), (ii) the lesser of (x) 70% of the value of eligible inventory or (y) 90% of the product of (A) the net orderly liquidation value of inventory divided by the value of the inventory and (B) multiplied by the value of eligible inventory, (iii) (w) 85% of the net orderly liquidation value (as determined by the most recent appraisal) of eligible trucks plus (x) 80% of the cost of eligible trucks that have been acquired since the date of the latest appraisal of eligible trucks minus (y) 85% of the net orderly liquidation value of eligible trucks that have been sold since the date of the latest appraisal, minus (z) 85% of the depreciation amount applicable to eligible trucks, and (iv) (x) 85% of the net orderly liquidation value (as determined by the most recent appraisal) of eligible machinery minus (y) 85% of the net orderly liquidation value of eligible machinery that have been sold since the date of the latest appraisal, minus (z) 85% of the depreciation amount applicable to eligible machinery, minus the Availability Reserve and minus the Tax Amount, each as defined in the Second A/R Loan Agreement; provided that, notwithstanding anything herein to the contrary, in determining the borrowing base, the borrowing base attributable to the eligible trucks and eligible machinery set forth in clauses (b) (iii) and (iv) above shall not exceed 30% of the borrowing base as of such date of determination. The administrative agent may, in its permitted discretion, reduce the advance rates set forth above, adjust reserves or reduce one or more of the other elements used in computing the borrowing base.

The Second A/R Loan Agreement contains usual and customary negative covenants including, but not limited to, restrictions on our ability to consolidate or merge; substantially change the nature of our business; sell, lease or otherwise transfer any of our assets; create or incur indebtedness; create liens; pay dividends or make other distributions; make loans; prepay certain indebtedness; and make investments or acquisitions. The negative covenants are subject to certain exceptions as specified in the Second A/R Loan Agreement. The Second A/R Loan Agreement also requires that we, upon the occurrence of certain events, maintain a fixed charge coverage ratio of at least 1.0 to 1.0 for each period of 12 calendar months, as determined in accordance with the Second A/R Loan Agreement. For the trailing 12-month period ended June 30, 2016, our fixed charge coverage ratio was 2.92 to 1.0. As of June 30, 2016, we were in compliance with all covenants under the Second A/R Loan Agreement.

The Second A/R Loan Agreement also includes customary events of default, including, among other things, payment default, covenant default, breach of representation or warranty, bankruptcy, cross-default, material ERISA events, change of control, material money judgments and failure to maintain subsidiary guarantees.

The Second A/R Loan Agreement is secured by a first-priority lien on substantially all of the personal property of the Company and our guarantors, subject to permitted liens and certain exceptions.

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Capital Leases and Other Financing

From 2013 through the second quarter of 2016, we signed a series of promissory notes with Daimler Truck Financial for the purchase of mixer trucks and other machinery and equipment in an aggregate principal amount of $27.4 million, with fixed annual interest rates ranging from 2.50% to 3.18%, payable monthly for terms ranging from four to five years.

From 2013 through the second quarter of 2016, we entered into leasing agreements with various other lenders for the purchase of mixer trucks and other machinery and equipment for a total principal amount of $36.8 million, with fixed annual interest rates ranging from less than 0.01% to 5.24%, payable monthly for terms ranging from two to five years. The lease terms include one dollar buyout options at the end of the lease terms. Accordingly, these financings have been classified as capital leases.

At June 30, 2016, we had $30.7 million of outstanding capital leases. The current portion of capital leases included in current maturities of long-term debt was $7.4 million as of June 30, 2016 and $4.0 million as of December 31, 2015.

As of June 30, 2016, we had four promissory notes outstanding in an aggregate principal amount of $1.8 million. These promissory notes were issued primarily in connection with acquisitions completed between February 2014 and August 2014. These promissory notes are payable either monthly or annually with original terms ranging from two to nine years, with annual effective interest rates ranging from 3.49% to 3.75%.

The weighted average interest rate of our capital leases and other financings was 3.02% and 3.07% as of June 30, 2016 and December 31, 2015, respectively.

9. WARRANTS

On August 31, 2010, we issued warrants to acquire common stock in two tranches: Class A Warrants to purchase an aggregate of approximately 1.5 million shares of common stock and Class B Warrants to purchase an aggregate of approximately 1.5 million shares of common stock (collectively, the "Warrants"). The Warrants were issued to holders of our predecessor common stock pro rata based on a holder’s stock ownership as of August 31, 2010. The Warrants are included in derivative liabilities on the accompanying condensed consolidated balance sheets (see Note 10) and are recorded at their fair value (see Note 11). The Warrants are also included in the potentially dilutive securities included in the calculation of diluted earnings (loss) per share as shares of our common stock would be issued if the Warrants were exercised (see Note 14). The Warrants are classified as a current liability on the accompanying condensed consolidated balance sheets as they can be exercised by the holders at any time. As of June 30, 2016, there were 1.0 million Class A Warrants and 1.0 million Class B Warrants outstanding.

10. DERIVATIVES

We are exposed to certain risks relating to our ongoing business operations. However, derivative instruments are not used to hedge these risks. In accordance with FASB Accounting Standards Codification ("ASC") 815 - Derivatives and Hedging ("ASC 815"), we are required to account for derivative instruments as a result of the issuance of the Warrants on August 31, 2010. None of our derivative instruments manage business risk or are executed for speculative purposes.

The following table presents the fair value of our derivative instruments as of June 30, 2016 and December 31, 2015 (in thousands):

| Derivative Instruments Not Designated As Hedging Instruments Under ASC 815 | Balance Sheet Location | Fair Value June 30, 2016 | Fair Value December 31, 2015 |
|---|---|---|---|
| Warrants | Derivative liabilities | $71,695 | $ 67,401 |

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The following table presents the effect of derivative instruments on our condensed consolidated statements of operations for the three and six months ended June 30, 2016 and 2015, respectively, excluding income tax effects (in thousands):

| Derivative Instruments Not Designated As Hedging Instruments Under ASC 815 | Location of Loss Recognized | Three Months Ended June 30, 2016 | June 30, 2015 |
|---|---|---|---|
| Warrants | Derivative loss | $(2,562) | $(8,048) |

| Derivative Instruments Not Designated As Hedging Instruments Under ASC 815 | Location of Loss Recognized | Six Months Ended June 30, 2016 | June 30, 2015 |
|---|---|---|---|
| Warrants | Derivative loss | $(15,342) | $(19,547) |

Warrant volume positions represent the number of shares of common stock underlying the instruments. The table below presents our volume positions as of June 30, 2016 and December 31, 2015 (in thousands):

| Derivative Instruments Not Designated As Hedging Instruments Under ASC 815 | Number of Shares June 30, 2016 | December 31, 2015 |
|---|---|---|
| Warrants | 1,955 | 2,361 |

We do not have any derivative instruments with credit features requiring the posting of collateral in the event of a credit downgrade or similar credit event.

11. FAIR VALUE DISCLOSURES

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Accounting guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. We review the fair value hierarchy classification on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain assets and liabilities within the fair value hierarchy.

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The following tables present our fair value hierarchy for liabilities measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015 (in thousands):

| | June 30, 2016 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Derivative – Warrants | $71,695 | $ — | $71,695 | $— |
| Contingent consideration, including current portion(1) (2) (3) (4) (5) (6) | 28,710 | — | — | 28,710 |
| | $100,405 | $ — | $71,695 | $28,710 |

| | December 31, 2015 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Derivative – Warrants | $67,401 | $ — | $67,401 | $— |
| Contingent consideration, including current portion(1) (2) (3) (4) (5) (6) | 30,119 | — | — | 30,119 |
| | $97,520 | $ — | $67,401 | $30,119 |

(1) The current portion of contingent consideration is included in accrued liabilities in our condensed consolidated balance sheets. The long-term portion of contingent consideration is included in other long-term obligations and deferred credits in our condensed consolidated balance sheets.

(2) Includes the fair value of the earn-out payments associated with the 2012 acquisition of Bode Gravel Co. and Bode Concrete LLC ("Bode Earn-out"). The fair value was determined based on expected payouts that will be due to the former owners based on the achievement of certain incremental sales volume milestones, using a contractual discount rate of 7.0%. These payments were capped at a fair value of $1.5 million and $3.5 million as of June 30, 2016 and December 31, 2015, respectively.

(3) Includes the fair value of the earn-out payments associated with the 2014 acquisition of Mobile-Crete of South Texas, LLC and Scofield Construction Services, LLC ("Mobile-Crete Earn-out"). The fair value was determined based on expected payouts that will be due to the former owners based on probability-weighted assumptions related to average annual West Texas Intermediate crude oil ("WTI") prices reaching certain predetermined levels from December 8, 2015 through December 7, 2016, using a discount rate of 3.50% as of both June 30, 2016 and December 31, 2015. The fair value of the Mobile-Crete Earn-out was less than $0.1 million as of both June 30, 2016 and December 31, 2015. The Mobile-Crete Earn-out payments were capped at $1.5 million as of both June 30, 2016 and December 31, 2015.

(4) Includes the fair value of the Right Away Earn-out (see Note 3). The fair value was determined based on expected payouts that will be due to the former owners based on probability-weighted assumptions related to the achievement of sales volume milestones, using a discount rate of and 7.00% and 8.50% as of June 30, 2016 and December 31, 2015, respectively. The fair value of the Right Away Earn-out was $3.9 million and $4.7 million as of June 30, 2016 and December 31, 2015, respectively. The remaining Right Away Earn-out payments were capped at $5.0 million and $6.0 million as of June 30, 2016 and December 31, 2015, respectively.

(5) Includes the fair value of the Ferrara Bros. Contingent Consideration (see Note 3). The fair value was determined based on the expected vesting of incentive awards granted to the former owners at acquisition based on probability-weighted assumptions related to the achievement of certain EBITDA thresholds, using a discount rate of 10.50% and 10.53% as of June 30, 2016 and December 31, 2015, respectively. The fair value of the Ferrara Bros. Contingent Consideration was $22.6 million and $21.2 million as of June 30, 2016 and December 31, 2015, respectively. The Ferrara Bros. Contingent Consideration payments were capped at $35.0 million as of both June 30, 2016 and December 31, 2015.

(6) Includes the fair value of the DuBrook Earn-out (see Note 3). The fair value was determined based on the expected payouts that will be due to the former owners based on management's forecast of sales volumes, using a discount rate of 7.00% and 15.75% as of June 30, 2016 and December 31, 2015, respectively. The fair value of the DuBrook Earn-out was $0.8 million and $0.7 million as of June 30, 2016 and December 31, 2015, respectively. The Dubrook Earn-out payments are not capped; however, we do not expect total payments to be in excess of $1.0 million as of both June 30, 2016 and December 31, 2015.

The liability for the Warrants was valued utilizing a Black-Scholes-Merton model. Inputs into the model were based upon observable market data where possible. The key inputs in determining our derivative liabilities include our stock price, stock price volatility, and risk free interest rates. As of June 30, 2016, observable market data existed for all of the key inputs in determining the fair value of our Warrants.

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The liabilities for the Mobile-Crete Earn-out, the Right Away Earn-out, and the Ferrara Bros. Contingent Consideration were valued using Monte Carlo simulations which incorporated probability-weighted assumptions related to the achievement of specific milestones mentioned above. The liabilities for the Bode Earn-out and the DuBrook Earn-out were valued using a discounted cash flow technique. Inputs into the model were based upon observable market data where possible. Where observable market data did not exist, we modeled inputs based upon similar observable inputs. The key inputs in determining the fair value of the contingent consideration as of June 30, 2016 and December 31, 2015 included discount rates ranging from 3.50% to 15.75%, a forecasted average of WTI prices from December 8, 2015 through December 7, 2016 from quoted sources, and management's estimates of future sales volumes and EBITDA. Changes in these inputs will impact the valuation of our contingent consideration obligations and will result in gain or loss each quarterly period.

A reconciliation of the changes in Level 3 fair value measurements from December 31, 2015 to June 30, 2016 is provided below (in thousands):

| | Contingent Consideration |
|---|---|
| Balance at December 31, 2015 | $ 30,119 |
| Total losses included in earnings[1] | 1,611 |
| Payment on contingent consideration | (3,020) |
| Balance at June 30, 2016 | $ 28,710 |

(1) Represents the net loss on revaluation of contingent consideration, which is included in loss on revaluation of contingent consideration in our condensed consolidated statements of operations.

Our other financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and long-term debt. We consider the carrying values of cash and cash equivalents, accounts receivable and accounts payable to be representative of their respective fair values because of their short-term maturities or expected settlement dates. The fair value of our 2024 Notes, estimated based on broker/dealer quoted market prices, was $399.0 million as of June 30, 2016. The carrying value of outstanding amounts under our Second A/R Loan Agreement approximates fair value due to the floating interest rate.

## 12. INCOME TAXES

In accordance with U.S. GAAP, the recognized value of deferred tax assets must be reduced to the amount that is more likely than not to be realized in future periods. The ultimate realization of the benefit of deferred tax assets from deductible temporary differences or tax carryovers depends on the generation of sufficient taxable income during the periods in which those temporary differences become deductible. We considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on these considerations, we relied upon the reversal of certain deferred tax liabilities to realize a portion of our deferred tax assets and established valuation allowances as of June 30, 2016 and December 31, 2015 for other deferred tax assets because of uncertainty regarding their ultimate realization. Our total net deferred tax asset was approximately $7.9 million as of June 30, 2016 and $6.0 million as of December 31, 2015. We made income tax payments of approximately $0.6 million and $2.7 million during the three and six months ended June 30, 2016. We made income tax payments of approximately $0.5 million and $0.8 million during the three and six months ended June 30, 2015.

Our effective tax rate differs substantially from the federal statutory rate primarily due to the tax impact of our Warrants, for which we recorded a non-cash derivative loss of $15.3 million and $19.5 million for the six months ended June 30, 2016 and 2015, respectively. The derivative loss is excluded from the calculation of our income tax provision, thus increasing our tax expense in periods when we record a derivative loss. Further, exercises of the Warrants are treated as an unrecognized tax benefit for purposes of calculating our tax provision. For the six months ended June 30, 2016, our tax provision excluded $4.1 million related to this unrecognized tax benefit for federal and state purposes. There was no tax effect to our tax provision for the six months ended June 30, 2015 related to the Warrants due to a full valuation allowance on our deferred tax assets through the third quarter of 2015.

We record changes in our unrecognized tax benefits based on anticipated federal and state tax filing positions on a quarterly basis. For the six months ended June 30, 2016 and June 30, 2015, we recorded unrecognized tax benefits of $4.5 million and $7.9 million, respectively.

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For the three months ended June 30, 2016, we recorded a tax benefit allocated to continuing operations of $0.3 million. For the six months ended June 30, 2016, we recorded tax expense of $1.7 million allocated to continuing operations. We recorded an income tax benefit allocated to continuing operations of $2.7 million and $2.8 million for the three and six months ended June 30, 2015, respectively.

In accordance with U.S. GAAP, intra-period tax allocation provisions require allocation of a tax benefit or expense to continuing operations and to discontinued operations. We recorded a tax benefit of $0.1 million and $0.2 million allocated to discontinued operations for the three and six months ended June 30, 2016, respectively. We recorded a tax benefit of less than $0.1 million allocated to discontinued operations for both the three and six months ended June 30, 2015. All taxes were allocated between continuing operations and discontinued operations for the three and six months ended June 30, 2016 and 2015.

We underwent a change in ownership for purposes of Section 382 of the Internal Revenue Code of 1986, as amended, as a result of the consummation of our plan of reorganization on August 31, 2010. As a result, the amount of our pre-change net operating losses ("NOLs") and other tax attributes that are available to offset future taxable income are subject to an annual limitation. The annual limitation is based on the value of the corporation as of the effective date of the plan of reorganization. The ownership change and the resulting annual limitation on the use of NOLs are not expected to result in the expiration of our NOL carryforwards if we are able to generate sufficient future taxable income within the carryforward periods. However, the limitation on the amount of NOLs available to offset taxable income in a specific year may result in the payment of income taxes before all NOLs have been utilized. Additionally, a subsequent ownership change may result in further limitations on our ability to utilize existing NOLs and other tax attributes.

13. STOCKHOLDERS' EQUITY

Common Stock and Preferred Stock

The following table presents information regarding our common stock (in thousands):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Shares authorized | 100,000 | 100,000 |
| Shares outstanding at end of period | 15,228 | 14,871 |
| Shares held in treasury | 884 | 842 |

Under our amended and restated certificate of incorporation, we are authorized to issue 100.0 million shares of common stock, par value $0.001 per share, and 10.0 million shares of preferred stock, par value $0.001 per share. The preferred stock may be issued from time to time in one or more series upon authorization by our Board of Directors (the "Board"). The Board, without further approval of the stockholders, is authorized to fix the dividend rights and terms, conversion rights, voting rights, redemption rights and terms, liquidation preferences, and any other rights, preferences and restrictions applicable to each series of the preferred stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of the common stock and, under certain circumstances, make it more difficult for a third-party to gain control of us, discourage bids for our common stock at a premium or otherwise affect the market price of our common stock. There was no preferred stock issued or outstanding as of June 30, 2016 or December 31, 2015.

Common Stock Issuance

During the six months ended June 30, 2015, we issued approximately 442,000 shares of common stock with a total value of $15.1 million as part of the consideration for the Ferrara Bros. acquisition (see Note 3). We made no such issuances of our common stock for acquisitions during the six months ended June 30, 2016.

Share Repurchase Program

In May 2014, our Board authorized a program to repurchase up to $50.0 million of our outstanding common stock (the "Share Repurchase Program") until the earlier of March 31, 2017, or a determination by the Board to discontinue the Share Repurchase

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U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Program. We made no repurchases of our common stock during the six months ended June 30, 2016 and 2015 under the Share Repurchase Program.

Treasury Stock

Employees may elect to satisfy their tax obligations on the vesting of their restricted stock by having the required tax payments withheld based on a number of vested shares having an aggregate value on the date of vesting equal to the tax obligation. As a result of such employee elections, we withheld approximately 42,000 shares with a total value of $2.7 million during the six months ended June 30, 2016. We withheld approximately 62,000 shares with a total value of $2.1 million during the six months ended June 30, 2015. We accounted for the withholding of these shares as treasury stock.

14. NET EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period after giving effect to all potentially dilutive securities outstanding during the period.

The following is a reconciliation of the components of the basic and diluted earnings (loss) per share calculations for the three and six months ended June 30, 2016 and 2015 (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Numerator: | | | | |
| (Loss) income from continuing operations | $(3,313) | $10,223 | $(13,152) | $(484) |
| Loss from discontinued operations, net of taxes | (164) | (520) | (352) | (297) |
| Numerator for diluted earnings per share | $(3,477) | $9,703 | $(13,504) | $(781) |
| | | | | |
| Denominator: | | | | |
| Basic weighted average common shares outstanding | 14,920 | 14,049 | 14,854 | 13,806 |
| Restricted stock and restricted stock units | — | 144 | — | — |
| Warrants | — | 1,010 | — | — |
| Stock options | — | 15 | — | — |
| Denominator for diluted earnings per share | 14,920 | 15,218 | 14,854 | 13,806 |

For the three and six months ended June 30, 2016 and 2015, our potentially dilutive shares include the shares underlying our restricted stock, restricted stock units, stock options, and Warrants. The following table shows the type and number (in thousands) of potentially dilutive shares excluded from the diluted earnings (loss) per share calculations for the periods presented as their effect would have been anti-dilutive or they had not met their performance target:

| | Three Months Ended June | Six Months Ended June 30, |
|---|---|---|

| | 30, 2016 | 2015 | 2016 | 2015 |
|---|---|---|---|---|
| Potentially dilutive shares: | | | | |
| Unvested restricted stock and restricted stock units | 265 | 84 | 265 | 458 |
| Stock options | 30 | — | 30 | 46 |
| Warrants | 1,955 | — | 1,955 | 2,994 |
| Total potentially dilutive shares | 2,250 | 84 | 2,250 | 3,498 |

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15. COMMITMENTS AND CONTINGENCIES

### Legal Proceedings

From time to time, and currently, we are subject to various claims and litigation brought by employees, customers and other third-parties for, among other matters, personal injuries, property damages, product defects and delay damages that have, or allegedly have, resulted from the conduct of our operations. As a result of these types of claims and litigation, we must periodically evaluate the probability of damages being assessed against us and the range of possible outcomes. In each reporting period, if we determine that the likelihood of damages being assessed against us is probable, and if we believe we can estimate a range of possible outcomes, then we will record a liability. The amount of the liability will be based upon a specific estimate, if we believe a specific estimate to be likely, or it will reflect the low end of our range. Currently, there are no material legal proceedings pending against us.

In the future, we may receive funding deficiency demands from multi-employer pension plans to which we contribute. We are unable to estimate the amount of any potential future funding deficiency demands because the actions of each of the contributing employers in the plans has an effect on each of the other contributing employers and the development of a rehabilitation plan by the trustees and subsequent submittal to and approval by the Internal Revenue Service is not predictable. Further, the allocation of fund assets and return assumptions by trustees are variable, as are actual investment returns relative to the plan assumptions.

As of June 30, 2016, there are no material product defect claims pending against us. Accordingly, our existing accruals for claims against us do not reflect any material amounts relating to product defect claims. While our management is not aware of any facts that would reasonably be expected to lead to material product defect claims against us that would have a material adverse effect on our business, financial condition or results of operations, it is possible that claims could be asserted against us in the future. We do not maintain insurance that would cover all damages resulting from product defect claims. In particular, we generally do not maintain insurance coverage for the cost of removing and rebuilding structures. In addition, our indemnification arrangements with contractors or others, when obtained, generally provide only limited protection against product defect claims. Due to inherent uncertainties associated with estimating claims in our business, we cannot estimate the amount of any future loss that may be attributable to product defect claims related to ready-mixed concrete we have delivered prior to June 30, 2016.

We believe that the resolution of all litigation currently pending or threatened against us or any of our subsidiaries will not materially exceed our existing accruals for those matters. However, because of the inherent uncertainty of litigation, there is a risk that we may have to increase our accruals for one or more claims or proceedings to which we or any of our subsidiaries is a party as more information becomes available or proceedings progress, and any such increase in accruals could have a material adverse effect on our consolidated financial condition or results of operations. We expect in the future that we and our operating subsidiaries will, from time to time, be a party to litigation or administrative proceedings that arise in the normal course of our business.

We are subject to federal, state and local environmental laws and regulations concerning, among other matters, air emissions and wastewater discharge. Our management believes we are in substantial compliance with applicable environmental laws and regulations. From time to time, we receive claims from federal and state environmental regulatory agencies and entities asserting that we may be in violation of environmental laws and regulations. Based on experience and the information currently available, our management does not believe that these claims will materially exceed our related accruals. Despite compliance and experience, it is possible that we could be held liable for future charges, which might be material, but are not currently known to us or cannot be estimated by us. In addition, changes in federal or state laws, regulations or requirements, or discovery of currently unknown conditions, could require additional expenditures.

As permitted under Delaware law, we have agreements that provide indemnification of officers and directors for certain events or occurrences while the officer or director is or was serving at our request in such capacity. The maximum potential amount of future payments that we could be required to make under these indemnification agreements is not limited; however, we have a director and officer insurance policy that potentially limits our exposure and enables us to recover a portion of future amounts that may be paid. As a result of the insurance policy coverage, we believe the estimated fair value of these indemnification agreements is minimal. Accordingly, we have not recorded any liabilities for these agreements as of June 30, 2016.

We and our subsidiaries are parties to agreements that require us to provide indemnification in certain instances when we acquire businesses and real estate and in the ordinary course of business with our customers, suppliers, lessors and service providers.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Insurance Programs

We maintain third-party insurance coverage against certain risks in amounts we believe are reasonable. Under certain components of our insurance program, we share the risk of loss with our insurance underwriters by maintaining high deductibles subject to aggregate annual loss limitations. Generally, our deductible retentions per occurrence for auto, workers' compensation and general liability insurance programs are $1.0 million, although certain of our operations are self-insured for workers' compensation. We fund these deductibles and record an expense for expected losses under the programs. We determine the expected losses using a combination of our historical loss experience and subjective assessments of our future loss exposure. The estimated losses are subject to uncertainty from various sources, including changes in claims reporting patterns, claims settlement patterns, judicial decisions, legislation and economic conditions. Although we believe the estimated losses we have recorded are reasonable, significant differences related to the items we have noted above could materially affect our insurance obligations and future expense. The amount accrued for estimated losses was $12.7 million as of June 30, 2016, compared to $12.0 million as of December 31, 2015, which are classified in accrued liabilities in our condensed consolidated balance sheets.

Performance Bonds

In the normal course of business, we are contingently liable for performance under $31.9 million in performance bonds that various contractors, states and municipalities have required as of June 30, 2016. The bonds principally relate to construction contracts, reclamation obligations, licensing and permitting. We and our subsidiaries have indemnified the underwriting insurance company against any exposure under the performance bonds. No material claims have been made against these bonds as of June 30, 2016.

16. SEGMENT INFORMATION

Our two reportable segments consist of ready-mixed concrete and aggregate products as described below.

Our ready-mixed concrete segment produces and sells ready-mixed concrete. This segment serves the following markets: Texas, northern California, New York, New Jersey, Washington, D.C., Oklahoma, and the U.S. Virgin Islands. Our aggregate products segment includes crushed stone, sand and gravel products and serves the north and west Texas, New York, New Jersey, southern Oklahoma, and U.S. Virgin Islands markets in which our ready-mixed concrete segment operates. Other products not associated with a reportable segment include our building materials stores, hauling operations, lime slurry, ARIDUS® Rapid Drying Concrete technology, brokered product sales, a recycled aggregates operation, an aggregate distribution operation, and an industrial waterfront marine terminal and sales yard. The financial results of the acquisitions completed in 2016 and 2015 have been included in their respective reportable segment or in other products as of their respective acquisition dates.

Our customers are generally involved in the construction industry, which is a cyclical business and is subject to general and more localized economic conditions. In addition, our business is impacted by seasonal variations in weather conditions, which vary by regional market. Accordingly, demand for our products and services during the winter months is typically lower than in other months of the year because of inclement weather. Also, sustained periods of inclement weather and other adverse weather conditions could cause the delay of construction projects during other times of the year.

Our chief operating decision maker evaluates segment performance and allocates resources based on Adjusted EBITDA. We define Adjusted EBITDA as net income (loss) from continuing operations plus the provision (benefit) for income taxes, net interest expense, depreciation, depletion and amortization, derivative gain (loss), gain (loss) on revaluation of contingent consideration, and gain (loss) on extinguishment of debt. Additionally, we adjust Adjusted EBITDA for items similar to certain of those used in calculating our compliance with debt covenants. The additional items that are adjusted to determine our Adjusted EBITDA are:

- non-cash stock compensation expense,
- acquisition-related professional fees, and
- corporate officer severance expense.

We consider Adjusted EBITDA to be an indicator of the operational strength and performance of our business. We have included Adjusted EBITDA because it is a key financial measure used by our management to (i) internally measure our operating performance and (ii) assess our ability to service our debt, incur additional debt and meet our capital expenditure requirements.

Adjusted EBITDA should not be construed as an alternative to, or a better indicator of, operating income or loss, is not based on U.S. GAAP, and is not a measure of our cash flows or ability to fund our cash needs. Our measurements of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies, and may not be comparable to similarly titled measures used in our various agreements, including the Second A/R Loan Agreement and the Indenture.

We account for inter-segment sales at market prices. Corporate includes executive, administrative, financial, legal, human resources, business development and risk management activities which are not allocated to reportable segments and are excluded from segment Adjusted EBITDA. Eliminations include transactions to account for intercompany activity.

The following tables set forth certain financial information relating to our continuing operations by reportable segment (in thousands):

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Revenue: | | | | |
| Ready-mixed concrete | | | | |
| Sales to external customers | $248,532 | $219,019 | $472,621 | $374,063 |
| Aggregate products | | | | |
| Sales to external customers | 10,607 | 8,862 | 18,466 | 14,093 |
| Intersegment sales | 8,517 | 6,767 | 15,803 | 10,446 |
| Total aggregate products | 19,124 | 15,629 | 34,269 | 24,539 |
| Total reportable segment revenue | 267,656 | 234,648 | 506,890 | 398,602 |
| Other products and eliminations | 8,094 | 10,047 | 13,905 | 17,431 |
| Total revenue | $275,750 | $244,695 | $520,795 | $416,033 |
| | | | | |
| Reportable Segment Adjusted EBITDA: | | | | |
| Ready-mixed concrete | $32,660 | $33,650 | $60,415 | $54,220 |
| Aggregate products | 5,151 | 3,792 | 8,075 | 3,969 |
| Total reportable segment Adjusted EBITDA | $37,811 | $37,442 | $68,490 | $58,189 |
| | | | | |
| Reconciliation Of Reportable Segment Adjusted EBITDA To (Loss) Income From Continuing Operations Before Income Taxes: | | | | |
| Total reportable segment Adjusted EBITDA | $37,811 | $37,442 | $68,490 | $58,189 |
| Other products and eliminations income from operations | 2,674 | 2,059 | 4,232 | 2,887 |
| Corporate overhead | (10,710) | (10,115) | (20,522) | (18,900) |
| Depreciation, depletion and amortization for reportable segments | (11,899) | (9,214) | (22,594) | (16,223) |
| Interest expense, net | (6,598) | (5,367) | (12,298) | (10,520) |
| Corporate loss on early extinguishment of debt | (12,003) | — | (12,003) | — |
| Corporate derivative loss | (2,562) | (8,048) | (15,342) | (19,547) |
| (Loss) gain on revaluation of contingent consideration | (364) | 664 | (1,611) | 664 |
| Corporate and other products and eliminations other income, net | 87 | 93 | 236 | 183 |
| (Loss) income from continuing operations before income taxes | $(3,564) | $7,514 | $(11,412) | $(3,267) |
| | | | | |
| Capital Expenditures: | | | | |
| Ready-mixed concrete | $7,014 | $2,187 | $12,171 | $3,873 |
| Aggregate products | 3,014 | 1,126 | 8,013 | 2,360 |
| Other products and corporate | 1,685 | 565 | 2,749 | 1,191 |
| Total capital expenditures | $11,713 | $3,878 | $22,933 | $7,424 |
| | | | | |
| Revenue By Product: | | | | |
| Ready-mixed concrete | $248,532 | $219,019 | $472,621 | $374,063 |
| Aggregate products | 10,607 | 8,862 | 18,466 | 14,093 |
| Aggregates distribution | 6,515 | 7,319 | 11,281 | 10,353 |
| Building materials | 5,498 | 4,656 | 9,246 | 8,490 |
| Lime | 1,986 | 1,834 | 4,349 | 3,331 |
| Hauling | 1,450 | 1,091 | 2,981 | 2,129 |

| | | | | |
|---|---|---|---|---|
| Other | 1,162 | 1,914 | 1,851 | 3,574 |
| Total revenue | $275,750 | $244,695 | $520,795 | $416,033 |

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U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| | As of June 30, 2016 | As of December 31, 2015 |
|---|---|---|
| Identifiable Property, Plant And Equipment Assets: | | |
| Ready-mixed concrete | $200,071 | $ 166,837 |
| Aggregate products | 78,905 | 65,937 |
| Other products and corporate | 21,452 | 15,349 |
| Total identifiable assets | $300,428 | $ 248,123 |

17. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The 2024 Notes are fully and unconditionally and jointly and severally guaranteed on a senior unsecured basis by all of our domestic wholly owned subsidiaries, each a guarantor subsidiary. The 2024 Notes are not guaranteed by any foreign subsidiaries of the Company, each a non-guarantor subsidiary. Consequently, we are required to provide condensed consolidating financial information in accordance with Rule 3-10 of Regulation S-X. We had no non-guarantor subsidiaries for the three and six months ended June 30, 2015.

The following condensed consolidating financial statements present, in separate columns, financial information for (i) the Parent on a parent only basis, (ii) the guarantor subsidiaries on a combined basis, (iii) the non-guarantor subsidiaries on a combined basis, (iv) the eliminations and reclassifications necessary to arrive at the information for the Company on a consolidated basis, and (v) the Company on a consolidated basis.

The following condensed consolidating financial statements of U.S. Concrete, Inc. and its subsidiaries present investments in consolidated subsidiaries using the equity method of accounting. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. CONCRETE, INC. AND SUBSIDARIES
CONDENSED CONSOLIDATING BALANCE SHEET
JUNE 30, 2016
(in thousands)

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations and Reclassifications | U.S. Concrete Consolidated |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $— | $ 100,312 | $ 804 | $ — | $ 101,116 |
| Trade accounts receivable, net | — | 185,515 | 656 | — | 186,171 |
| Inventories | — | 37,598 | 2,221 | — | 39,819 |
| Prepaid expenses | — | 6,456 | 87 | — | 6,543 |
| Other receivables | — | 6,846 | 32 | — | 6,878 |
| Other current assets | 33,380 | 2,609 | 5 | (33,380) | 2,614 |
| Total current assets | 33,380 | 339,336 | 3,805 | (33,380) | 343,141 |
| Property, plant and equipment, net | — | 283,273 | 17,155 | — | 300,428 |
| Goodwill | — | 103,432 | 11,112 | — | 114,544 |
| Intangible assets, net | — | 90,543 | 6,336 | — | 96,879 |
| Deferred income taxes | — | 7,347 | 594 | — | 7,941 |
| Investment in subsidiaries | 325,852 | — | — | (325,852) | — |
| Intercompany receivables | 251,032 | — | — | (251,032) | — |
| Other assets | — | 3,198 | 47 | — | 3,245 |
| Total assets | $610,264 | $ 827,129 | $ 39,049 | $ (610,264) | $ 866,178 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $10 | $ 91,333 | $ 1,162 | $ — | $ 92,505 |
| Accrued liabilities | 5,756 | 101,914 | 2,482 | (33,380) | 76,772 |
| Current maturities of long-term debt | — | 13,185 | — | — | 13,185 |
| Derivative liabilities | 71,695 | — | — | — | 71,695 |
| Total current liabilities | 77,461 | 206,432 | 3,644 | (33,380) | 254,157 |
| Long-term debt, net of current maturities | 390,947 | 37,512 | — | — | 428,459 |
| Other long-term obligations and deferred credits | 4,819 | 39,864 | 1,842 | — | 46,525 |
| Intercompany payables | — | 244,166 | 6,866 | (251,032) | — |
| Total liabilities | 473,227 | 527,974 | 12,352 | (284,412) | 729,141 |
| Total equity | 137,037 | 299,155 | 26,697 | (325,852) | 137,037 |
| Total liabilities and equity | $610,264 | $ 827,129 | $ 39,049 | $ (610,264) | $ 866,178 |

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U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. CONCRETE, INC. AND SUBSIDARIES
CONDENSED CONSOLIDATING BALANCE SHEET (RESTATED)
DECEMBER 31, 2015
(in thousands)

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations and Reclassifications | U.S. Concrete Consolidated |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $— | $ 3,854 | $ 71 | $ — | $ 3,925 |
| Trade accounts receivable, net | — | 170,133 | 1,123 | — | 171,256 |
| Inventories | — | 34,149 | 2,577 | — | 36,726 |
| Prepaid expenses | — | 4,091 | 152 | — | 4,243 |
| Other receivables | — | 7,736 | 29 | — | 7,765 |
| Other current assets | 24,152 | 2,371 | 44 | (24,193 ) | 2,374 |
| Total current assets | 24,152 | 222,334 | 3,996 | (24,193 ) | 226,289 |
| Property, plant and equipment, net | — | 242,048 | 6,075 | — | 248,123 |
| Goodwill | — | 73,638 | 26,566 | — | 100,204 |
| Intangible assets, net | — | 95,754 | — | — | 95,754 |
| Deferred income taxes | — | 6,089 | — | (63 ) | 6,026 |
| Investment in subsidiaries | 308,346 | — | — | (308,346 ) | — |
| Intercompany receivables | 119,070 | — | — | (119,070 ) | — |
| Other assets | — | 5,254 | 47 | — | 5,301 |
| Total assets | $451,568 | $ 645,117 | $ 36,684 | $ (451,672 ) | $ 681,697 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $274 | $ 78,902 | $ 1,243 | $ — | $ 80,419 |
| Accrued liabilities | 4,507 | 103,247 | 2,293 | (24,193 ) | 85,854 |
| Current maturities of long-term debt | — | 9,386 | — | — | 9,386 |
| Derivative liabilities | 67,401 | — | — | — | 67,401 |
| Total current liabilities | 72,182 | 191,535 | 3,536 | (24,193 ) | 243,060 |
| Long-term debt, net of current maturities | 238,850 | 27,364 | — | — | 266,214 |
| Other long-term obligations and deferred credits | 6,529 | 31,887 | — | — | 38,416 |
| Deferred income taxes | — | — | 63 | (63 ) | — |
| Intercompany payables | — | 112,164 | 6,906 | (119,070 ) | — |
| Total liabilities | 317,561 | 362,950 | 10,505 | (143,326 ) | 547,690 |
| Total equity | 134,007 | 282,167 | 26,179 | (308,346 ) | 134,007 |
| Total liabilities and equity | $451,568 | $ 645,117 | $ 36,684 | $ (451,672 ) | $ 681,697 |

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U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. CONCRETE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2016
(in thousands)

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations and Reclassifications | U.S. Concrete Consolidated |
|---|---|---|---|---|---|
| Revenue | $— | $ 269,812 | $ 5,938 | $ — | $ 275,750 |
| Cost of goods sold before depreciation, depletion and amortization | — | 217,153 | 5,063 | — | 222,216 |
| Selling, general and administrative expenses | — | 22,626 | 554 | — | 23,180 |
| Depreciation, depletion and amortization | — | 11,688 | 1,327 | — | 13,015 |
| (Gain) loss on revaluation of contingent consideration | (261 ) | 625 | — | — | 364 |
| Gain on sale of assets | — | (114 ) | — | — | (114 ) |
| Income (loss) from operations | 261 | 17,834 | (1,006 ) | — | 17,089 |
| Interest expense, net | (6,249 ) | (346 ) | (3 ) | — | (6,598 ) |
| Derivative loss | (2,562 ) | — | — | — | (2,562 ) |
| Loss on extinguishment of debt | (12,003 ) | — | — | — | (12,003 ) |
| Other income (expense), net | — | 530 | (20 ) | — | 510 |
| (Loss) income from continuing operations before income taxes and equity in earnings of subsidiaries | (20,553 ) | 18,018 | (1,029 ) | — | (3,564 ) |
| Income tax (benefit) expense | (7,217 ) | 7,440 | (474 ) | — | (251 ) |
| (Loss) income from continuing operations, net of taxes and before equity in earnings of subsidiaries | (13,336 ) | 10,578 | (555 ) | — | (3,313 ) |
| Loss from discontinued operations, net of taxes and before equity in earnings of subsidiaries | — | (164 ) | — | — | (164 ) |
| (Loss) income, net of taxes and before equity in earnings of subsidiaries | (13,336 ) | 10,414 | (555 ) | — | (3,477 ) |
| Equity in earnings of subsidiaries | 9,859 | — | — | (9,859 ) | — |
| Net income (loss) | $(3,477 ) | $ 10,414 | $ (555 ) | $ (9,859 ) | $ (3,477 ) |

U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. CONCRETE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2016
(in thousands)

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations and Reclassifications | U.S. Concrete Consolidated |
|---|---|---|---|---|---|
| Revenue | $— | $ 510,183 | $ 10,612 | $ — | $ 520,795 |
| Cost of goods sold before depreciation, depletion and amortization | — | 411,704 | 9,270 | — | 420,974 |
| Selling, general and administrative expenses | — | 45,322 | 1,021 | — | 46,343 |
| Depreciation, depletion and amortization | — | 23,180 | 1,476 | — | 24,656 |
| Loss on revaluation of contingent consideration | 184 | 1,427 | — | — | 1,611 |
| Gain on sale of assets | — | (13) | — | — | (13) |
| (Loss) income from operations | (184) | 28,563 | (1,155) | — | 27,224 |
| Interest expense, net | (11,624) | (666) | (8) | — | (12,298) |
| Derivative loss | (15,342) | — | — | — | (15,342) |
| Loss on extinguishment of debt | (12,003) | — | — | — | (12,003) |
| Other income (expense), net | — | 1,024 | (17) | — | 1,007 |
| (Loss) income from continuing operations, net of taxes and before income taxes and equity in earnings of subsidiaries | (39,153) | 28,921 | (1,180) | — | (11,412) |
| Income tax (benefit) expense | (9,228) | 11,580 | (612) | — | 1,740 |
| (Loss) income from continuing operations, net of taxes and before equity in earnings of subsidiaries | (29,925) | 17,341 | (568) | — | (13,152) |
| Loss from discontinued operations, net of taxes and before equity in earnings of subsidiaries | — | (352) | — | — | (352) |
| (Loss) income, net of taxes and before equity in earnings of subsidiaries | (29,925) | 16,989 | (568) | — | (13,504) |
| Equity in earnings of subsidiaries | 16,421 | — | — | (16,421) | — |
| Net income (loss) | $(13,504) | $ 16,989 | $ (568) | $ (16,421) | $ (13,504) |

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U.S. CONCRETE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

U.S. CONCRETE, INC. AND SUBSIDARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2016
(in thousands)

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | U.S. Concrete Consolidated |
|---|---|---|---|---|---|
| Net cash (used in) provided by operating activities | $(10,592) | $ 40,490 | $ 1,712 | $ — | $ 31,610 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Purchases of property, plant and equipment | — | (20,909) | (2,024) | — | (22,933) |
| Payments for acquisitions, net of cash acquired | — | (44,272) | — | — | (44,272) |
| Proceeds from disposals of property, plant and equipment | — | 373 | — | — | 373 |
| Proceeds from disposals of businesses | — | 250 | — | — | 250 |
| Investment in subsidiaries | (300) | — | — | 300 | — |
| Net cash used in (provided by) investing activities | (300) | (64,558) | (2,024) | 300 | (66,582) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from revolver borrowings | 128,789 | — | — | — | 128,789 |
| Repayments of revolver borrowings | (173,789) | — | — | — | (173,789) |
| Proceeds from issuance of debt | 400,000 | — | — | — | 400,000 |
| Repayments of debt | (200,000) | — | — | — | (200,000) |
| Premium paid on early retirement of debt | (8,500) | — | — | — | (8,500) |
| Proceeds from exercise of stock options and warrants | 110 | — | — | — | 110 |
| Payments of other long-term obligations | (657) | (2,322) | — | — | (2,979) |
| Payments for other financing | — | (5,033) | — | — | (5,033) |
| Excess tax benefits from stock-based compensation | 3,908 | — | — | — | 3,908 |
| Debt issuance costs | (7,689) | — | — | — | (7,689) |
| Other treasury share purchases | (2,654) | — | — | — | (2,654) |
| Intercompany funding | (128,626) | 127,881 | 1,045 | (300) | — |
| Net cash provided by (used in) financing activities | 10,892 | 120,526 | 1,045 | (300) | 132,163 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | — | 96,458 | 733 | — | 97,191 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | — | 3,854 | 71 | — | 3,925 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $— | $ 100,312 | $ 804 | $ — | $ 101,116 |

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements and information in this Quarterly Report on Form 10-Q may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements concerning plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions and other statements, which are not statements of historical facts. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “intends,” “should,” “expect,” “plan, “anticipate,” “believe,” “estimate,” “predict,” “potential,” or “continue,” the negative of such terms or other comparable terminology. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- general economic and business conditions, which will, among other things, affect demand for new residential and commercial construction;
- our ability to successfully identify, manage, and integrate acquisitions;
- the cyclical nature of, and changes in, the real estate and construction markets, including pricing changes by our competitors;
- governmental requirements and initiatives, including those related to mortgage lending or mortgage financing, funding for public or infrastructure construction, land usage, and environmental, health, and safety matters;
- disruptions, uncertainties or volatility in the credit markets that may limit our, our suppliers' and our customers' access to capital;
- our ability to successfully implement our operating strategy;
- weather conditions;
- our substantial indebtedness and the restrictions imposed on us by the terms of our indebtedness;
- our ability to maintain favorable relationships with third parties who supply us with equipment and essential supplies;
- our ability to retain key personnel and maintain satisfactory labor relations; and
- product liability, property damage, and other claims and insurance coverage issues.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see “Risk Factors” in Item 1A of Part I of our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2015.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise, except as required by federal securities laws.

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

For a discussion of our commitments not discussed below and our critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of our Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2015 (the "2015 Form 10-K/A" ).

Our Business

U.S. Concrete, Inc. and its subsidiaries (collectively, "we," "us," "our," "U.S. Concrete" or the "Company") are a leading producer of ready-mixed concrete in select geographic markets in the United States and the U.S. Virgin Islands. We operate our business through two primary segments: (i) ready-mixed concrete and (ii) aggregate products. The results of operations for our Pennsylvania precast operation, which was sold on June 2, 2015, have been included in discontinued operations for the periods presented.

Ready-Mixed Concrete. Our ready-mixed concrete segment (which represented 90.7% of our revenue for the six months ended June 30, 2016) engages principally in the formulation and production of ready-mixed concrete en route to our customers' job sites. We provide our ready-mixed concrete from our operations in Texas, northern California, New York, New Jersey, Washington, D.C., Oklahoma, and the U.S. Virgin Islands. With the acquisitions completed since the beginning of 2015, we have expanded our presence in all of our major markets as well as into new markets in the Caribbean Islands. For a description of our acquisitions, see the information set forth in Note 3, "Acquisitions," to our condensed consolidated financial statements included in Part I of this report.

Ready-mixed concrete is a highly versatile construction material that results from combining coarse and fine aggregates, such as gravel, crushed stone and sand, with water, various chemical admixtures and cement. We also provide services intended to reduce our customers' overall construction costs by lowering the installed, or "in-place," cost of concrete. These services include the formulation of mixtures for specific design uses, on-site and lab-based product quality control, and customized delivery programs to meet our customers' needs.

Aggregate Products. Our aggregate products segment (which represented 3.5% of our revenue for the six months ended June 30, 2016, excluding $15.8 million of intersegment sales) produces crushed stone, sand and gravel from 14 aggregates facilities located in New Jersey, Oklahoma, Texas, and the U.S. Virgin Islands. We sell these aggregates for use in commercial, industrial and public works projects in the markets they serve, as well as consume them internally in the production of ready-mixed concrete. We produced approximately 2.5 million tons of aggregates during the six months ended June 30, 2016, with Texas representing 56%, New Jersey representing 40%, and the U.S. Virgin Islands representing 4% of the total production. We consumed 51% of our aggregate production internally and sold 49% to third-party customers in the six months ended June 30, 2016. We believe our aggregate reserves provide us with additional raw materials sourcing flexibility and supply availability. In addition, we own sand pit operations in Michigan and one quarry in west Texas that we lease to third parties and receive a royalty based on the volumes produced and sold during the terms of the leases.

Overview

The geographic markets for our products are generally local, and our operating results are subject to fluctuations in the level and mix of construction activity that occur in our local markets. The level of activity affects the demand for our products, while the product mix of activity among the various segments of the construction industry affects both our relative competitive strengths and our operating margins. Commercial and industrial projects generally provide more opportunities to sell value-added products that are designed to meet the high-performance requirements of these types of projects.

Our customers are generally involved in the construction industry, which is a cyclical business and is subject to general and more localized economic conditions. In addition, our business is impacted by seasonal variations in weather conditions, which vary by regional market. Accordingly, because of inclement weather, demand for our products and services during the winter months is typically lower than in other months of the year. Also, sustained periods of inclement weather and other adverse weather conditions could cause the delay of construction projects during other times of the year.

We experienced a 4.7% increase in consolidated average ready-mixed concrete sales prices for the three months ended June 30, 2016, as compared to the three months ended June 30, 2015, resulting in the 21st consecutive fiscal quarter of increased average selling prices year-over-year. For the six months ended June 30, 2016, our ready-mixed concrete sales volume increased 21.2% to 3.7 million cubic yards as compared to the six months ended June 30, 2015. Ready-mixed concrete sales prices and volume in the first half of 2016 as compared to the first half of 2015 were up overall primarily due to increased construction activity, ready-

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mixed concrete segment acquisitions completed in 2016 and 2015, and generally more favorable weather in the first quarter of 2016 versus the prior year period. Ready-mixed concrete revenue and volume were higher in all of our major markets, except for northern California, which experienced an increase in adverse weather days during the first quarter of 2016 versus the prior year period and west Texas, which was impacted by the mix of residential and commercial customers as well as a one-time project in 2015 that will not recur. For the six months ended June 30, 2016, we estimate that there was no direct impact, and less than a 2.0% indirect impact, on revenue in our Texas markets by the decline in West Texas Intermediate crude oil ("WTI") prices.

Liquidity and Capital Resources

Our primary liquidity needs over the next 12 months consist of (i) financing seasonal working capital requirements; (ii) servicing our indebtedness; (iii) purchasing property and equipment; and (iv) payments related to strategic acquisitions. Our portfolio strategy includes strategic acquisitions in various regions and markets, and we may seek financing for acquisitions, including additional debt or equity capital.

Our working capital needs are typically at their lowest level in the first quarter, increase in the second and third quarters to fund increases in accounts receivable and inventories during those periods, and then decrease in the fourth quarter. Availability under the Second A/R Loan Agreement (as defined below) is governed by a borrowing base primarily determined by our eligible accounts receivable, inventory, mixer trucks and machinery (as discussed below). As our working capital needs are typically at their lowest level in the first quarter, our borrowing base also typically declines during the first quarter due to lower accounts receivable balances as a result of normal seasonality of our business caused by weather.

At June 30, 2016, our unused availability under the Second A/R Loan Agreement increased to $193.1 million from $131.2 million at December 31, 2015, primarily due to the repayment of all borrowings under the Revolving Facility (as defined below) in connection with our offering of 6.375% unsecured notes due 2024 (the "2024 Notes"). We had no outstanding borrowings under the Revolving Facility as of June 30, 2016.

Our projection of our cash needs is based upon many factors, including without limitation, our forecasted volume, pricing, cost of materials, and capital expenditures. Based on our projected cash needs, we believe that the Revolving Facility, proceeds from our offering of the 2024 Notes and cash generated from operations will provide us with sufficient liquidity to operate our business in the ordinary course of business, not including potential acquisitions. If, however, the Revolving Facility, cash on hand and our operating cash flows are not adequate to fund our operations, we would need to obtain other equity or debt financing to provide additional liquidity, or sell assets.

The principal factors that could adversely affect the amount of our internally generated funds include:

- deterioration of revenue, due to lower volume and/or pricing, because of weakness in the markets in which we operate;
- declines in gross margins due to shifts in our product mix or increases in the cost of our raw materials and fuel;
- any deterioration in our ability to collect our accounts receivable from customers as a result of weakening in construction demand or payment difficulties experienced by our customers; and
- inclement weather beyond normal patterns that could affect our sales volumes.

The following key financial measurements reflect our financial position and capital resources as of June 30, 2016 and December 31, 2015 (dollars in thousands):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Cash and cash equivalents | $101,116 | $ 3,925 |
| Total debt | $441,644 | $ 275,600 |

Our cash and cash equivalents consist mainly of highly liquid investments in deposits we hold at major financial institutions.

On November 18, 2015, we entered into the Second Amended and Restated Loan and Security Agreement (the "Second A/R Loan Agreement") with Bank of America, N.A., as administrative agent, and certain financial institutions named therein, as lenders (the "Lenders"), which amended and restated the First Amended and Restated Loan and Security Agreement dated October 29, 2013 (the "2013 Loan Agreement") and provides us with a $250.0 million asset-based revolving credit facility (the "Revolving

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Facility”), subject to a borrowing base. The maturity date of the Revolving Facility is November 18, 2020. The Second A/R Loan Agreement also includes an accordion feature that allows for increases in the total revolving commitments by as much as $100.0 million. The Second A/R Loan Agreement is secured by a first-priority lien on substantially all of the personal property of the Company and our guarantors, subject to permitted liens and certain exceptions.

Our actual maximum credit availability under the Revolving Facility varies from time to time and is determined by calculating the value of our eligible accounts receivable, inventory, mixer trucks and machinery, minus reserves imposed by the Lenders and other adjustments, all as specified in the Second A/R Loan Agreement. The Second A/R Loan Agreement provides for swingline loans, up to a $15.0 million sublimit, and letters of credit, up to a $30.0 million sublimit. Loans under the Revolving Facility are in the form of either base rate loans or “LIBOR loans” denominated in U.S. dollars.

The Second A/R Loan Agreement contains usual and customary negative covenants including, but not limited to, restrictions on our ability to consolidate or merge; substantially change the nature of our business; sell, lease or otherwise transfer any of our assets; create or incur indebtedness; create liens; pay dividends or make other distributions; make loans; prepay certain indebtedness; and make investments or acquisitions. The negative covenants are subject to certain exceptions as specified in the Second A/R Loan Agreement. The Second A/R Loan Agreement also requires that we, upon the occurrence of certain events, maintain a fixed charge coverage ratio of at least 1.0 to 1.0 for each period of 12 calendar months, as determined in accordance with the Second A/R Loan Agreement. For the trailing 12-month period ended June 30, 2016, our fixed charge coverage ratio was 2.92 to 1.0. As of June 30, 2016, we were in compliance with all covenants under the Second A/R Loan Agreement.

As of June 30, 2016, we had no outstanding borrowings and $12.7 million of undrawn standby letters of credit, leaving $193.1 million of unused borrowing capacity under the Second A/R Loan Agreement.

On June 7, 2016, we completed an offering of $400.0 million aggregate principal amount of our 2024 Notes. We used a portion of the proceeds from the 2024 Notes to repay all of our outstanding borrowings on the Revolving Facility and to redeem all $200.0 million of our 8.5% senior secured notes due 2018 (the "2018 Notes"). We redeemed the 2018 Notes at a total redemption price of $208.5 million. As a result, we recorded a $12.0 million pre-tax loss on early extinguishment of debt in the second quarter of 2016, which consisted of an $8.5 million debt redemption premium and a $3.5 million write-off of unamortized deferred financing costs.

The 2024 Notes accrue interest at a rate of 6.375% per annum and interest is due on June 1 and December 1 of each year. The 2024 Notes mature on June 1, 2024 and are redeemable at our option prior to maturity at prices specified in the indenture governing the 2024 Notes (the “Indenture”). The Indenture contains negative covenants that restrict our ability and our restricted subsidiaries' ability to engage in certain transactions and also contains customary events of default. The 2024 Notes are issued by U.S. Concrete, Inc., the parent company, and are guaranteed on a full and unconditional basis by each of our restricted subsidiaries that guarantees any obligations under the Revolving Facility or that guarantees certain of our other indebtedness or certain indebtedness of our restricted subsidiaries (other than foreign restricted subsidiaries that guarantee only indebtedness incurred by another foreign subsidiary). The guarantees are joint and several. U.S. Concrete, Inc. does not have any independent assets or operations, and none of its foreign subsidiaries guarantee the 2024 Notes.

The 2024 Notes and the guarantees thereof are effectively subordinated to all of our and our guarantors' existing and future secured obligations, including obligations under the Revolving Facility, to the extent of the value of the collateral securing such obligations; senior in right of payment to any of our and our guarantors' future subordinated indebtedness; pari passu in right of payment with any of our and our guarantors' existing and future senior indebtedness, including our and our guarantors' obligations under the Revolving Facility; and structurally subordinated to all existing and future indebtedness and other liabilities, including preferred stock, of any non-guarantor subsidiaries.

For additional information regarding our guarantor and non-guarantor subsidiaries, see the information set forth in Note 17, “Supplemental Condensed Consolidating Financial Information,” to our condensed consolidated financial statements included in Part I of this report.

From 2013 through the second quarter of 2016, we entered into a series of financing agreements with various lenders for the purchase of mixer trucks and other machinery and equipment in an aggregate principal amount of $64.2 million.

For additional information regarding our arrangements relating to outstanding indebtedness, see the information set forth in Note 8, “Debt,” to our condensed consolidated financial statements included in Part I of this report.

Cash Flows

Our net cash provided by operating activities generally reflects the cash effects of transactions and other events used in the determination of net income or loss. Net cash provided by operating activities was $31.6 million for the six months ended June 30, 2016, compared to $35.4 million for the six months ended June 30, 2015. Our cash provided by operating activities in the first six months of 2016 was favorably impacted by higher non-cash adjustments to net income for depreciation, depletion and amortization; loss on extinguishment of debt; deferred income taxes; and stock-based compensation. This was partially offset by increased use of cash to fund working capital.

We used $66.6 million to fund investing activities during the six months ended June 30, 2016 compared to $92.8 million for the six months ended June 30, 2015. We paid $44.3 million to fund acquisitions during the first six months of 2016 compared to $86.2 million paid to fund acquisitions during the first six months of 2015. The decrease in cash used in investing activities included a $15.5 million increase in capital spending over the prior year period, as we used cash to fund purchases of mixer trucks, plant and other equipment to service our business in the first six months of 2016 as compared to the first six months of 2015.

Our net cash provided by financing activities was $132.2 million for the six months ended June 30, 2016, as compared to $42.3 million for the comparable period of 2015. Financing activities during the first six months of 2016 included the proceeds from our $400.0 million 2024 Notes offering, net of related debt issuance costs; redemption of our $200.0 million 2018 Notes including an $8.5 million redemption premium; and repayment of our existing borrowings under our Revolving Facility. In addition, we made payments of $5.0 million related to our capital leases and other financings and paid $3.0 million for contingent consideration obligations. During the first six months of 2015, we had $50.0 million of net borrowings under our Revolving Facility to operate our business and fund acquisitions. In addition, we made payments of $3.5 million related to our capital leases and other financings and paid $2.3 million for contingent consideration obligations.

Cement and Other Raw Materials

We obtain most of the materials necessary to manufacture ready-mixed concrete on a daily basis. These materials include cement, other cementitious materials (fly ash and blast furnace slag) and aggregates (stone, gravel and sand), in addition to certain chemical admixtures. With the exception of chemical admixtures, each plant typically maintains an inventory level of these materials sufficient to satisfy its operating needs for a few days. Our inventory levels do not decline significantly or comparatively with declines in revenue during seasonally low periods. We generally maintain inventory at specified levels to maximize purchasing efficiencies and to be able to respond quickly to customer demand.

Typically, cement, other cementitious materials and aggregates represent the highest-cost materials used in manufacturing a cubic yard of ready-mixed concrete. We purchase cement from a few suppliers in each of our major geographic markets. Chemical admixtures are generally purchased from suppliers under national purchasing agreements.

Overall, prices for cement and aggregates increased in the first six months of 2016, compared to the same period in 2015, in most of our major geographic markets. Generally, we negotiate with suppliers on a company-wide basis and at the local market level to obtain the most competitive pricing available for cement and aggregates. We believe the demand for cement is increasing and will warrant scrutiny as construction activity increases. Today, in most of our markets, we believe there is an adequate supply of cement and aggregates.

Acquisitions

Our portfolio strategy includes strategic acquisitions in various regions and markets, and we may seek arrangements to finance any such acquisitions, which financing arrangements may include additional debt or equity capital.

For a description of our recent acquisitions, see the information set forth in Note 3, “Acquisitions” to our condensed consolidated financial statements included in Part I of this report.

Critical Accounting Policies

We have outlined our critical accounting policies in Item 7 of Part II of the 2015 Form 10-K/A. Our critical accounting policies involve the use of estimates in the recording of goodwill and intangible assets and any related impairment, accruals for self-insurance, accruals for income taxes, assessing impairment of long-lived assets, accounting for derivative instruments, and accounting for contingent consideration. See Note 1, "Organization and Summary of Significant Accounting Policies," to our consolidated financial statements included in Item 8 of Part II of the 2015 Form 10-K/A for a discussion of our critical and significant accounting policies.

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Results of Operations

The following table sets forth selected historical statement of operations information for each of the periods indicated.

| | (amounts in thousands, except selling prices and percentages) | | | | | |
|---|---|---|---|---|---|---|
| | Three Months Ended June 30, | | Increase/ (Decrease) %(1) | Six Months Ended June 30, | | Increase/ (Decrease) %(1) |
| | 2016 | 2015 | | 2016 | 2015 | |
| | (unaudited) | | | (unaudited) | | |
| Revenue | $275,750 | $244,695 | 12.7% | $520,795 | $416,033 | 25.2% |
| Cost of goods sold before depreciation, depletion and amortization | 222,216 | 192,296 | 15.6 | 420,974 | 332,082 | 26.8 |
| Selling, general and administrative expenses | 23,180 | 21,992 | 5.4 | 46,343 | 39,900 | 16.1 |
| Depreciation, depletion and amortization | 13,015 | 10,567 | 23.2 | 24,656 | 18,846 | 30.8 |
| Loss (gain) on revaluation of contingent consideration | 364 | (664) | NM | 1,611 | (664) | NM |
| (Gain) loss on sale of assets | (114) | 25 | NM | (13) | (38) | NM |
| Income from operations | 17,089 | 20,479 | (16.6) | 27,224 | 25,907 | 5.1 |
| Interest expense, net | (6,598) | (5,367) | 22.9 | (12,298) | (10,520) | 16.9 |
| Derivative loss | (2,562) | (8,048) | (68.2) | (15,342) | (19,547) | (21.5) |
| Loss on extinguishment of debt | (12,003) | — | NM | (12,003) | — | NM |
| Other income, net | 510 | 450 | 13.3 | 1,007 | 893 | 12.8 |
| (Loss) income from continuing operations before income taxes | (3,564) | 7,514 | (147.4) | (11,412) | (3,267) | 249.3 |
| Income tax (benefit) expense | (251) | (2,709) | (90.7) | 1,740 | (2,783) | (162.5) |
| (Loss) income from continuing operations | (3,313) | 10,223 | (132.4) | (13,152) | (484) | NM |
| Loss from discontinued operations, net of taxes | (164) | (520) | (68.5) | (352) | (297) | 18.5 |
| Net (loss) income | $(3,477) | $9,703 | (135.8%) | $(13,504) | $(781) | NM% |
| | | | | | | |
| Ready-mixed Concrete Data: | | | | | | |
| Average selling price per cubic yard | $129.01 | $123.24 | 4.7 % | $127.78 | $122.32 | 4.5 % |
| Sales volume in cubic yards | 1,925 | 1,766 | 9.0 % | 3,689 | 3,043 | 21.2 % |
| | | | | | | |
| Aggregates Data: | | | | | | |
| Average selling price per ton | $11.96 | $10.44 | 14.6 % | $11.69 | $10.25 | 14.0 % |
| Sales volume in tons | 1,412 | 1,248 | 13.1 % | 2,610 | 2,021 | 29.1 % |

(1) "NM" is defined as "Not Meaningful"

Revenue. Revenue for the three months ended June 30, 2016 grew 12.7%, or $31.1 million, to $275.8 million from $244.7 million from the comparable 2015 quarter, primarily due to recent acquisitions and organic growth in our ready-mixed concrete segment. We estimate that $21.7 million, or 70.0%, of our revenue increase was due to recent acquisitions. Ready-mixed concrete sales, including revenue from acquisitions, contributed 94.9%, or $29.5 million, of our revenue growth, driven by a 4.7% increase in our average selling price and a 9.0% increase in volume. Aggregate products sales, including revenue from acquisitions, in the second quarter of 2016 grew $3.5 million, or 22.4%, to $19.1 million from $15.6 million in the 2015 second quarter, resulting primarily from a 14.6% increase in average selling price and a 13.1% increase in volume. Other products revenue and eliminations, which includes building materials stores, hauling operations, lime slurry, brokered product sales, a recycled aggregates operation, an aggregate distribution operation, an industrial waterfront marine terminal and sales yard, and eliminations of our intersegment sales, decreased in the 2016 second quarter to $8.1 million from $10.0 million in the 2015 second quarter, primarily due to decreased sales from our recycled aggregates and aggregates distribution businesses.

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Revenue for the six months ended June 30, 2016 rose to $520.8 million from $416.0 million in the 2015 first six months, an increase of $104.8 million, or 25.2%, primarily due to recent acquisitions and organic growth in our ready-mixed concrete segment. We estimate that $63.1 million, or 60.2%, of our revenue increase was the result of recent acquisitions. Ready-mixed concrete sales contributed 94.1%, or $98.6 million, of our revenue growth, resulting from increases in both average selling price and sales volume. For the first six months of 2016, aggregate sales grew to $34.3 million from $24.5 million in the first six months of 2015, an increase of $9.8 million, or 39.7%, as a result of higher average selling price and increased sales volume. Other products revenue and eliminations, as described above, were $13.9 million in the first six months of 2016 as compared to $17.4 million in the 2015 first six months, a decrease of $3.5 million, primarily due to decreased sales from our recycled aggregates and aggregates distribution businesses and an increase in eliminations of our intercompany sales.

Cost of goods sold before depreciation, depletion and amortization ("DD&A"). Cost of goods sold before DD&A increased by $29.9 million, or 15.6%, to $222.2 million in the second quarter of 2016 from $192.3 million in the comparable 2015 quarter. Our costs increased primarily due to volume growth resulting from organic growth and acquisitions in our ready-mixed concrete segment, as described above, resulting in higher material costs, delivery costs, and plant variable costs, which includes primarily labor and benefits, utilities, and repairs and maintenance. Our costs in our aggregate products segment increased primarily due to the costs from four quarries acquired in the second half of 2015. During the second quarter of 2016, our fixed costs, which primarily consist of leased equipment costs, property taxes, dispatch costs, quality control, and plant management, increased over the comparable prior year period primarily due to higher personnel and equipment costs needed to operate our facilities, as well as higher overall fixed costs to operate more locations and trucks than in the previous year. As a percentage of revenue, cost of goods sold before DD&A increased by 2.0% in the second quarter of 2016 compared to the second quarter of 2015.

For the first six months of 2016, cost of goods sold before DD&A increased to $421.0 million from $332.1 million in the 2015 first six months, an increase of $88.9 million, or 26.8%. Our costs increased primarily due to volume growth resulting from acquisitions in our ready-mixed concrete segment, as described above, resulting in higher material costs, delivery costs, and plant variable costs, which includes primarily labor and benefits, utilities, and repairs and maintenance. Our costs in our aggregate products segment increased primarily due to the costs from four quarries acquired in the second half of 2015 plus higher variable costs related to increased production at our existing quarries. During the first six months of 2016, our fixed costs, which primarily consist of leased equipment costs, property taxes, dispatch costs, quality control, and plant management, increased over the prior year period due to higher personnel and equipment costs needed to operate our facilities, as well as higher overall fixed costs to operate more locations and trucks than in the previous year. As a percentage of revenue, cost of goods sold before DD&A increased by 1.0% in the first six months of 2016 compared to the first six months of 2015.

Selling, general and administrative expenses. Selling, general and administrative ("SG&A") expenses increased $1.2 million, or 5.4%, to $23.2 million for the quarter ended June 30, 2016 from $22.0 million in the corresponding 2015 quarter. Approximately $0.6 million of this increase was attributable to personnel and other general administrative costs incurred by our regional operations to support growth and acquisition infrastructure. In addition, we incurred $1.0 million in higher non-cash stock compensation expense primarily due to the acceleration of performance-based awards that vested earlier than expected, which was partially offset by a $0.5 million decrease in incentive compensation expense. As a percentage of total revenue, SG&A expenses decreased to 8.4% in the 2016 second quarter from 9.0% in the 2015 second quarter.

For the six months ended June 30, 2016, SG&A expenses increased by $6.4 million, or 16.1%, to $46.3 million from $39.9 million for the same period in 2015. Approximately $4.0 million of this increase was attributable to personnel and other general administrative costs incurred by our regional operations to support growth and acquisition infrastructure. In addition, we incurred $1.6 million in higher non-cash stock compensation expense primarily due to the acceleration of performance-based awards that vested earlier than expected. The remainder of the increase was primarily attributable to corporate-related personnel and other general expenses to support our growth initiatives. As a percentage of total revenue, SG&A expenses decreased to 8.9% in the first six months of 2016 compared to 9.6% for the same period in 2015.

Depreciation, depletion and amortization. DD&A expense increased $2.4 million, or 23.2%, to $13.0 million for the three months ended June 30, 2016 from $10.6 million in the corresponding quarter of 2015, primarily reflecting incremental intangible amortization expense of $1.1 million related to our acquisitions and depreciation on additional plants, equipment and mixer trucks purchased to service demand or acquired through recent acquisitions.

For the six months ended June 30, 2016, DD&A expense rose $5.9 million, or 30.8%, to $24.7 million from $18.8 million in the corresponding period of 2015, primarily reflecting depreciation on additional plant, equipment and mixer trucks purchased to service demand or acquired through recent acquisitions, as well as incremental intangible amortization expense of $3.6 million related to our acquisitions.

Loss (gain) on revaluation of contingent consideration. For the three months ended June 30, 2016, we recorded a non-cash loss on revaluation of contingent consideration of $0.4 million compared to a non-cash gain of $0.7 million for the comparable 2015 quarter. For the six months ended June 30, 2016, we recorded a non-cash loss on revaluation of contingent consideration of $1.6 million compared to a non-cash gain of $0.7 million for the same period in 2015. These non-cash gains and losses are related to fair value changes in contingent consideration associated with certain of our acquisitions. The key inputs in determining the fair value of our contingent consideration of $28.7 million at June 30, 2016 included discount rates ranging from 3.50% to 10.50%, a forecasted average of WTI prices from December 8, 2015 through December 7, 2016 from quoted sources, and management's estimates of future sales volumes and EBITDA. Changes in these inputs impact the valuation of our contingent consideration and result in gain or loss each quarterly period. The non-cash loss from fair value changes in contingent consideration for 2016 was primarily due to the passage of time as well as changes in the probability-weighted assumptions related to the achievement of sales volumes. The non-cash gain from fair value in contingent consideration for 2015 was primarily due to the decline in WTI prices.

Income from operations. Income from operations decreased to $17.1 million in the second quarter of 2016 from $20.5 million in the corresponding quarter of 2015, a decrease of $3.4 million. As a percentage of revenue, operating margins decreased to 6.2% for the quarter ended June 30, 2016, from 8.4% during the same quarter in 2015 reflecting a shift in the geographic and project mix of our sales, which resulted in a lower margin, as well as a $1.0 million increase in the loss on revaluation of contingent consideration.

For the first six months of 2016, income from operations increased to $27.2 million from $25.9 million for the first six months of 2015, an increase of $1.3 million. Increased ready-mixed concrete revenue driven by volume from acquisitions and higher pricing led to increased income from operations. Operating margins fell in the first six months of 2016 to 5.2% from 6.2% in the same period in 2015, due to a shift in the mix of sales, as described above, which resulted in a lower margin, as well as a $2.3 million increase in the loss on revaluation of contingent consideration.

Interest expense, net. Net interest expense increased by $1.2 million to $6.6 million for the three months ended June 30, 2016 from $5.4 million for the comparable 2015 quarter. For the six months ended June 30, 2016, net interest expense increased by $1.8 million to $12.3 million from $10.5 million in the comparable 2015 period. The increase in each of the quarter and year to date periods of 2016 was primarily related to higher debt levels.

Derivative loss. For the quarters ended June 30, 2016 and 2015, we recorded non-cash losses on derivatives of $2.6 million and $8.0 million, respectively, related to fair value changes in our warrants that were issued on August 31, 2010 (the "Warrants"). Each quarter, we determine the fair value of our derivative liabilities, and changes result in income or loss. The key inputs in determining the fair value of our derivative liabilities of $71.7 million at June 30, 2016 include our stock price, stock price volatility, and risk free interest rates. Changes in these inputs impact the valuation of our derivatives and result in income or loss each quarterly period. The non-cash loss from fair value changes in the Warrants for the second quarter of 2016 and 2015 was primarily due to an increase in the price of our common stock.

For the six months ended June 30, 2016 and 2015, we recorded a non-cash loss on derivatives of approximately $15.3 million and $19.5 million, respectively, related to fair value changes in our Warrants. These non-cash losses were primarily due to an increase in the price of our common stock.

Loss on extinguishment of debt. For the three and six months ended June 30, 2016, we recorded a $12.0 million pre-tax loss on early extinguishment of debt related to the redemption of our 2018 Notes. The loss consisted of a redemption premium of $8.5 million and a $3.5 million non-cash loss for the write-off of unamortized deferred financing costs.

Other income, net. Other income, net was $0.5 million during both the three months ended June 30, 2016 and 2015. Other income, net was $1.0 million and $0.9 million during the six months ended June 30, 2016 and 2015, respectively.

Income taxes. For the three months ended June 30, 2016, we recorded an income tax benefit allocated to continuing operations of $0.3 million. For the six months ended June 30, 2016, we recorded a tax expense of $1.7 million allocated to continuing operations. We recorded an income tax benefit allocated to continuing operations of $2.7 million and $2.8 million for the three and six months ended June 30, 2015, respectively. Our effective tax rate differs substantially from the federal statutory rate primarily due to the tax impact of our Warrants, for which we recorded a non-cash derivative loss of $15.3 million and $19.5 million for the six months ended June 30, 2016 and 2015, respectively. The derivative loss is excluded from the calculation of our income tax provision, thus increasing our tax expense in periods when we record a derivative loss. For the 2015 period, our effective tax rate also differed substantially from the federal statutory tax rate primarily due to the application of a valuation allowance that reduced the recognized benefit of our deferred tax assets. In addition, certain state income taxes are calculated on a basis different than pre-tax income (loss).

In accordance with U.S. GAAP, intra-period tax allocation provisions require allocation of a tax benefit or expense to continuing operations and to discontinued operations. We recorded a tax benefit of $0.1 million and $0.2 million allocated to discontinued operations for the three and six months ended June 30, 2016, respectively. We recorded a tax benefit of less than $0.1 million in discontinued operations for both the three and six months ended June 30, 2015, respectively. All taxes were allocated between continuing operations and discontinued operations for the three and six months ended June 30, 2016 and 2015.

In accordance with U.S. GAAP, the recognized value of deferred tax assets must be reduced to the amount that is more likely than not to be realized in future periods. The ultimate realization of the benefit of deferred tax assets from deductible temporary differences or tax carryovers depends on the generation of sufficient taxable income during the periods in which those temporary differences become deductible. We considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on these considerations, we relied upon the reversal of certain deferred tax liabilities to realize a portion of our deferred tax assets and established a valuation allowance as of June 30, 2016 and December 31, 2015 for other deferred tax assets because of uncertainty regarding their ultimate realization. Our total net deferred tax asset was $7.9 million as of June 30, 2016 and $6.0 million as of December 31, 2015.

Discontinued operations. The results of operations for our sold precast unit located in Pennsylvania have been included in discontinued operations for the periods presented.

Segment information

Our chief operating decision maker evaluates segment performance and allocates resources based on Adjusted EBITDA. We define Adjusted EBITDA as net income (loss) from continuing operations plus the provision (benefit) for income taxes, net interest expense, depreciation, depletion and amortization, derivative gain (loss), gain (loss) on revaluation of contingent consideration, and gain (loss) on extinguishment of debt. Additionally, we adjust Adjusted EBITDA for items similar to certain of those used in calculating our compliance with debt covenants including: non-cash stock compensation expense, acquisition-related professional fees and corporate officer severance expense.

Adjusted EBITDA should not be construed as an alternative to, or a better indicator of, operating income or loss, is not based on U.S. GAAP, and is not a measure of our cash flows or ability to fund our cash needs. Our measurements of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies, and may not be comparable to similarly titled measures used in our various agreements, including the Second A/R Loan Agreement and the Indenture.

See Note 16, "Segment Information," to our condensed consolidated financial statements in this report for additional information regarding our segments and the reconciliation of Adjusted EBITDA to income (loss) from continuing operations before income taxes.

Ready-mixed Concrete

The following table sets forth key financial information for our ready-mixed concrete segment for the periods indicated:

| | (amounts in thousands, except selling prices and percentages) | | | | | |
|---|---|---|---|---|---|---|
| | Three Months Ended June 30, | | Increase/ (Decrease) | Six Months Ended June 30, | | Increase/ (Decrease) |
| | 2016 | 2015 | % | 2016 | 2015 | % |
| Ready-mixed Concrete Segment: | | | | | | |
| Revenue | $248,532 | $219,019 | 13.5% | $472,621 | $374,063 | 26.3% |
| Segment revenue as a percentage of total revenue | 90.1% | 89.5% | | 90.7% | 89.9% | |
| Adjusted EBITDA | $32,660 | $33,650 | (2.9)% | $60,415 | $54,220 | 11.4% |
| Adjusted EBITDA as a percentage of segment revenue | 13.1% | 15.4% | | 12.8% | 14.5% | |
| Ready-mixed Concrete Data: | | | | | | |
| Average selling price per cubic yard | $129.01 | $123.24 | 4.7% | $127.78 | $122.32 | 4.5% |
| Sales volume in thousands of cubic yards | 1,925 | 1,766 | 9.0% | 3,689 | 3,043 | 21.2% |

Revenue. Our ready-mixed concrete sales provided 90.1% and 89.5% of our total revenue in the second quarter of 2016 and 2015, respectively. Segment revenue for the second quarter of 2016 rose $29.5 million, or 13.5%, over the comparable 2015 period. We estimate that $18.8 million of the $29.5 million segment revenue increase, or 63.7%, was due to recent acquisitions.

The second quarter 2016 revenue increase was driven primarily by a 9.0% increase in sales volume, or 0.2 million cubic yards. Increased volume provided $19.6 million, or approximately 66.4% of our ready-mixed concrete revenue growth. Our sales volume was higher in all of our major metropolitan markets due to increased construction activity and recent acquisitions. Total revenue in all our major metropolitan markets rose due to recent acquisitions, organic growth, and the increased average selling price. Sales volume, average selling price and revenue for the three months ended June 30, 2016 compared to the comparable period in 2015 decreased in our west Texas market due to the mix of commercial and residential projects and a one-time project that was ongoing in the region during 2015. Our ready-mixed concrete average selling price per cubic yard increased approximately 4.7% during the second quarter of 2016 as compared to the second quarter of 2015. Increased average selling price contributed approximately $9.9 million, or 33.6%, of our revenue growth.

For the six months ended June 30, 2016, our ready-mixed concrete sales provided 90.7% of our total revenue, compared to 89.9% in the six months ended June 30, 2015. Segment revenue for the first six months of 2016 grew $98.6 million, or 26.3%, over the first six months of 2015. We estimate that $57.7 million of the $98.6 million segment revenue increase, or 58.5%, was due to recent acquisitions.

Our revenue increase for the six months ended June 30, 2016, was driven primarily by a 21.2% increase in sales volume, or 0.6 million cubic yards. Increased volume provided $79.0 million, or approximately 80.2%, of our ready-mixed concrete revenue growth. Our sales volume was higher in our north Texas, New York / New Jersey and Washington, D.C. markets due to increased construction activity, generally more favorable weather, and recent acquisitions. Our average selling price increased in all of our major metropolitan markets. Total revenue was higher in all of our major metropolitan markets, primarily due to higher average selling price and the impact of the recent acquisitions. Sales volume, average selling price and revenue for the six months ended June 30, 2016 compared to the first half of 2015 decreased in our west Texas market due to the mix of commercial and residential projects and a one-time project that was ongoing in the region during 2015. We also experienced a 4.5% increase in our ready-mixed concrete average selling price per cubic yard as compared to the first six months of 2015. Increased average selling price contributed approximately $19.6 million, or 19.8%, of our revenue growth.

Adjusted EBITDA. Adjusted EBITDA for our ready-mixed concrete segment decreased to $32.7 million in the second quarter of 2016 from $33.7 million in the second quarter of 2015, a decrease of $1.0 million, or 3.0%. The decline in Adjusted EBITDA was driven by increased cost of goods sold associated with the higher volume of sales. Our variable costs, which include primarily material costs, labor and benefits costs, utilities, and delivery costs, were all higher due primarily to the increased volume and recent acquisitions. During the second quarter of 2016, we also saw increased raw materials prices from our vendors including our internal transfer pricing from our aggregate products segment, which increased our cost of goods sold for the quarter. However, we were generally able to pass these price increases along to our customers. Our fixed costs, which consist primarily of equipment rental, plant management, property taxes, quality control, and dispatch costs, increased in the 2016 second quarter compared to the prior year second quarter, due to higher personnel and equipment costs needed to operate our facilities, as well as overall fixed costs to operate more locations and trucks than in the previous year. The increase in cost of goods sold was partially offset by the $29.5 million increase in revenue resulting from a 4.7% increase in our average selling price and a 9.0% rise in sales volume. Segment Adjusted EBITDA as a percentage of segment revenue was 13.1% in the second quarter of 2016 versus 15.4% in 2015, reflecting the geographic and project mix of our revenues and costs. Segment Adjusted EBITDA for the 2015 period was also favorably impacted by a one-time, high margin project in our West Texas market.

For the six months ended June 30, 2016, our ready-mixed concrete segment Adjusted EBITDA rose to $60.4 million from $54.2 million in the same period in 2015, an increase of $6.2 million, or 11.4%. We estimate that $2.7 million, or 43.5%, of our 2016 Adjusted EBITDA increase resulted from recent acquisitions. Driving the growth in Adjusted EBITDA was a 21.2% rise in sales volume and a 4.5% increase in average selling price, which resulted in $98.6 million in higher revenue. Partially offsetting the higher revenue was the increased cost of goods sold associated with the higher volume of sales. Our variable costs, as described above, were all higher due primarily to the increased volume. During the first six months of 2016, we also saw increased raw material prices from our vendors including our internal transfer pricing from our aggregate products segment, which increased our cost of goods sold for the period. However, we were generally able to pass these price increases along to our customers. Our fixed costs, as described above, increased in the first six months of 2016 compared to the first six months of 2015, due to higher personnel and equipment costs needed to operate our facilities, as well as overall fixed costs to operate more locations and trucks than in previous years. Segment Adjusted EBITDA as a percentage of segment revenue fell to 12.8% in the first six months of 2016 from 14.5% in the first six months of 2015, primarily reflecting the geographic and project mix of our revenues and costs. Segment Adjusted EBITDA for the 2015 period was also favorably impacted by a one-time, high margin project in our West Texas market.

Aggregate Products

The following table sets forth key financial information for our aggregate products segment for the periods indicated:

| | (amounts in thousands, except selling prices and percentages) | | | | | |
|---|---|---|---|---|---|---|
| | Three Months Ended June 30, | | Increase/ (Decrease) | Six Months Ended June 30, | | Increase/ (Decrease) |
| | 2016 | 2015 | % | 2016 | 2015 | % |
| Aggregate Products Segment: | | | | | | |
| Revenue | $19,124 | $15,629 | 22.4% | $34,269 | $24,539 | 39.7% |
| Segment revenue, excluding intersegment sales, as a percentage of total revenue | 3.8% | 3.6% | | 3.5% | 3.4% | |
| Adjusted EBITDA | $5,151 | $3,792 | 35.8% | $8,075 | $3,969 | 103.5% |
| Adjusted EBITDA as a percentage of segment revenue | 26.9% | 24.3% | | 23.6% | 16.2% | |
| Aggregates Data: | | | | | | |
| Average selling price per ton | $11.96 | $10.44 | 14.6% | $11.69 | $10.25 | 14.0% |
| Sales volume in thousands of tons | 1,412 | 1,248 | 13.1% | 2,610 | 2,021 | 29.1% |

Revenue. Sales for our aggregate products segment, excluding intersegment sales of $8.5 million, provided 3.8% of our total revenue for the second quarter of 2016, compared to 3.6%, excluding intersegment sales of $6.8 million, in the comparable 2015 quarter. Segment revenue rose $3.5 million, or 22.4%, over prior year levels. We estimate the majority of the segment revenue increase related to our segment acquisitions in the second half of 2015.

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We sell our aggregates to external customers and also sell them internally to our ready-mixed concrete segment at a market price. Approximately 44.5% of our second quarter 2016 aggregate products sales were to our ready-mixed concrete segment, versus 43.3% in the second quarter of 2015. Contributing to our overall aggregate products revenue growth was an increase in our average selling price of 14.6%, which provided $2.1 million of our aggregate products revenue increase. Our aggregate products sales volume, which rose 13.1% in the second quarter of 2016 versus the second quarter of 2015, contributed approximately $1.9 million of our aggregate products revenue increase. This increase was primarily due to sales from four quarries acquired during the second half of 2015 plus increased sales volume from our north Texas and New Jersey quarries. Partially offsetting these increases was a $0.6 million decline in freight charges to deliver the aggregates to our external customers during the second quarter of 2016 as compared to the second quarter of 2015 primarily due to decreased fuel surcharges. We include freight charges to deliver aggregate products to our external customers in our aggregate products segment revenue.

For the first six months of 2016, sales of our aggregate products, excluding intersegment sales of $15.8 million, provided 3.5% of our total revenue, compared to 3.4%, excluding intersegment sales of $10.4 million, in the first six months of 2015. Segment revenue grew $9.8 million, or 39.7%, over prior year levels.

Of our first six months of 2016 aggregate products segment sales, approximately 46.1% were to our ready-mixed concrete segment, versus 42.6%, in the first six months of 2015. A 14.0% increase in our average selling price in the first six months of 2016 contributed $3.8 million, or 38.6%, of our aggregate revenue growth as compared to the first six months of 2015. An increase in our aggregate products sales volume of 29.1% in the first six months of 2016 as compared to the first six months of 2015, contributed $6.0 million, or 62.0%, of our segment revenue growth for the first six months of 2016. Offsetting these increases was a $0.4 million decline in freight charges to deliver the aggregates to our external customers during the first six months of 2016 as compared to the first six months of 2015. We estimate that $6.2 million of the $9.8 million segment revenue increase, or 63.9%, was due to recent acquisitions.

Adjusted EBITDA.  Adjusted EBITDA for our aggregate products segment improved by $1.4 million to $5.2 million in the second quarter of 2016 from $3.8 million in the second quarter of 2015, primarily as a result of higher revenue, partially offset by the related higher cost of goods sold. Our variable costs associated with cost of goods sold, including quarry labor and benefits, utilities, repairs and maintenance, delivery, fuel, and pit costs to prepare the stone and gravel for use, all increased primarily due to higher production and the costs to operate additional quarries. Our quarry fixed costs, which primarily include equipment rental, property taxes, and plant management costs, were higher compared to the prior year quarter, primarily due to operating costs associated with additional quarries acquired in the second half of 2015. Overall, our segment Adjusted EBITDA as a percentage of segment revenue increased to 26.9% in the second quarter of 2016 from 24.3% in the second quarter of 2015, primarily due to the increase in revenue and increased efficiencies.

For the first six months of 2016, our aggregate products segment Adjusted EBITDA grew to $8.1 million from $4.0 million in the first six months of 2015, an improvement of $4.1 million, primarily as a result of higher revenue, partially offset by the related higher cost of goods sold. Our variable costs associated with cost of goods sold, as described above, increased primarily due to increased sales volume and costs to operate additional quarries. Our quarry fixed costs, as described above, were higher compared to the prior year's first six months, primarily due to operating costs associated with additional quarries acquired in the second half of 2105. Overall, our segment Adjusted EBITDA as a percentage of segment revenue rose to 23.6% in the first six months of 2016 from 16.2% in the first six months of 2015, primarily due to higher revenues and improved efficiencies.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have had or are reasonably likely to have a material current or future effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources. From time to time, we enter into non-cancelable operating leases that are not reflected on our balance sheet. At June 30, 2016, we had $12.7 million of undrawn letters of credit outstanding. We are also contingently liable for performance under $31.9 million in performance bonds relating to our operations.

Inflation

We experienced minimal increases in operating costs during the first six months of 2016 related to inflation. However, in non-recessionary conditions, cement prices and certain other raw material prices, including aggregates, have generally risen faster than regional inflationary rates. When these price increases have occurred, we have been able to partially mitigate our cost increases with price increases we obtained for our products.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not use derivative instruments to hedge risks relating to our ongoing business operations or for speculative purposes. However, we are required to account for our Warrants as derivative instruments.

All derivatives are required to be recorded on the balance sheet at their fair values. Each quarter, we determine the fair value of our derivative liabilities. The key inputs in determining fair value of our derivative liabilities of $71.7 million and $67.4 million at June 30, 2016 and December 31, 2015, respectively, include our stock price, stock price volatility, and risk free interest rates. Changes in these inputs impact the valuation of our derivatives and result in gain or loss each quarterly period. A 5% increase in the stock price, volatility and risk free interest rates would increase the value of our Warrant derivative liability by approximately $6.0 million, resulting in a loss in the same amount. A 5% decrease would result in a decrease in the Warrant derivative liability of approximately $6.0 million, and a gain of the same amount. During the six months ended June 30, 2016, we recorded a non-cash loss from fair value changes in our Warrants of approximately $15.3 million