Summit Materials, Inc.
Form 10-Q
November 03, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 26, 2015

OR

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

For the transition period from __________ to __________

Commission file numbers:

001-36873 (Summit Materials, Inc.)

333-187556 (Summit Materials, LLC)

SUMMIT MATERIALS, INC.

SUMMIT MATERIALS, LLC

(Exact name of registrants as specified in their charters)

Delaware (Summit Materials, Inc.)	**47-1984212**
Delaware (Summit Materials, LLC)	**26-4138486**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1550 Wynkoop Street, 3rd Floor Denver, Colorado	**80202**
(Address of principal executive offices)	**(Zip Code)**

Registrants telephone number, including area code: (303) 893-0012

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Summit Materials, Inc.	Yes x No ¨
Summit Materials, LLC	Yes ¨ No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Summit Materials, Inc.	Yes x No ¨
Summit Materials, LLC	Yes x No ¨

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

Summit Materials, Inc.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

Summit Materials, LLC

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Summit Materials, Inc.	Yes ¨ No x
Summit Materials, LLC	Yes ¨ No x

As of October 27, 2015, the number of shares of Summit Materials, Inc. s outstanding Class A and Class B common stock, par value $0.01 per share for each class, was 49,009,738 and 69,007,297, respectively.

As of October 27, 2015, 100% of Summit Materials, LLC s outstanding limited liability company interests were held by Summit Materials Intermediate Holdings, LLC, its sole member and an indirect subsidiary of Summit Materials, Inc.

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EXPLANATORY NOTE

This quarterly report on Form 10-Q (this report) is a combined quarterly report being filed separately by two registrants: Summit Materials, Inc. and Summit Materials, LLC. Each registrant hereto is filing on its own behalf all of the information contained in this report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information. We believe that combining the quarterly reports on Form 10-Q of Summit Materials, Inc. and Summit Materials, LLC into this single report eliminates duplicative and potentially confusing disclosure and provides a more streamlined presentation since a substantial amount of the disclosure applies to both registrants.

Unless stated otherwise or the context requires otherwise, references to Summit Inc. mean Summit Materials, Inc., a Delaware corporation, and references to Summit LLC mean Summit Materials, LLC, a Delaware limited liability company. The references to Summit Inc. and Summit LLC are used in cases where it is important to distinguish between them. We use the terms we, our, us or the Company to refer to Summit Inc. and Summit LLC together wit their respective subsidiaries, unless otherwise noted or the context otherwise requires.

Summit Inc. was formed on September 23, 2014 to be a holding company. As of September 26, 2015, its sole material asset was a 49.3% economic interest in Summit Materials Holdings L.P. (Summit Holdings). Summit Inc. has 100% of the voting rights of Summit Holdings, which is the indirect parent of Summit LLC. Summit LLC is a co-issuer of our outstanding 10 $^{1}/_{2}$% senior notes due 2020 (the 2020 Notes) and our 6 $^{1}/_{8}$% senior notes due 2023 (the 2023 Notes). Summit Inc. s only revenue for the three and nine months ended September 26, 2015 is that generated by Summit LLC. Summit Inc. controls all of the business and affairs of Summit Holdings and, in turn, Summit LLC, as a result of its reorganization into a holding corporation structure (the Reorganization) consummated in connection with its initial public offering (IPO).

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of the federal securities laws, which involve risks and uncertainties. Forward-looking statements include all statements that do not relate solely to historical or current facts, and you can identify forward-looking statements because they contain words such as believes, expects, may, will, should, seeks, intends, trends, plans, estimates, projects or anticipates or similar expressions th strategy, plans, expectations or intentions. All statements made relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, it is very difficult to predict the effect of known factors, and, of course, it is impossible to anticipate all factors that could affect our actual results. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be realized. Important factors could affect our results and could cause results to differ materially from those expressed in our forward-looking statements, including but not limited to the factors discussed in the section entitled Risk Factors in Summit Inc. s prospectus (the Prospectus), as filed with the Securities and Exchange Commission (the SEC) on August 7, 2015, any factors discussed in the section entitled Risk Factors of this report, and the following:

our dependence on the construction industry and the strength of the local economies in which we operate;

the cyclical nature of our business;

risks related to weather and seasonality;

risks associated with our capital-intensive business;

competition within our local markets;

our ability to execute on our acquisition strategy, successfully integrate acquisitions with our existing operations and retain key employees of acquired businesses;

our dependence on securing and permitting aggregate reserves in strategically located areas;

declines in public infrastructure construction and reductions in governmental funding, including the funding by transportation authorities and other state agencies;

environmental, health, safety and climate change laws or governmental requirements or policies concerning zoning and land use;

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- conditions in the credit markets;

- our ability to accurately estimate the overall risks, requirements or costs when we bid on or negotiate contracts that are ultimately awarded to us;

- material costs and losses as a result of claims that our products do not meet regulatory requirements or contractual specifications;

- cancellation of a significant number of contracts or our disqualification from bidding for new contracts;

- special hazards related to our operations that may cause personal injury or property damage not covered by insurance;

- our substantial current level of indebtedness;

- our dependence on senior management and other key personnel;

- interruptions in our information technology systems and infrastructure; and

- other factors as described in the Prospectus.

All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

Any forward-looking statement that we make herein speaks only as of the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law.

CERTAIN DEFINITIONS

As used in this report, unless otherwise noted or the context otherwise requires:

- Finance Corp refers to Summit Materials Finance Corp., a wholly-owned indirect subsidiary of Summit LLC;

- Sponsors refers to certain investment funds affiliated with Blackstone Capital Partners V L.P. and Silverhawk Summit, L.P.;

Continental Cement refers to Continental Cement Company, L.L.C.;

Alleyton refers collectively to Alleyton Resource Company, LLC, Alcomat, LLC and Alleyton Services Company, LLC, formerly Alleyton Resource Corporation, Colorado Gulf, LP and certain assets of Barten Shepard Investments, LP.;

Mainland refers to Mainland Sand & Gravel ULC, which is the surviving entity from the acquisition of Rock Head Holdings Ltd., B.I.M. Holdings Ltd., Carlson Ventures Ltd., Mainland Sand and Gravel Ltd. and Jamieson Quarries Ltd.;

Lafarge refers to Lafarge North America Inc.;

Lewis & Lewis refers to Lewis & Lewis, Inc.;

Davenport Assets refer to a cement plant and quarry in Davenport, Iowa and seven cement distribution terminals along the Mississippi River; and

LeGrand refers to LeGrand Johnson Construction Co.

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SUMMIT MATERIALS, INC.

SUMMIT MATERIALS, LLC

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SUMMIT MATERIALS, INC. AND SUBSIDIARIES

Unaudited Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	September 26, 2015	December 27, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 18,987	$ 13,215
Accounts receivable, net	205,939	141,302
Costs and estimated earnings in excess of billings	34,175	10,174
Inventories	138,036	111,553
Other current assets	21,762	17,172
Total current assets	418,899	293,416
Property, plant and equipment, less accumulated depreciation, depletion and amortization (September 26, 2015 - $343,087 and December 27, 2014 - $279,375)	1,276,227	950,601
Goodwill	567,836	419,270
Intangible assets, less accumulated amortization (September 26, 2015 - $4,851 and December 27, 2014 - $3,073)	15,481	17,647
Other assets	51,798	48,843
Total assets	$ 2,330,241	$ 1,729,777
Liabilities, Redeemable Noncontrolling Interest and Stockholders Equity/Partners Interest		
Current liabilities:		
Current portion of debt	$ 68,125	$ 5,275
Current portion of acquisition-related liabilities	20,191	18,402
Accounts payable	113,226	78,854
Accrued expenses	90,880	101,496
Billings in excess of costs and estimated earnings	11,005	8,958
Total current liabilities	303,427	212,985
Long-term debt	1,148,068	1,059,642
Acquisition-related liabilities	41,978	42,736
Other noncurrent liabilities	114,575	93,691

Total liabilities	1,608,048	1,409,054
Commitments and contingencies (see note 12)		
Redeemable noncontrolling interest		33,740
Stockholders equity/partners interest:		
Class A common stock, par value $0.01 per share; 1,000,000,000 shares authorized, 49,009,738 shares issued and outstanding as of September 26, 2015	490	
Class B common stock, par value $0.01 per share; 250,000,000 shares authorized, 69,007,297 shares issued and outstanding as of September 26, 2015	690	
Partners interest		285,685
Additional paid-in capital	600,204	
Accumulated earnings	4,355	
Accumulated other comprehensive loss	(2,607)	
Stockholders equity/partners interest:	603,132	285,685
Noncontrolling interest in consolidated subsidiaries	1,271	1,298
Noncontrolling interest in Summit Materials, Inc.	117,790	
Total stockholders equity/partners interest	722,193	286,983
Total liabilities, redeemable noncontrolling interest and stockholders equity/partners interest	$ 2,330,241	$ 1,729,777

See notes to unaudited consolidated financial statements.

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SUMMIT MATERIALS, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Operations

(In thousands, except share and per share amounts)

	Three months ended		Nine months ended	
	September 26, 2015	September 27, 2014	September 26, 2015	September 27, 2014
Revenue:				
Product	$ 338,020	$ 258,860	$ 748,210	$ 580,351
Service	88,266	89,276	182,224	196,214
Net revenue	426,286	348,136	930,434	776,565
Delivery and subcontract revenue	45,619	46,623	100,401	93,580
Total revenue	471,905	394,759	1,030,835	870,145
Cost of revenue (excluding items shown separately below):				
Product	207,500	176,967	490,923	411,581
Service	59,280	61,907	128,514	140,773
Net cost of revenue	266,780	238,874	619,437	552,354
Delivery and subcontract cost	45,619	46,623	100,401	93,580
Total cost of revenue	312,399	285,497	719,838	645,934
General and administrative expenses	42,539	35,517	149,484	105,872
Depreciation, depletion, amortization and accretion	33,306	23,255	86,818	63,950
Transaction costs	304	2,741	8,044	7,737
Operating income	83,357	47,749	66,651	46,652
Other income, net	(1,171)	(1,408)	(678)	(2,299)
Loss on debt financings	32,641		64,313	
Interest expense	20,727	22,085	62,231	62,555
Income (loss) from continuing operations before taxes	31,160	27,072	(59,215)	(13,604)
Income tax benefit	(2,655)	(1,038)	(12,468)	(2,498)
Income (loss) from continuing operations	33,815	28,110	(46,747)	(11,106)
Income from discontinued operations	(57)	(7)	(815)	(356)
Net income (loss)	33,872	28,117	(45,932)	(10,750)

Net income (loss) attributable to noncontrolling interest in subsidiaries		52		1,243		(1,917)		674
Net income (loss) attributable to Summit Holdings		19,109	$	26,874		(48,370)	$	(11,424)
Net income attributable to Summit Materials, Inc.	$	14,711			$	4,355		
Net income per share of Class A common stock:								
Basic	$	0.39			$	0.14		
Diluted	$	0.39			$	0.14		
Weighted average shares of Class A common stock:								
Basic		37,920,452				31,768,406		
Diluted		37,963,930				31,811,315		

See notes to unaudited consolidated financial statements.

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SUMMIT MATERIALS, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Comprehensive Income (Loss)

(In thousands)

	Three months ended		Nine months ended	
	September 26, 2015	**September 27, 2014**	**September 26, 2015**	**September 27, 2014**
Net income (loss)	$ 33,872	$ 28,117	$ (45,932)	$ (10,750)
Other comprehensive (loss) income:				
Postretirement curtailment adjustment				(1,346)
Postretirement liability adjustment				2,164
Foreign currency translation adjustment	(6,296)	(1,764)	(11,531)	(1,764)
Loss on cash flow hedges	(1,010)		(1,010)	
Other comprehensive loss	(7,306)	(1,764)	(12,541)	(946)
Comprehensive income (loss)	26,566	26,353	(58,473)	(11,696)
Less comprehensive income (loss) attributable to the noncontrolling interest in consolidated subsidiaries	52	1,243	(1,917)	919
Less comprehensive income (loss) attributable to Summit Holdings	14,424	$ 25,110	(58,304)	$ (12,615)
Comprehensive income attributable to Summit Materials, Inc.	$ 12,090		$ 1,748	

See notes to unaudited consolidated financial statements.

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SUMMIT MATERIALS, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Cash Flows

(In thousands)

	Nine months ended	
	September 26, 2015	**September 27, 2014**
Cash flow from operating activities:		
Net loss	$ (45,932)	$ (10,750)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion, amortization and accretion	90,789	68,467
Share-based compensation expense	18,589	1,746
Deferred income tax benefit		(525)
Net gain on asset disposals	(4,990)	(219)
Net gain on debt financings	(4,570)	
Other	136	(463)
(Increase) decrease in operating assets, net of acquisitions:		
Accounts receivable, net	(56,287)	(54,463)
Inventories	(3,830)	(3,843)
Costs and estimated earnings in excess of billings	(23,402)	(15,009)
Other current assets	(4,401)	(3,910)
Other assets	(524)	(675)
Increase (decrease) in operating liabilities, net of acquisitions:		
Accounts payable	29,383	9,433
Accrued expenses	(12,272)	2,578
Billings in excess of costs and estimated earnings	(763)	270
Other liabilities	(853)	(3,473)
Net cash used in operating activities	(18,927)	(10,836)
Cash flow from investing activities:		
Acquisitions, net of cash acquired	(505,466)	(351,941)
Purchases of property, plant and equipment	(69,672)	(64,244)
Proceeds from the sale of property, plant and equipment	8,883	9,575
Other	610	757
Net cash used for investing activities	(565,645)	(405,853)
Cash flow from financing activities:		
Proceeds from equity offerings	1,037,444	
Capital issuance costs	(61,218)	
Capital contributions by partners		24,350
Proceeds from debt issuances	1,415,750	657,217
Debt issuance costs	(10,911)	(8,834)

Payments on debt	(1,251,407)	(258,337)
Purchase of noncontrolling interests	(497,848)	
Payments on acquisition-related liabilities	(15,018)	(5,807)
Distributions from partnership	(26,448)	
Other		(88)
Net cash provided by financing activities	590,344	408,501
Net increase (decrease) in cash	5,772	(8,188)
Cash beginning of period	13,215	18,184
Cash end of period	$ 18,987	$ 9,996

See notes to unaudited consolidated financial statements.

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SUMMIT MATERIALS, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Changes in Redeemable Noncontrolling Interest and Stockholders Equity

(In thousands, except share amounts)

						Summit Materials, Inc.						
						Class A Common Stock		Class B Common Stock				
	Redeemable Noncontrolling Interest	Partners Interest	Noncontrolling Interest in Subsidiaries	Accumulated Earnings	Accumulated Other Comprehensive Loss	Shares	Dollars	Shares	Dollars	Additional Paid-in Capital	Noncontrolling Interest in Summit Inc.	Stoc Equit In
er 27,	$ 33,740	$ 285,685	$ 1,298	$	$		$		$	$	$	$ 2
n/ on nt	32,252	(32,252)										(
	(1,890)	(41,338)	(77)									(
ensive		(5,249)										
sed ation		424										
, 2015	$ 64,102	$ 207,270	$ 1,221	$	$		$		$	$	$	$ 2
g of olling pon zation		(207,270)									207,270	
me			50	4,355							(7,032)	
of Shares						47,980,555	480			564,214		5
of Shares								69,007,397	690	(690)		
ensive					(2,607)						(4,685)	
se								(100)				
	(64,102)					1,029,183	10			18,515	(51,315)	(

of olling												
sed ation										18,165		
ions ip											(26,448)	(
er 26,	$	$	$ 1,271	$ 4,355	$ (2,607)	49,009,738	$ 490	69,007,297	$ 690	$ 600,204	$ 117,790	$ 7
er 28,	$ 24,767	$ 285,606	$ 1,211	$	$		$		$	$	$	$ 2
ted		24,350										
n/ on nt	6,211	(6,211)										
)	597	(11,424)	77									(
ensive	245	(1,191)										
sed ation		1,750										
se of s		(88)										
ber 27,	$ 31,820	$ 292,792	$ 1,288	$	$		$		$	$	$	$ 2

See notes to unaudited consolidated financial statements.

SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Tables in thousands, except share amounts)

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Summit Materials, Inc. (Summit Inc. and, together with its subsidiaries, the Company) is a vertically-integrated construction materials company. The Company is engaged in the production and sale of aggregates, cement, ready-mixed concrete, asphalt paving mix and concrete products and owns and operates quarries, sand and gravel pits, two cement plants, cement distribution terminals, ready-mixed concrete plants, asphalt plants and landfill sites. It is also engaged in paving and related services. The Company is organized by geographic region and has three operating segments, which are also its reporting segments: the West; Central; and East regions.

Substantially all of the Company s products and services are produced, consumed and performed outdoors, primarily in the spring, summer and fall. Seasonal changes and other weather-related conditions can affect the production and sales volumes of its products and delivery of services. Therefore, the financial results for any interim period are typically not indicative of the results expected for the full year. Furthermore, the Company s sales and earnings are sensitive to national, regional and local economic conditions and to cyclical changes in construction spending, among other factors.

On September 23, 2014, Summit Inc. was formed as a Delaware corporation to be a holding company. Its sole material asset is a controlling equity interest in Summit Materials Holdings L.P. (Summit Holdings). Pursuant to a reorganization into a holding company structure (the Reorganization) consummated in connection with Summit Inc. s March 2015 initial public offering, Summit Inc. became a holding corporation operating and controlling all of the business and affairs of Summit Holdings and its subsidiaries and, through Summit Holdings, conducts its business. Together with Summit Inc., certain investment funds affiliated with Blackstone Capital Partners V L.P. and Silverhawk Summit, L.P. (collectively, the Sponsors) are the primary owners of Summit Holdings.

Initial Public Offering Summit Inc. commenced operations on March 11, 2015 upon the pricing of the initial public offering of its Class A common stock (IPO). Summit Inc. raised $433.0 million, net of underwriting discounts, through the issuance of 25,555,555 shares of Class A common stock at a public offering price of $18.00 per share. Summit Inc. used the offering proceeds to purchase a number of newly-issued Class A Units (LP Units) from Summit Holdings equal to the number of shares of Class A common stock issued to the public. Summit Inc. caused Summit Holdings to use these proceeds: (i) to redeem $288.2 million in aggregate principal amount of outstanding 10 $^1/_2$% senior notes due January 31, 2020 (2020 Notes); (ii) to purchase 71,428,571 Class B Units of Continental Cement Company, L.L.C. (Continental Cement); (iii) to pay a one-time termination fee of $13.8 million primarily to affiliates of the Sponsors in connection with the termination of a transaction and management fee agreement; and (iv) for general corporate purposes. The $288.2 million redemption of 2020 Notes was completed in the second quarter of 2015 at a redemption price equal to par plus an applicable premium of $38.2 million plus $5.2 million of accrued and unpaid interest.

Follow-On Offering On August 11, 2015, Summit Inc. raised $555.8 million, net of underwriting discounts, through the issuance of 22,425,000 shares of Class A common stock at a public offering price of $25.75 per share. Summit Inc. used these proceeds to purchase 3,750,000 newly-issued LP Units from Summit Holdings and 18,675,000 LP Units from certain of our pre-IPO owners, at a purchase price per LP Unit equal to the public offering price per share of Class A common stock, less underwriting discounts and commissions. Summit Holdings used the proceeds from the 3,750,000 newly-issued LP Units to pay the deferred purchase price of $80.0 million related to the July 17, 2015 acquisition of a cement plant and a quarry in Davenport, Iowa, and seven cement terminals along the Mississippi River (the Davenport Assets) and for general corporate purposes.

Basis of Presentation These unaudited consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures typically included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The Company s financial position as of December 27, 2014, the results of operations for the three and nine months ended September 27, 2014 and cash flows for the nine months ended September 27, 2014 reflect those of Summit Holdings. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Summit Holdings and the notes thereto as of and for the year ended December 27, 2014. The Company continues to follow the accounting policies set forth in those consolidated financial statements.

Management believes that these consolidated interim financial statements include all adjustments, normal and recurring in nature, that are necessary to present fairly the financial position of the Company as of September 26, 2015, the results of operations for the three and nine months ended September 26, 2015 and September 27, 2014 and cash flows for the nine months ended September 26, 2015 and September 27, 2014. All significant intercompany balances and transactions have been eliminated.

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SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

The Company s fiscal year is based on a 52-53 week year with each quarter composed of 13 weeks ending on a Saturday. The 53-week year occurs approximately once every seven years and will occur in 2015. The additional week in the 53-week year will be included in the fourth quarter.

The consolidated financial statements of the Company include the accounts of Summit Inc. and its subsidiaries, including noncontrolling interests. As a result of the Reorganization, Summit Holdings became a variable interest entity. Summit Inc. is the primary beneficiary of Summit Holdings as a result of its 100% voting power and control over Summit Holdings and its obligation to absorb losses and its right to receive benefits of Summit Holdings and thus consolidates Summit Holdings in its consolidated financial statements with a corresponding noncontrolling interest elimination of 72.2% between March 11, 2015 and August 11, 2015 and 50.7% between August 8, 2015 and September 26, 2015. Summit Inc. s August 2015 purchase of 22,425,000 LP Units, 18,675,000 of which were previously held by certain of our pre-IPO owners, decreased the noncontrolling interest s economic interest from 72.2% to 50.7%.

Noncontrolling interests in consolidated subsidiaries represent a 20% ownership in Ohio Valley Asphalt, LLC and, prior to the IPO and concurrent purchase of the noncontrolling interests of Continental Cement, a 30% redeemable ownership in Continental Cement.

Use of Estimates Preparation of these consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and reported amounts of revenue and expenses. Such estimates include the valuation of accounts receivable, inventories, goodwill, intangibles and other long-lived assets, pension and other postretirement obligations and asset retirement obligations. Estimates also include revenue earned on contracts and costs to complete contracts. Most of the Company s paving and related services are performed under fixed unit-price contracts with state and local governmental entities. Management regularly evaluates its estimates and assumptions based on historical experience and other factors, including the current economic environment. Management adjusts such estimates and assumptions when circumstances dictate. As future events and their effects cannot be determined with precision, actual results can differ significantly from estimates made. Changes in estimates, including those resulting from continuing changes in the economic environment, are reflected in the Company s consolidated financial statements when the change in estimate occurs.

Business and Credit Concentrations The Company s operations are conducted primarily across 18 U.S. states and in British Columbia, Canada, with the most significant revenue generated in Texas, Kansas, Kentucky, Utah and Missouri. The Company s accounts receivable consist primarily of amounts due from customers within these areas. Therefore, collection of these accounts is dependent on the economic conditions in the aforementioned states, as well as specific situations affecting individual customers. Credit granted within the Company s trade areas has been granted to many customers, and management does not believe that a significant concentration of credit exists with respect to any individual customer or group of customers. No single customer accounted for more than 10% of the Company s total revenue in the three and nine months ended September 26, 2015 and September 27, 2014.

Earnings per Share The Company computes basic earnings per share attributable to stockholders by dividing income attributable to Summit Inc. by the weighted-average shares of Class A common stock outstanding. Diluted earnings per share reflects the potential dilution beyond shares for basic earnings per share that could occur if securities or other contracts to issue common stock were exercised, converted into common stock, or resulted in the issuance of common stock that would have shared in the Company s earnings. Since the Class B common stock has no economic value, those shares are not included in the weighted-average common share amount for basic or diluted earnings per share. In addition, as the shares of Class A common stock are issued by Summit Inc., the earnings and equity interests of noncontrolling interests are not included in basic or diluted earnings per share.

SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

Fair Value Measurements Certain acquisitions made by the Company require the payment of contingent amounts of purchase consideration. These payments are contingent on specified operating results being achieved in periods subsequent to the acquisition and will only be made if earn-out thresholds are achieved. Contingent consideration obligations are measured at fair value each reporting period. Any adjustments to fair value are recognized in earnings in the period identified. In the third quarter of 2015, the Company entered into interest rate derivatives on $200.0 million of its term loan borrowings to add stability to interest expense and to manage its exposure to interest rate movements. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive loss and will be subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The fair value of contingent consideration and derivatives as of September 26, 2015 and December 27, 2014 was:

	September 26, 2015	December 27, 2014
Current portion of derivatives and acquisition-related liabilities:		
Contingent consideration	$ 4,559	$ 2,375
Cash flow hedge	114	
Derivatives and acquisition- related liabilities:		
Contingent consideration	$ 2,711	$ 5,379
Cash flow hedge	897	

The fair value of contingent consideration was based on unobservable, or Level 3, inputs, including projected probability-weighted cash payments and an 11.0% discount rate, which reflects a market discount rate. Changes in fair value may occur as a result of a change in actual or projected cash payments, the probability weightings applied by the Company to projected payments or a change in the discount rate. Significant increases or decreases in any of these inputs in isolation could result in a lower, or higher, fair value measurement. The fair value of the derivatives are based on observable, or Level 2, inputs such as interest rates, bond yields and prices in inactive markets. There were no material valuation adjustments in the three or nine months ended September 26, 2015 or September 27, 2014.

Financial Instruments The Company s financial instruments include debt and certain acquisition-related liabilities (deferred consideration and noncompete obligations). The carrying value and fair value of these financial instruments as of September 26, 2015 and December 27, 2014 was:

	September 26, 2015		December 27, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Level 2				

Long-term debt[1]	$ 1,155,557	$ 1,156,193	$ 1,101,873	$ 1,064,917
Level 3				
Current portion of deferred consideration and noncompete obligations[2]	15,632	15,632	16,027	16,027
Long term portion of deferred consideration and noncompete obligations[3]	39,267	39,267	37,357	37,357

(1) $8.1 million and $5.3 million included in current portion of debt as of September 26, 2015 and December 27, 2014, respectively. Excludes $60.0 million outstanding on the revolving credit facility as of September 26, 2015.

(2) Included in current portion of acquisition-related liabilities on the balance sheet.

(3) Included in acquisition-related liabilities on the balance sheet.

The fair value of debt was determined based on observable, or Level 2, inputs, such as interest rates, bond yields and quoted prices in inactive markets. The fair values of the deferred consideration and noncompete obligations were determined based on unobservable, or Level 3, inputs, including the cash payment terms in the purchase agreements and a discount rate reflecting the Company s credit risk.

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SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

Redeemable Noncontrolling Interest On March 17, 2015, upon the consummation of the IPO and the transactions contemplated by a contribution and purchase agreement entered into with the holders of all of the outstanding Class B Units of Continental Cement, Continental Cement became a wholly-owned indirect subsidiary of Summit Inc. The noncontrolling interests of Continental Cement were acquired for aggregate consideration of $64.1 million, consisting of $35.0 million of cash, 1,029,183 shares of Summit Inc. s Class A common stock and $15.0 million aggregate principal amount of non-interest bearing notes payable in six annual installments of $2.5 million, beginning on March 17, 2016.

New Accounting Standards In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which changes the presentation of debt issuance costs in financial statements. Under the ASU, an entity will present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. The ASU is effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The guidance will be applied retrospectively to all prior periods (i.e., the balance sheet for each period will be adjusted). Had the Company adopted this guidance as of the current period, both Other Assets (noncurrent) and Long-term Debt as of September 26, 2015 and December 27, 2014, would have decreased by $8.8 million and $16.8 million, respectively.

In April 2015, the FASB issued a new accounting standard, ASU 2015-04, *Practical Expedient for the Measurement Date of an Employer s Defined Benefit Obligation and Plan Assets*, which gives an employer whose fiscal year-end does not coincide with a calendar month-end (e.g., an entity that has a 52- or 53-week fiscal year) the ability, as a practical expedient, to measure defined benefit retirement obligations and related plan assets as of the month-end that is closest to its fiscal year-end. The ASU is effective for public business entities for financial statements issued for fiscal years beginning after December 31, 2015, and interim periods within those fiscal years. Early application is permitted, and the ASU should be applied prospectively. The Company does not expect the adoption of this ASU to have a material effect on its financial position or results of operations.

In May 2014, the FASB issued a new accounting standard to improve and converge the financial reporting requirements for revenue from contracts with customers. ASU No. 2014-09, *Revenue from Contracts with Customers*, prescribes a five-step model for revenue recognition that will replace most existing revenue recognition guidance in U.S. GAAP. The ASU will supersede nearly all existing revenue recognition guidance under U.S. GAAP and provides that an entity recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. ASU No. 2014-09 allows for either full retrospective or modified retrospective adoption. In July 2015, the FASB postponed the effective date of the new revenue standard by one year to the first quarter of 2018. Early adoption is permitted, but no earlier than 2017. Management is currently assessing the effect that the adoption of this standard will have on the consolidated financial statements.

Reclassifications Certain amounts in the prior year have been reclassified to conform to the to the current period s presentation.

2. REORGANIZATION

Prior to the IPO and Reorganization, the capital structure of Summit Holdings consisted of six different classes of limited partnership interests (Class A-1, Class A-2, Class B-1, Class C, Class D-1 and Class D-2), each of which was subject to unique distribution rights. There were no outstanding Class A-2 interests. In connection with the IPO and the Reorganization, the limited partnership agreement of Summit Holdings was amended and restated to, among other things, modify its capital structure by creating the LP Units, referred to as the Reclassification. Immediately following the Reclassification, 69,007,297 LP Units were outstanding. In addition, in substitution for part of the economic benefit of the Class C and Class D interests that was not reflected in the conversion of such interests to LP Units, warrants were issued to holders of Class C interests to purchase an aggregate of 160,333 shares of Class A common stock, and options were issued to holders of Class D interests to purchase an aggregate of 4,358,842 shares of Class A common stock (leverage restoration options). The exercise price of the warrants and leverage restoration options is the IPO price of $18.00 per share. In conjunction with the Reclassification of the equity-based awards, the Company recognized a $14.5 million modification charge in general and administrative costs.

The leverage restoration options were granted under the Summit Materials, Inc. 2015 Omnibus Incentive Plan (the Omnibus Incentive Plan). The leverage restoration options that correlate to time-vesting interests vest over four years, beginning on the Reclassification date and the leverage restoration options that correlate to performance-vesting interests vest only when both the relevant return multiple is achieved and a four year time-vesting condition is satisfied. The time-based vesting condition for both the time-vesting and performance-vesting interests will be satisfied with respect to 25% of the performance-vesting options on each of the first four anniversaries of the Reclassification date, subject to the employee s continued employment through the applicable vesting date.

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SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

The Company also granted 240,000 options to purchase shares of Class A common stock under the Omnibus Incentive Plan to certain employees some of whom had not previously been granted equity-based interests. These stock options have an exercise price of $18.00 per share, the IPO price, and are subject to a time-based vesting condition that will be satisfied with respect to 25% of the award on each of the first four anniversaries of the grant date, subject to the employee s continued employment through the applicable vesting date.

3. ACQUISITIONS

On July 17, 2015, the Company acquired the Davenport Assets for a purchase price of $450.0 million in cash and a cement distribution terminal in Bettendorf, Iowa. The operating results of the acquired business have been included in the Central region s results of operations since the date of the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair value. Goodwill recognized in connection with the acquisition is primarily attributable to the expected profitability, assembled workforce and operational infrastructure of the acquired business and the synergies expected to result after its integration. The Davenport Assets were immediately integrated into the Company s existing cement operations such that it is not practicable to report revenue and net income separately for the Davenport Assets.

Pro Forma Financial Information (unaudited) The following unaudited supplemental pro forma information presents the financial results as if the Davenport Assets had been acquired on the first day of the 2014 fiscal year. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been made on the first day of the preceding fiscal year, nor is it indicative of any future results. The pro forma adjustments include a reduction of transaction costs of $6.5 million and additional depreciation, depletion, amortization and accretion of $7.5 million.

	Three months ended September 26, 2015	Nine months ended September 26, 2015
Revenue	$ 477,706	$ 1,069,305
Net income	27,649	26,764

The purchase price allocation for the Davenport Assets has not been finalized due to the recent timing of the acquisition. The following table summarizes aggregated information regarding the estimated fair values of the assets acquired and liabilities assumed in conjunction with the acquisition:

	September 26, 2015
Inventories	$ 21,538

Property, plant and equipment		272,815
Other assets		6,537
Financial liabilities		(1,509)
Other long-term liabilities		(95)
Net assets acquired		299,286
Goodwill		150,710
Total consideration		449,996
Transfer of assets		(2,182)
Working capital true-up		896
Net cash paid for acquisitions	$	448,710

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SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

4. GOODWILL

Changes in the carrying amount of goodwill, by reportable segment, from December 27, 2014 to September 26, 2015 are summarized as follows:

	West	Central	East	Total
Balance, December 27, 2014	$ 297,085	$ 96,025	$ 26,160	$ 419,270
Acquisitions (1)	4,579	150,929		155,508
Foreign currency translation adjustments	(6,942)			(6,942)
Balance, September 26, 2015	$ 294,722	$ 246,954	$ 26,160	$ 567,836

(1) Includes certain working capital adjustments related to 2014 acquisitions

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following as of September 26, 2015 and December 27, 2014:

	September 26, 2015	December 27, 2014
Trade accounts receivable	$ 194,235	$ 131,060
Retention receivables	13,396	12,053
Receivables from related parties	705	333
Accounts receivable	208,336	143,446
Less: Allowance for doubtful accounts	(2,397)	(2,144)
Accounts receivable, net	$ 205,939	$ 141,302

Retention receivables are amounts earned by the Company but held by customers until paving and related service contracts and projects are near completion or fully completed. Amounts are expected to be billed and collected within one year.

6. INVENTORIES

Inventories consisted of the following as of September 26, 2015 and December 27, 2014:

	September 26, 2015	December 27, 2014
Aggregate stockpiles	$ 90,776	$ 88,211
Finished goods	11,284	8,826
Work in process	6,511	1,801
Raw materials	29,465	12,715
Total	$ 138,036	$ 111,553

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SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

7. ACCRUED EXPENSES

Accrued expenses consisted of the following as of September 26, 2015 and December 27, 2014:

	September 26, 2015	December 27, 2014
Interest	$ 12,973	$ 32,475
Payroll and benefits	22,095	20,326
Capital lease obligations	16,065	17,530
Insurance	13,710	11,402
Non-income taxes	10,221	5,520
Professional fees	1,305	3,299
Other [(1)]	14,511	10,944
Total	$ 90,880	$ 101,496

(1) Consists primarily of subcontractor and working capital settlement accruals.

8. DEBT

Debt consisted of the following as of September 26, 2015 and December 27, 2014:

	September 26, 2015	December 27, 2014
Revolving credit facility	$ 60,000	$
Long-term debt:		
10 1/2% Senior Notes, due 2020:		
$153.8 million senior notes, including a $5.5 million net premium at September 26, 2015 and $625.0 million senior notes, including a $26.5 million net premium at December 27, 2014	159,365	651,548
6 1/8% Senior Notes, due 2023:		
	350,000	

$350.0 million senior notes, issued at par at September 26, 2015		
Term Loan, due 2022:		
$650.0 million term loan, net of $3.1 million discount at September 26, 2015 and $415.7 million term loan, net of $2.3 million discount at December 27, 2014	646,828	413,369
Total	1,156,193	1,064,917
Current portion of long-term debt	8,125	5,275
Long-term debt	$ 1,148,068	$ 1,059,642

SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

The contractual payments of long-term debt, including current maturities, for the five years subsequent to September 26, 2015, are as follows:

2015 (three months)	$ 3,250
2016	6,500
2017	6,500
2018	4,875
2019	6,500
2020	161,925
Thereafter	964,250
Total	1,153,800
Plus: Original issue net premium	2,393
Total debt	$ 1,156,193

Senior Notes The 2020 Notes were issued under an indenture dated January 30, 2012 (as amended and supplemented, the 2012 Indenture) by Summit Materials, LLC (Summit LLC) and Summit Materials Finance Corp. (collectively, the Issuers). The Indenture contains covenants limiting, among other things, Summit LLC and its restricted subsidiaries ability to incur additional indebtedness or issue certain preferred shares, pay dividends, redeem stock or make other distributions, make certain investments, sell or transfer certain assets, create liens, consolidate, merge, sell or otherwise dispose of all or substantially all of the Company s assets, enter into certain transactions with affiliates, and designate subsidiaries as unrestricted subsidiaries. The 2012 Indenture also contains customary events of default. Interest on the 2020 Notes is payable semi-annually in arrears. On September 8, 2014 and January 17, 2014, the Issuers issued an additional $115.0 million and $260.0 million, respectively, aggregate principal amount of 2020 Notes (the Additional Notes), receiving proceeds of $409.3 million, before payment of fees and expenses and including an aggregate $34.3 million premium. The proceeds from the sale of the Additional Notes were used for the purchases of acquisitions, to make payments on the revolving credit facility and for general corporate purposes. The Additional Notes are treated as a single series with the $250.0 million of 2020 Notes issued in January 2012 (the Existing Notes) and have substantially the same terms as those of the Existing Notes. The Additional Notes and the Existing Notes are treated as one class under the 2012 Indenture.

The Issuers issued $350.0 million in aggregate principal amount of 6.125% senior notes due July 15, 2023 (the 2023 Notes) under an indenture dated July 28, 2015 (as amended and supplemented, the 2015 Indenture). The net proceeds from the 2023 Notes, with proceeds from the refinancing of the term loan described below, were used to pay the $370.0 million initial purchase price for the Davenport Assets and to redeem $183.0 million aggregate principal amount of the 2020 Notes and pay related fees and expenses. The 2015 Indenture contains covenants and events of default generally consistent with the 2012 Indenture. The 2023 Notes were issued at 100% of their par value. Interest on the 2023 Notes is payable semi-annually in arrears on January 15 and July 15 of each year commencing on January 15, 2016. As of September 26, 2015 and December 27, 2014, the Company was in compliance with all covenants under both indentures, as applicable.

In April and August 2015, using proceeds from the IPO and the refinancing of the term loan described below, $288.2 million and $183.0 million, respectively, aggregate principal amount of the outstanding 2020 Notes were redeemed at a price equal to par plus an applicable premium. As a result of the redemptions, net charges of $14.1 million and $45.4 million were recognized in the three and nine months ended September 26, 2015, respectively. The fees included $18.2 million and $56.4 million for the applicable prepayment premium and $2.8 million and $7.5 million for the write-off of deferred financing fees, partially offset by $6.9 million and $18.5 million of net benefit from the write-off of the original issuance net premium in the three and nine months ended September 26, 2015, respectively.

Senior Secured Credit Facilities Summit LLC has credit facilities that provide for term loans in an aggregate amount of $650.0 million and revolving credit commitments in an aggregate amount of $235.0 million (the Senior Secured Credit Facilities). Under the Senior Secured Credit Facilities, required principal repayments of 0.25% of term debt are due on the last business day of each March, June, September and December. The unpaid principal balance is due in full on the maturity date, which is July 17, 2022.

On July 17, 2015, Summit LLC refinanced its term loan under the Senior Secured Credit Facilities (the Refinancing). The Refinancing, among other things: (i) reduced the applicable margins used to calculate interest rates for term loans under our Senior Secured Credit Facilities to 3.25% for LIBOR rate loans and 2.25% for base rate loans, subject to a LIBOR floor of 1.00% (and one 25 basis point step down upon Summit LLC achieving a certain first lien net leverage ratio); (ii) increased term loans borrowed under our term loan facility from $422.0 million to an aggregate $650.0 million; and (iii) created additional flexibility under the financial maintenance covenants, which are tested quarterly, by increasing the applicable maximum Consolidated First Lien Net Leverage Ratio (as defined in the credit agreement governing the Senior Secured Credit Facilities).

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

On March 11, 2015, Summit LLC entered into Amendment No. 3 to the credit agreement governing the Senior Secured Credit Facilities, which became effective on March 17, 2015 upon the consummation of the IPO. The amendment: (i) increased the size of the revolving credit facility from $150.0 million to $235.0 million; (ii) extended the maturity date of the revolving credit facility to March 11, 2020; (iii) amended certain covenants; and (iv) permits periodic tax distributions as contemplated in a tax receivable agreement, dated as of March 11, 2015, with Summit Holdings. As a result of this amendment, a charge of $0.4 million of deferred financing was recognized in the nine months ended September 26, 2015.

The revolving credit facility bears interest per annum equal to, at Summit LLC s option, either (i) a base rate determined by reference to the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate of Bank of America, N.A. and (c) LIBOR plus 1.00%, plus an applicable margin of 2.0% for base rate loans or (ii) a LIBOR rate determined by reference to Reuters prior to the interest period relevant to such borrowing adjusted for certain additional costs plus an applicable margin of 3.0% for LIBOR rate loans. The interest rate in effect at September 26, 2015 was 3.2%.

There were $60.0 million of outstanding borrowings under the revolving credit facility as of September 26, 2015, leaving remaining borrowing capacity of $150.6 million, which is net of $24.4 million of outstanding letters of credit. The outstanding letters of credit are renewed annually and support required bonding on construction projects and the Company s insurance liabilities.

Summit LLC s Consolidated First Lien Net Leverage Ratio, as such term is defined in the Senior Secured Credit Facilities, should be no greater than 4.75:1.0 as of each quarter-end. As of September 26, 2015 and December 27, 2014, Summit LLC was in compliance with all covenants.

Summit LLC s wholly-owned domestic subsidiary companies, subject to certain exclusions and exceptions, are named as subsidiary guarantors of the 2020 Notes, the 2023 Notes and the Senior Secured Credit Facilities. In addition, Summit LLC has pledged substantially all of its assets as collateral, subject to certain exclusions and exceptions, for the Senior Secured Credit Facilities.

Interest expense related to debt totaled $17.8 million and $54.6 million in the three and nine months ended September 26, 2015, respectively, and $19.9 million and $56.4 million in the three and nine months ended September 27, 2014, respectively. The following table presents the activity for the deferred financing fees for the nine months ended September 26, 2015 and September 27, 2014:

	Deferred financing fees
Balance December 27, 2014	$ 17,215
Loan origination fees	10,911

Amortization		(2,731)
Write off of deferred financing fees		(12,135)
Balance September 26, 2015	$	13,260
Balance December 28, 2013	$	11,485
Loan origination fees		9,281
Amortization		(2,875)
Balance September 27, 2014	$	17,891

Other On January 15, 2015, the Company s wholly-owned subsidiary in British Columbia, Canada entered into an agreement with HSBC for a (i) $6.0 million Canadian dollar (CAD) revolving credit commitment to be used for operating activities that bears interest per annum equal to the bank s prime rate plus 0.20%, (ii) $0.5 million CAD revolving credit commitment to be used for capital equipment that bears interest per annum at the bank s prime rate plus 0.90% and (iii) $0.4 million CAD revolving credit commitment to provide guarantees on behalf of that subsidiary. There were no amounts outstanding under this agreement as of September 26, 2015.

SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in each component of accumulated other comprehensive loss consisted of the following:

	Foreign currency translation adjustments	Cash flow hedge adjustments	Accumulated other comprehensive loss
Balance December 27, 2014	$	$	$
Foreign currency translation adjustment	(2,109)		(2,109)
Loss on cash flow hedges		(498)	(498)
Balance September 26, 2015	$ (2,109)	$ (498)	$ (2,607)

10. INCOME TAXES

Summit Inc. s tax provision includes its proportional share of Summit Holdings tax attributes. Summit Holdings subsidiaries are primarily limited liability companies, but do include certain entities organized as C corporations. The tax attributes related to the limited liability companies are passed on to Summit Holdings and then to its partners, including Summit Inc. The tax attributes associated with the C corporation subsidiaries are fully reflected in the Company s accounts.

As of September 26, 2015 and December 27, 2014, Summit Inc. and its subsidiaries had not recognized any liabilities for uncertain tax positions. The Company records interest and penalties as a component of the income tax provision. No material interest or penalties were recognized in income tax expense during the three and nine months ended September 26, 2015 and September 27, 2014.

Summit Inc. As of the IPO, Summit Inc. had a net deferred tax asset of $50.5 million, which primarily consisted of a $69.0 million temporary difference related to the tax intangible assets basis in excess of book, offset by the $6.9 million and $10.9 million book aggregate reserves and fixed assets in excess of tax basis, respectively.

Valuation Allowance In assessing the realizability of deferred tax assets, including the deferred tax assets resulting from the expected taxable loss in 2015 and those generated under the tax receivable agreement, management determined that it was more likely than not that the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and consideration of tax-planning strategies. Considering these factors, a full valuation allowance on $299.9 million of deferred tax assets as of September 26, 2015 was recorded, which has resulted in no provision for Summit Inc. s income taxes in the three and nine months ended September 26, 2015.

Tax Receivable Agreement Upon the consummation of the Reorganization, the Company entered into a tax receivable agreement with the holders of LP Units and certain other indirect pre-IPO owners (Investor Entities) that provides for the payment by Summit Inc. to exchanging holders of LP Units of 85% of the benefits, if any, that Summit Inc. is deemed to realize as a result of (i) increases in the tax basis of tangible and intangible assets of Summit Holdings and (ii) the utilization of certain net operating losses of the Investor Entities and certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. In August 2015, 18,675,000 LP units were purchased by Summit Inc. resulting in an estimated $249.4 million deferred tax asset, approximately 85% of which is a liability due to the holders of the exchanged LP Units. As discussed above, a full valuation allowance was recognized on the deferred tax asset. As realization of the tax benefit is not currently deemed probable, the related liability to the former LP Unit holders is not considered probable and is not included in the consolidated balance sheet.

Tax Distributions The holders of Summit Holdings LP Units, including Summit Inc., incur U.S. federal, state and local income taxes on their share of any taxable income of Summit Holdings. The limited partnership agreement of Summit Holdings provides for pro rata cash distributions (tax distributions) to the holders of the LP Units in an amount generally calculated to provide each holder of LP Units with sufficient cash to cover its tax liability in respect of the LP Units. In general, these tax distributions are computed based on Summit Holdings estimated taxable income allocated to each holder of LP Units multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate applicable to an individual or corporate resident in New York, New York (or a corporate resident in certain circumstances). Summit Holdings paid tax distributions totaling $23.5 million and $39.9 million, of which $14.6 million and $26.4 million were paid to its partners, other than Summit Inc., and $8.9 million and $13.5 million was paid to Summit Inc., in the three and nine months ended September 26, 2015, respectively.

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SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

C Corporation Subsidiaries The effective income tax rate for the C corporations differs from the statutory federal rate primarily due to (1) tax depletion expense in excess of the expense recorded under U.S. GAAP, (2) state income taxes and the effect of graduated tax rates and (3) certain non-recurring items, such as differences in the treatment of transaction costs, which are often not deductible for tax purposes.

11. NET INCOME PER SHARE

Immediately prior to the consummation of the Company s IPO, the Company did not have outstanding common stock. In conjunction with the IPO, Summit Inc. sold 25,555,555 shares of Class A shares common stock to the public and issued 1,029,183 shares of Class A common stock in conjunction with the purchase of the noncontrolling interest of Continental Cement. In connection with the follow on offering on August 11, 2015, Summit Inc. sold 22,425,000 shares of Class A common stock to the public, resulting in 49,009,738 shares of Class A common stock outstanding as of September 26, 2015. The 99,342,035 LP Units and 250,000 of outstanding stock options are excluded from the calculations as they would have an antidilutive effect.

The following table reconciles basic to diluted loss per share:

	September 26, 2015	
	Three months ended	Nine months ended
Net income attributable to Summit Inc.	$ 14,711	$ 4,355
Weighted-average common shares:		
Weighted average shares of Class A shares	37,920,452	31,768,406
Basic earnings per share	$ 0.39	$ 0.14
Weighted average shares of Class A shares	37,920,452	31,768,406
Warrants	43,478	42,909
Weighted average dilutive shares	37,963,930	31,811,315
Diluted earnings per share	$ 0.39	$ 0.14

Basic and diluted earnings per share for discontinued operations attributable to Summit Inc. were $0.00 and $0.01 in the three and nine months ended September 26, 2015.

12. COMMITMENTS AND CONTINGENCIES

The Company is party to certain legal actions arising from the ordinary course of business activities. Accruals are recorded when the outcome is probable and can be reasonably estimated. While the ultimate results of claims and litigation cannot be predicted with certainty, management expects that the ultimate resolution of all pending or threatened claims and litigation will not have a material effect on the Company s consolidated results of operations, financial position or liquidity. The Company records legal fees as incurred.

Litigation and Claims The Company is obligated under an indemnification agreement entered into with the sellers of Harper Contracting, Inc., Harper Sand and Gravel, Inc., Harper Excavating, Inc., Harper Ready Mix Company, Inc. and Harper Investments, Inc. (collectively, Harper) for the sellers 40% ownership interests in a joint venture agreement. The Company has the rights to any benefits under the joint venture as well as the assumption of any obligations, but does not own equity interests in the joint venture. The joint venture incurred significant losses on a highway project in Utah, which resulted in requests for funding from the joint venture partners and, ultimately, from the Company. Through September 26, 2015, the

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SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

Company has funded $8.8 million, of which $4.0 million was funded in 2012 and $4.8 million was funded in 2011. On April 2, 2015, the Utah Department of Transportation filed suit in the Fourth District Court of Utah County, Utah against the joint venture and the parties to the joint venture seeking damages of at least $29.4 million. As of September 26, 2015 and December 27, 2014, an accrual of $4.3 million was recorded in other noncurrent liabilities as management s best estimate of loss related to this matter.

During the ordinary course of business, there may be revisions to project costs and conditions that can give rise to change orders on construction contracts. Revisions can also result in claims made against a customer or subcontractor to recover project variances that have not been satisfactorily addressed through change orders with a customer. The Company had unapproved change orders and claims of $1.2 million in accounts receivable and $3.9 million ($1.2 million in accounts receivable, $0.5 million in costs and estimated earnings in excess of billings and $2.2 million in other assets) as of September 26, 2015 and December 27, 2014, respectively.

Environmental Remediation The Company s operations are subject to and affected by federal, state, provincial and local laws and regulations relating to the environment, health and safety and other regulatory matters. These operations require environmental operating permits, which are subject to modification, renewal and revocation. The Company regularly monitors and reviews its operations, procedures and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental liability is inherent in the operation of the Company s business, as it is with other companies engaged in similar businesses, and there can be no assurance that environmental liabilities or noncompliance will not have a material adverse effect on the Company s consolidated financial position, results of operations or liquidity in the future.

Other In the ordinary course of business, the Company enters into various firm purchase commitments for certain raw materials and services. The terms of the firm purchase commitments are generally less than one year. Management does not expect any significant changes in the market value of these goods and services during the commitment period that would have a material adverse effect on the financial position, results of operations or liquidity of the Company.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information is as follows:

	Nine months ended	
	September 26, 2015	September 27, 2014
Cash payments:		
Interest	$ 75,990	$ 59,179

Income taxes	1,516	1,345
Non cash financing activities:		
Purchase of noncontrolling interest in Continental Cement	$ (29,102)	$

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SUMMIT MATERIALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Tables in thousands, except share amounts)

14. SEGMENT INFORMATION

The Company has three operating segments, which are its reportable segments: the West; Central; and East regions. These segments are consistent with the Company s management reporting structure. Each region s operations consist of various activities related to the production, distribution and sale of construction materials, products and the provision of paving and related services. Assets employed by segment include assets directly identified with those operations. Corporate assets consist primarily of cash, property, plant and equipment for corporate operations and other assets not directly identifiable with a reportable business segment. The accounting policies applicable to each segment are consistent with those used in preparing the consolidated financial statements. The following tables display selected financial data for the Company s reportable segments:

Three months ended