UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **January 12, 2018 (November 1, 2017)**

SELECT ENERGY SERVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-38066**	**81-4561945**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

515 Post Oak Boulevard, Suite 200
Houston, Texas 77027
(Address of Principal Executive Offices)

(713) 235-9500
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company x

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

Introductory Note

As reported in a Current Report on Form 8-K filed with the Securities and Exchange Commission by Select Energy Services, Inc. (the "Company" or "Select") on November 2, 2017 (the "Original Select Form 8-K"), on November 1, 2017, the Company completed its previously announced merger (the "Rockwater Merger") with Rockwater Energy Solutions, Inc., a Delaware corporation ("Rockwater"), pursuant to the closing of the transactions contemplated by the Agreement and Plan of Merger, dated July 18, 2017, among the Company, Rockwater, Rockwater Energy Solutions, LLC, a Delaware limited liability company and a subsidiary of Rockwater, SES Holdings, LLC, a Delaware limited liability company and a subsidiary of Select ("SES Holdings"), Raptor Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Select, and Raptor Merger Sub, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of SES Holdings.

This Current Report on Form 8-K/A (this "Amendment") amends and supplements the Original Select Form 8-K to provide the following:

· the unaudited condensed consolidated financial statements of Rockwater (for the period described in Item 9.01(a) below) and the notes thereto;

- the audited consolidated financial statements of Rockwater (for the period described in Item 9.01(a) below), the notes thereto and the Report of Independent Auditors; and

- the unaudited pro forma condensed combined financial information described in Item 9.01(b) below.

No other modifications to the Original Select Form 8-K are being made by this Amendment. This Amendment should be read in connection with the Original Select Form 8-K, which provides a more complete description of the Rockwater Merger.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

- Unaudited condensed consolidated financial statements of Rockwater as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016, and the related notes to the condensed consolidated financial statements, attached as Exhibit 99.1 hereto; and

- Audited consolidated financial statements of Rockwater as of and for the years ended December 31, 2016 and 2015, and the related notes to the consolidated financial statements, attached as Exhibit 99.2 hereto.

(b) Pro Forma Financial Information.

The following unaudited pro forma condensed combined financial information of the Company, giving effect to the Rockwater Merger, attached as Exhibit 99.3 hereto:

- Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2017;

- Unaudited Pro Forma Condensed Combined Statement of Operations for the Nine Months Ended September 30, 2017;

- Unaudited Pro Forma Condensed Combined Statement of Operations for the Year Ended December 31, 2016; and

- Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of PricewaterhouseCoopers LLP.
99.1	Historical unaudited condensed consolidated financial statements of Rockwater Energy Solutions, Inc. as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016.
99.2	Historical audited consolidated financial statements of Rockwater Energy Solutions, Inc. as of and for the years ended December 31, 2016 and 2015.
99.3	Unaudited pro forma condensed combined financial information of Select Energy Services, Inc. as of and for the nine months ended September 30, 2017 and for the year ended December 31, 2016.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: January 12, 2018

SELECT ENERGY SERVICES, INC.

By: /s/ Holli C. Ladhani
Holli C. Ladhani
President and Chief Executive Officer

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-221282 and No. 333-217561) of Select Energy Services, Inc. of our report dated March 25, 2017 relating to the financial statements of Rockwater Energy Solutions, Inc., which appear in this Current Report on Form 8-K/A of Select Energy Services, Inc.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
January 12, 2018

Exhibit 99.1

ROCKWATER ENERGY SOLUTIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)
(in thousands, except for number of shares)

	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 2,364	$ 142
Accounts receivable trade, net of allowance for doubtful accounts of $5,730 and $5,552 at September 30, 2017 and December 31, 2016, respectively	186,698	62,862
Inventories	44,241	23,899
Prepaid expenses and other current assets	5,703	5,244
Income taxes receivable	2,267	3,904
Total current assets	241,273	96,051
Property, plant, and equipment, net of accumulated depreciation	160,628	147,551
Other assets:		
Goodwill	301,391	209,653
Intangibles, net of accumulated amortization	38,259	23,134
Other long-term assets	920	327
Total other assets	340,570	233,114
Total assets	$ 742,471	$ 476,716
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 53,804	$ 22,205
Accrued liabilities and other current liabilities	43,314	24,057
Current portion of long-term debt	—	10,175
Current portion of capital leases	2,133	2,028
Total current liabilities	99,251	58,465
Long-term debt	78,200	100,381
Capital lease obligations	1,638	3,172
Deferred income taxes, net	15,751	19,758
Other long-term liabilities	2,026	1,933
Total liabilities	196,866	183,709
Commitments and contingencies (*Note 11*)		
Shareholders' equity:		
Preferred stock, $0.01 par value; 50,000,000 shares authorized, no shares issued and outstanding	—	—
Class-A-1 common stock, $0.01 par value; 30,000,000 shares authorized, 8,797,500 shares issued and outstanding at September 30, 2017	88	—
Class A common stock, $0.01 par value; 250,000,000 shares authorized, 34,482,060 shares and 30,191,890 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	345	302
Class B common stock, $0.01 par value; 120,000,000 shares authorized, 5,693,258 shares issued and outstanding at September 30, 2017	57	—
Additional paid-in capital	466,490	233,315
Retained earnings	31,964	86,546
Accumulated other comprehensive loss	(19,407)	(27,156)
Total Rockwater shareholders' equity	479,537	293,007
Noncontrolling interest	66,068	—
Total shareholders' equity	545,605	293,007
Total liabilities and shareholders' equity	$ 742,471	$ 476,716

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

ROCKWATER ENERGY SOLUTIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)
(in thousands, except for number of shares and per share data)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Revenue		
Water solutions services	$ 370,363	$ 161,048
Completion & specialty chemicals products	122,219	52,623
Total Revenue	492,582	213,671
Costs of sales		
Water solutions services	301,041	148,335
Completion & specialty chemicals products	107,943	51,188
Depreciation and amortization	34,786	33,393

Total costs of sales	443,770	232,916
Gross profit (loss)	48,812	(19,245)
Operating expenses:		
Selling, general, and administrative expenses	50,462	29,259
Depreciation and amortization	8,103	6,184
Impairments of long-lived and Intangible assets	—	1,009
Loss on sale of Crescent Consulting	64,205	—
Restructuring charges	2,406	8,576
Gain on disposal of property and equipment	(1,093)	(1,386)
Total operating expenses	124,083	43,642
Loss from operations	(75,271)	(62,887)
Other income (expense):		
Interest expense	(4,369)	(5,963)
Foreign currency gains	464	508
Other income, net	249	446
Total other expense	(3,656)	(5,009)
Loss from operations before benefit from income taxes	(78,927)	(67,896)
Provision for (benefit from) income taxes	(17,556)	583
Net loss	(61,371)	(68,479)
Less: net loss attributable to noncontrolling interest	(6,789)	—
Net loss attributable to common stockholders	$ (54,582)	$ (68,479)
Other comprehensive income:		
Foreign currency translation adjustment, net of tax of zero	5,197	4,231
Comprehensive loss	(56,174)	(64,248)
Less: Comprehensive loss attributable to noncontrolling interest	(6,253)	—
Comprehensive loss attributable to common stockholders	$ (49,921)	$ (64,248)
Weighted Average Shares Outstanding:		
Class A-1—Basic and Diluted	7,249,581	—
Class A—Basic and Diluted	32,663,457	28,664,171
Net loss per share available to common stockholders:		
Class A-1— Basic and Diluted	$ (1.37)	$ —
Class A— Basic and Diluted	$ (1.37)	$ (2.39)

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

ROCKWATER ENERGY SOLUTIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(in thousands, except for number of shares)

	Class A-1 Stockholders		Class A Stockholders		Class B Stockholders							
	Shares	Class A-1 Common Stock	Shares	Class A Common Stock	Shares	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Rockwater Shareholders' Equity	Non-controlling Interest	Total Shareholders' Equity
Balance at December 31, 2016	—	—	30,191,890	302	—	—	$233,315	$ 86,546	$ (27,156)	$ 293,007	$ —	$ 293,007
Net loss	—	—	—	—	—	—	—	(54,582)	—	(54,582)	(6,789)	(61,371)
Share-based compensation	—	—	—	—	—	—	2,955	—	—	2,955	—	2,955
Issuance of common stock	8,797,500	88	14,110	—	—	—	136,969	—	—	137,057	—	137,057
Issuance of common stock for acquisitions	—	—	4,105,998	41	5,693,258	57	91,080	—	3,088	94,266	72,321	166,587
Tax impact from non-controlling interest	—	—	—	—	—	—	2,474	—	—	2,474	—	2,474
Issuance of restricted stock	—	—	195,074	2	—	—	—	—	—	2	—	2
Restricted shares withheld at vesting	—	—	(21,551)	—	—	—	(303)	—	—	(303)	—	(303)
Restricted shares forfeiture	—	—	(3,461)	—	—	—	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	4,661	4,661	536	5,197
Balance at September 30, 2017	8,797,500	88	34,482,060	345	5,693,258	57	$466,490	$ 31,964	$ (19,407)	$ 479,537	$ 66,068	$ 545,605

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

ROCKWATER ENERGY SOLUTIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(in thousands)

	Nine Months Ended September 30, 2017	2016
Operating activities		
Net loss	$ (61,371)	$ (68,479)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Share-based compensation expense	2,955	1,776
Depreciation and amortization	42,889	39,577
Provision for doubtful accounts	135	2,178
Net gain on disposal of fixed assets	(1,093)	(1,386)
Deferred income tax (benefit) provision	(16,554)	2,135
Loss on abandonment of facilities	1,510	591
Amortization of deferred financing costs	952	652
Lower of cost or market adjustment on inventory	—	491
Reserve for obsolete inventory	71	518
Impairments of long-lived and Intangible assets	—	1,009
Loss on sale of Crescent Consulting	64,205	—
Fair value adjustment related to contingent consideration	(145)	(358)
Foreign currency gains	(464)	(508)
Other	126	(99)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable—trade	(99,988)	18,375
Prepaid expenses and other current assets	194	(369)
Inventories	(18,599)	7,736
Accounts payable	22,931	2,574
Accrued liabilities	12,221	(7,180)
Income taxes	2,784	6,012
Net cash provided by (used in) operating activities	(47,241)	5,245
Investing activities		
Capital expenditures for property and equipment	(19,976)	(4,980)
Cash paid for the acquisition of Crescent Services, net of cash acquired	(39,111)	—
Proceeds from sale of Crescent Consulting, net of cash disposed	7,294	—
Proceeds from sale of property and equipment	843	709
Insurance Proceeds	23	401
Net cash used in investing activities	(50,927)	(3,870)
Financing activities		
Proceeds from 144A offering, net of underwriter fees and expenses	$ 136,919	$ —
Borrowings on Rockwater revolving credit facility	80,700	11,344
Repayments on Rockwater revolving credit facility	(102,881)	(19,099)
Note payable to former owner	—	(501)
Repayment of long-term debt	(10,175)	—
Overdraft payable	(95)	57
Payments of capital lease obligations	(1,612)	(485)
Payments of deferred financing costs	(1,717)	(136)
Proceeds from share issuance	—	8,150
Share repurchases	(303)	(602)
Net cash provided (used in) by financing activities	100,836	(1,272)
Effect of exchange rate changes on cash and cash equivalents	(446)	(57)
Net increase in cash and cash equivalents	2,222	46
Cash and cash equivalents—beginning of year	142	252
Cash and cash equivalents—end of period	$ 2,364	$ 298
Supplemental cash flow disclosures		
Interest paid	$ 3,331	$ 4,804
Income tax refunds received, net of taxes paid	938	5,825
Noncash investing and financing activities		
Equipment financed through capital lease	290	5,160
Stock issued in connection with acquisition of business	166,587	—
Noncash asset exchanges	963	1,486
Noncash capital expenditures	311	—
Issuance of common stock	138	1,653
Repurchase of common stock	—	235

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

ROCKWATER ENERGY SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1—NATURE OF OPERATIONS AND COMBINATION

Description of business: Rockwater Energy Solutions, Inc ("Rockwater" or the "Company") was incorporated as a Delaware corporation on March 31, 2017. The Company is a holding company whose sole material asset consists of a controlling membership interest in Rockwater LLC ("RES LLC"). As described in more detail below, our predecessor corporation, Rockwater Energy Solutions, Inc., was formed as a Delaware corporation in June 2011 and converted into Rockwater LLC, a Delaware limited liability company, in March 2017 in connection with the reorganization transactions related to the Crescent Merger. Rockwater LLC owns all of the equity interests of the primary operating subsidiaries through which we operate our business. The Company is the managing member of Rockwater LLC, is responsible for all operational, management and administrative decisions relating to Rockwater LLC's business and consolidates the financial results of Rockwater LLC and its subsidiaries.

Rockwater is a provider of comprehensive water management solutions to the oil and gas industry in the United States and Canada. The Company provides water sourcing, transfer, testing, monitoring, treatment and storage; site and pit surveys; flowback and well testing; water reuse services; water testing; and fluids logistics. We also develop and manufacture a full suite of specialty chemicals used in well completions, and production chemicals used to enhance performance over the life of a well.

Reorganization: On March 9, 2017, the Company completed a private placement of equity for 8,797,500 shares of Class A-1 common stock (the "144A Offering") at an offering price of $17.00 per share for net proceeds of $137.1 million. In conjunction with the 144A Offering, the Company amended and restated the certificate of incorporation to, among other things, effect a 9.3415-for-one stock split of our common stock, and the concurrent reclassification of our common stock into Class A common stock and create the Class A-1 common stock and the Class B common stock. All historical periods presented reflect the 9.3415-for-one stock split.

Registration Rights Agreement: On February 16, 2017, in connection with the 144A Offering, the Company entered into a registration rights agreement with FBR Capital Markets & Co. Under this registration rights agreement, the Company agreed, at its expense, to file with the SEC, no later than June 30, 2017, a shelf registration statement registering for resale the 8,797,500 shares of the Company's Class A-1 common stock sold in the 144A Offering plus any additional shares of Class A-1 common stock issued in respect thereof whether by stock dividend, stock distribution, stock split, or otherwise, and to cause such registration statement to be declared effective by the SEC as soon as practicable but in any event within 180 days after the initial filing of such registration statement. All of the Class A-1 common stock will convert into Class A common stock upon effectiveness of a shelf registration statement for the resale of such shares. Investors in the 144A Offering will be entitled to make sales under such registration statement 60 days following the completion of this offering.

Up-C Restructuring: Prior to and in connection with the Crescent Merger, we effected a holding company merger whereby (i) a new corporate holding company was created (the "New Corporate Parent") and (ii) our predecessor corporation became a wholly-owned subsidiary of the New Corporate Parent and converted into Rockwater LLC, a limited liability company, for which the New Corporate Parent acts as the managing member. The New Corporate Parent was renamed Rockwater Energy Solutions, Inc. after the reorganization was effected. In connection with such reorganization, the Company acquired by merger from the holders of the capital stock of our predecessor corporation all of the then-existing capital stock of our predecessor corporation in exchange for 30,200,482 shares of Class A common stock and 8,797,500 shares of Class A-1 common stock in the New Corporate Parent, each of which has the same characteristics as the capital stock of our predecessor corporation owned by those holders immediately prior to the reorganization and has substantially the same rights and obligations as the equivalent class of capital stock in effect immediately prior to the merger, as required by Delaware law. In accordance with Delaware law, no approval of our stockholders was required in connection with the establishment of a new holding company structure. The Up-C reorganization by our predecessor corporation was deemed a tax-free transaction under the Internal Revenue Code.

Crescent Merger: On March 31, 2017, the Company acquired 100% of the outstanding membership interests of Crescent Companies, LLC ("Crescent"), a privately-held oilfield services company that provides water and fluid management solutions to E&P companies principally in the Mid-Continent, Marcellus/Utica, Eagle Ford and Permian basins in exchange for cash of $39.3 million, Class A common stock of Rockwater, Class B common stock of Rockwater, and membership interests in RES LLC. The exchange of member interests by Rockwater LLC and Crescent was deemed a tax-free transaction under the Internal Revenue Code. Crescent's primary operating entities were Crescent Services L.L.C. ("Crescent Services") and Crescent Consulting L.L.C ("Crescent Consulting"). See Note 4.

Select Merger: On July 18, 2017, we entered into a merger agreement with Select Energy Services, Inc. ("Select"), in a stock-for-stock transaction. Under the terms of the Merger agreement, each share of Rockwater's stock will be exchanged for 0.7652 shares of Select stock with similar rights and privileges of the respective Rockwater class of stock. The requisite stockholders of Select and Rockwater have approved the transactions. Select provides water and fluid management solutions to E&P companies in all major shale basins in the United States. On November 1, 2017, we closed the merger with Select. Upon closing, we satisfied our obligations under the Registration Rights Agreement with FBR Capital Markets & Co.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are disclosed in the consolidated financial statements for the years ended December 31, 2016 and 2015. There have been no significant changes to our accounting policies during the nine months ended September 30, 2017.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements include the accounts of Rockwater and its majority-owned subsidiaries and have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2016, in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial reporting. Certain information and note disclosures commonly included in annual financial statements have been omitted. Accordingly, the accompanying financial statements and notes should be read in conjunction with the Company's annual consolidated financial statements and notes to consolidated financial statements. In the opinion of management, all material adjustments, which are of a normal and recurring nature necessary for a fair statement of the results for the periods presented, have been reflected. All significant intercompany transactions and accounts have been eliminated upon consolidation.

The historical consolidated financial statements are based on the financial statements of our predecessor, Rockwater Energy Solutions, Inc, prior to our corporate reorganization.

Noncontrolling Interest

Noncontrolling interest is comprised of the 11.6 % of RES LLC which we do not own. This noncontrolling interest is classified as a component of equity separate from our equity in the consolidated balance sheets.

Segment Reporting

The Company operates in two operating and reportable segments. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. The Company's chief operating decision maker assesses performance based on Adjusted EBITDA and allocates resources on the basis of the two reportable segments, Water Management and Completion & Specialty Chemicals.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based upon temporary differences between the carrying amounts and tax bases of the Company's assets and liabilities at the balance sheet date, and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on deferred tax assets and

liabilities of a change in the tax rates is recognized in income in the period in which the change occurs. The Company records a valuation allowance in each reporting period when management believes that it is more likely than not that any deferred tax asset created will not be realized. The Company recorded valuation allowances of $39.5 million as of September 30, 2017 and $32.7 million as of December 31, 2016, against U.S. and Non-U.S. federal and local deferred tax assets.

Our effective income tax rates for first nine months of 2017 and 2016 were 22.2 % and (1%). The change in our effective rate is primarily attributable to a deferred tax benefit of $14.8 million caused by a $14.8 million reduction of the valuation allowance on the Company's deferred tax assets upon recording a deferred tax liability of $14.8 million in the Crescent merger and recognizing a deferred tax benefit in the nine months ended September 30, 2017 in accordance with ASC 740.

The Company recorded an adjustment of $2.5 million to deferred tax liabilities on indefinite lived intangible assets as a result of the allocation of the tax bases in the Company's assets and liabilities as of March 31, 2017 between the Company and the noncontrolling interest in RES LLC issued as consideration in the Crescent merger. The decrease in the deferred tax liability was recorded as an adjustment to additional paid-in capital on the balance at March 31, 2017 in accordance with ASC 740. See Note 4.

Recent Accounting Pronouncements

In May 2017, the Financial Accounting Standards Board ("the FASB") issued Accounting Standard Update ("ASU") 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting," which clarifies what constitutes a modification of a share-based payment award. This update is effective for fiscal years and interim periods within fiscal years beginning after December 15, 2017, with early adoption permitted. We do not anticipate the adoption of this ASU will have material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which clarifies the definition of a business. The objective of the guidance is to help companies and other organizations which have acquired or sold a business to evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The requirements in this update are effective during annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted under certain circumstances. The Company is currently evaluating the impact this guidance will have on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. To simplify the subsequent measure of goodwill, the amendments in this ASU eliminate Step two from the goodwill impairment test. An entity will no longer be required to calculate the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if the reporting unit had been acquired in a business combination to determine the impairment of goodwill. The amendments in this ASU will now require goodwill impairment to be measured by the amount by which the carrying value of the reporting unit exceeds its fair value. The guidance in this ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Upon adoption, an entity shall apply the guidance in this ASU prospectively with early adoption permitted for annual goodwill tests performed after January 1, 2017. We do not anticipate the adoption of this ASU to have a material impact on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* which is effective for the Company for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The amendments in this update are intended to clarify cash flow treatment of eight specific cash flow issues with the objective of reducing diversity in practice. Early adoption is permitted, including adoption in an interim period. An entity that elects early adoption must adopt all of the amendments in the same period. These are clarifications of diversity in disclosures practices and we do not anticipate the adoption of this ASU will have material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606): Section A—Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other*

Assets and Deferred Costs—Contracts with Customers (Subtopic 340-40), which will supersede most of the existing revenue recognition requirements in U.S. GAAP. Under this guidance, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. This guidance also requires more detailed disclosures to enable users of the financial statements to understand the nature, amount, timing, and uncertainty, if any, of revenue and cash flows arising from contracts with customers. In August 2015, the FASB voted to defer the effective date to annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018, and must be adopted using either a full retrospective method or a modified retrospective method. This guidance was updated in April and May of 2016, when the FASB issued ASU 2016-10 and 2016-12, respectively—*Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing and Narrow-Scope Improvements and Practical Expedients*. Accounting Standards Update 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, defers the effective date of Update 2014-09 by one year. The Company is in the process of determining if this pronouncement will have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The purpose of this update to is to simplify overly complex areas of GAAP, while maintaining or improving the usefulness of the information. The areas for simplification in this update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This update is effective for the Company in annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The Company is in the process of determining if this pronouncement will have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize all leases, including operating leases, on the balance sheet as a lease asset or lease liability, unless the lease is a short-term lease. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. The requirements in this update are effective for annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted and a number of optional practical expedients may be elected to simplify the impact of adoption. Upon adoption, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective transition approach. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which provides that an entity that measures inventory by using first-in, first-out or average cost should measure inventory at the lower of cost and net realizable value, rather than at the lower of cost or market. Net realizable value is the estimated selling prices of such inventory in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The requirements in this update are effective during annual periods beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments in this Update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The adoption of this update did not have a material impact on the Company's consolidated financial statements.

NOTE 3—CORRECTION OF AN ERROR WITHIN THE PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During the third quarter 2017, we identified an error in the calculation of the ownership percentage of the Noncontrolling interests issued in the acquisition of Crescent. As a result of this error, there were certain misclassifications within the consolidated Statement of Changes in Shareholders' Equity resulting in an overstatement of non-controlling interest and understatement of additional paid in capital of $16.3 million as of March 31, 2017. We have determined that this misclassification is not material to the previously reported interim financial statements for the periods ended March 31, 2017 and June 30, 2017 and have corrected the Statement of Changes in Shareholders' Equity in the current period. The impact of this error was recorded in the current period and resulted in a decrease to Net Loss of $600 thousand , which was considered to be immaterial. These errors had no effect on net cash provided by (used in) operating, investing or financing activities on the Company's Statement of Cash Flows for the three months or six months ended March 31, 2017 and June 30, 2017, respectively.

NOTE 4—BUSINESS COMBINATION AND DIVESTITURES

Business Combination

On March 31, 2017, the Company acquired 100% of the outstanding membership interests of Crescent Companies, LLC in exchange for cash and equity interests of the Company and RES LLC.

The Company accounted for this transaction using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 805 ("ASC 805"), *Business Combinations*. Under the acquisition method of accounting, assets acquired and liabilities assumed in connection with the acquisition have been recorded based on their fair values. The company finalized the purchase price allocation in September 2017. The valuation of these assets and liabilities are classified as Level 3 within the fair value hierarchy.

The total consideration for the acquisition consisted of 4,105,998 shares of the Company's Class A common stock, 5,693,258 RES LLC Units and 5,693,258 shares of the Company's Class B common stock and cash consideration of $39.3 million to settle Crescent's outstanding indebtedness as a condition of closing, subject to certain working capital and other adjustments at closing. The acquisition date fair value of the consideration transferred totaled $205.9 million, which consisted of the following (in thousands):

Repayment of Crescent's outstanding indebtedness	$	39,300
RES LLC Units and Class B common stock issued		96,785
Class A common stock issued		69,802
Total	$	205,887

Certain of the former members of Crescent received shares of the Company's Class A common stock whereas other former members of Crescent received both a RES LLC Unit and corresponding share of the Company's Class B common stock, the combination of which provides the same economic and voting rights of the Company's Class A common stock. The RES LLC units are exchangeable into shares of Class A common stock on a one-for-one basis at the discretion of the holder, upon such exchange the corresponding share of Class B common stock will be forfeited, thus providing the holder with the same economic and voting rights on a pre- and post-exchange basis. Both the fair value of the 4,105,998 Class A common shares and the combination of the 5,693,258 RES LLC Units and Class B common shares was $17.00 per share based on the Company's offering price of the 144A Offering earlier in the same month.

The following table summarizes the final fair values of the assets acquired and liabilities assumed:

	Preliminary Purchase Price Allocation	Adjustments (in thousands)	Final Purchase Price Allocation
Cash	$ 189	—	$ 189
Accounts receivable trade	30,103	—	30,103
Inventories	394	—	394
Prepaid expenses and other current assets	1,169	—	1,169
Property, plant and equipment	28,108	—	28,108
Other noncurrent assets	160	—	160
Intangibles	48,705	—	48,705
Total identifiable assets acquired	108,828	—	108,828
Accounts payable	9,934	(294)	9,640
Accrued liabilities and other current liabilities	6,366	—	6,366
Deferred income taxes	14,372	440	14,812
Total liabilities assumed	30,672	146	30,818
Net identifiable assets acquired	78,156	(146)	78,010
Goodwill	127,731	146	127,877
Net assets acquired	$ 205,887	—	$ 205,887

Intangible assets related to the acquisition of Crescent consisted of the following (in thousands):

	Estimated useful life (in Years)	Fair value
Customer lists and relationships	10	$ 38,033
Trade name	5	10,672
Total Intangible assets		$ 48,705
Weighted average life of finite-lived intangibles	5	

For the valuation of the Customer relationship intangible assets, management used the income-based approach using a multi-period excess earnings method and management's estimates of the future cash flows of Crescent Services and Crescent Consulting. Customer relationship intangible assets of $18.0 million and $20.0 million were attributed to Crescent Services and Crescent Consulting, respectively.

For the valuation of the Trade name intangible assets, management used the income-based approach using the relief from royalty method. Trade name intangible assets of $4.2 million and $6.5 million were attributed to Crescent Services and Crescent Consulting, respectively.

Goodwill is calculated as the excess of the consideration transferred over the fair value of the net assets acquired. The goodwill is primarily attributable to expected synergies related to the Water management segment. All of the goodwill is expected to be deductible for income tax purposes. The entire amount of the goodwill was allocated to the Water Management segment for purpose of evaluating future goodwill impairment.

The Company recognized $2.0 million of acquisition-related costs that were expensed during the nine months ended September 30, 2017. These costs are included in the accompanying consolidated statements of operations and comprehensive loss in selling, general and administrative expenses for the nine months ended September 30, 2017.

The Company's consolidated statement of operations and comprehensive loss include revenues of $87.8 million and net income of $7.2 million, respectively, from Crescent's Operations from the date of acquisition on March 31, 2017 to September 30, 2017.

The following combined unaudited pro forma information assumes the acquisition of Crescent's Operations occurred on January 1, 2016. The unaudited pro forma information presented below is for illustrative purposes only. The information is not indicative of results that would have been achieved had the Company controlled Crescent's operations during the periods presented or the results that the Company will experience going forward. The pro forma net loss for the nine months ended September 30, 2017, includes a $64.2 million loss on disposal of Crescent Consulting, $1.6 million of non-recurring transaction expenses and $2.8 million of employee related costs incurred in connection with the Crescent merger.

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
	(in thousands)	
Revenues	$ 525,190	$ 280,187
Net loss	(81,399)	(86,127)
Net loss attributable to noncontrolling interest	(6,789)	—
Net loss attributable to Class A-1 common stockholders	(11,916)	—
Net loss attributable to Class A common stockholders	(62,694)	(86,127)
Class A-1- Basic and Diluted loss per share	(1.84)	—
Class A- Basic and Diluted loss per share	(1.84)	(2.63)

Divestiture

In connection with the merger agreement entered into with Select on July 18, 2017 (see Note 1 Nature of Operations and Combination), we completed the sale of Crescent Consulting L.L.C. ("Crescent Consulting") on September 22, 2017, which was included in our Water Management segment. The merger agreement with Select provided as a condition precedent to Select's obligation to consummate the merger that we complete the divestiture

of Crescent Consulting prior to the closing. The net consideration received in the sale was approximately $7.3 million in cash.

The sale of Crescent Consulting was accounted for in accordance with ASC Topic 360 ("ASC 360"), *Impairment or Disposal of Long-Lived Assets*. The assets and liabilities of the Crescent Consulting on the date of sale, including definite-lived intangible assets, were included in the disposal group for purposes of applying the guidance of ASC 360 with the exception of goodwill which is not within the scope of ASC 360. The carrying amount of the definite-lived intangible assets represents the estimated fair value of the definite-lived intangible assets attributed to Crescent Consulting at March 31, 2017 of approximately $26.5 million, as discussed above, and reduced by amortization expense from March 31, 2017 through July 31, 2017. In accordance with ASC 360, Crescent Consulting was classified as held-for-sale on July 31, 2017, the date the criteria for held-for-sale classification were met; therefore, we did not recognize depreciation or amortization expense on the fixed assets and definite-lived intangible assets after July 31, 2017.

In accordance with ASC Topic 450 ("ASC 450"), *Intangibles-Goodwill and Other*, goodwill of $40.7 million was included in the disposal group as Crescent Consulting met the definition of a "business" under ASC 805. We estimated goodwill attributable to Crescent Consulting, which was not integrated with other lines of business, on the acquisition date following the residual method of determining goodwill established by ASC 805. In applying the residual method, we allocated $68.5 million of the $205.9 million acquisition date fair value to Crescent Consulting by using our estimates of the future cash flows for the acquired businesses. The $68.5 million acquisition date fair value included $40.7 million in goodwill based upon the relative fair value of the acquired assets and liabilities of Crescent Consulting.

The following table summarizes the carrying amount of the major classes of assets and liabilities of the disposal group at September 22, 2017:

	(in thousands)
Cash	$ 2,233
Accounts receivable trade	5,896
Prepaid expenses and other current assets	6
Total current assets	8,135
Property, plant and equipment	799
Goodwill	40,681
Intangibles, net of accumulated amortization	25,479
Total noncurrent assets	66,959
Total assets	75,094
Accounts payable	141
Accrued liabilities and other current liabilities	938
Total current liabilities	1,079
Total Net assets of the disposal group	$ 74,015

In connection with the sale, we recognized a $64.2 million loss on sale of the Crescent Consulting.

NOTE 5—FAIR VALUE MEASUREMENTS

The Company follows the framework for measuring fair value under U.S. GAAP. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Hierarchical levels, as defined in this guidance, directly relate to the amount of subjectivity associated with the inputs to fair valuations of the Company's assets and liabilities, as follows:

- Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates), and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3—Inputs that are both significant to the fair value measurement and unobservable. Unobservable inputs reflect the Company's judgment about assumptions market participants would use in pricing the asset or liability.

The Company incurred a contingent consideration obligation in relation to the Neohydro Corp. (Neohydro) acquisition in 2014. Changes in the fair value of the contingent consideration obligation may result from changes in the terms of the contingent payments, discount periods and rates; the timing and amount of earnings before interest, taxes, depreciation, and amortization (EBITDA) estimates; and probability assumptions with respect to the timing and likelihood of achieving a positive EBITDA for the period from July 1, 2014 through December 31, 2018. It is reasonably possible that the estimate of the contingent liability could change in the near term, based upon a failure to achieve a positive EBITDA or other payment conditions. At each reporting date, we are required to revalue the contingent consideration obligation to the estimated fair value and recognize changes in fair value within selling, general, and administrative expense in the accompanying consolidated statements of operations and comprehensive loss. See Note 11.

The Company had the following liabilities measured at fair value on a recurring basis as of September 30, 2017 and December 31, 2016 (in thousands):

	Level 1	Level 2	Level 3	Total
September 30, 2017				
Contingent consideration	$ —	$ —	$ 114	$ 114

	Level 1	Level 2	Level 3	Total
December 31, 2016				
Contingent consideration	$ —	$ —	$ 259	$ 259

The following tables summarize the activity of the contingent consideration utilizing Level 3 fair value measurements (in thousands):

	2017
Fair value at January 1	$ 259
Acquisitions	—
Settlements and other	—
Changes in fair value	(145)
Fair value at September 30	$ 114

	2016
Fair value at January 1	$ 705
Acquisitions	—
Settlements and other	31
Changes in fair value	(477)
Fair value at December 31	$ 259

The remeasurement of the fair value of the contingent consideration obligation resulted in a non-cash credit to Other income (expense) of $0.1 million and $0.4 million in the consolidated statement of operations and comprehensive loss for the nine months ended September 30, 2017 and 2016, respectively.

The Carrying amounts of the Company's current financial instruments, which include cash and cash equivalents, accounts receivables trade, accounts payables and accrued liabilities, approximate fair value at September 30, 2017 and December 31, 2016, due to the short-term maturity of these instruments.

At September 30, 2017, the carrying value of the Company's debt under its revolving credit facility was $78.2 million. The debt incurs interest at a variable interest rate and, therefore, the carrying amount approximates fair value. The fair value of the debt is classified as a Level 2 measurement because interest rates charged are similar to other financial instruments with similar terms and maturities. The fair value of the Company's other debt is reported in Note 10.

NOTE 6—INVENTORIES

Inventories, which are comprised of chemicals and materials available for resale and parts and consumables used in operations, are valued at the lower of cost and net realizable value, with cost determined under the weighted-average method. The significant components of inventory are as follows (in thousands):

	September 30, 2017	December 31, 2016
Raw materials	$ 10,929	$ 12,268
Finished goods	37,257	19,092
Other	2,532	1,745
	50,718	33,105
Inventory reserve	(6,477)	(9,206)

	$ 44,241	$ 23,899

During the nine months ended September 30, 2017 and 2016, the Company incurred charges of $0 and $0.5 million, respectively, to state inventory at the lower of cost or net realizable value, which were recognized within cost of sales on the accompanying consolidated statements of operations and comprehensive loss. These charges were due to the identifiable market prices of certain guar inventories, which fell below the Company's cost of the product.

During the nine months ended September 30, 2017 and 2016, the Company recorded charges to the reserve for excess and obsolete inventory in the amount of $0.1 million and $0.5 million, respectively, which were recognized within cost of sales on the accompanying consolidated statements of operations and comprehensive loss. The reserve for excess and obsolete inventories is determined based on the Company's historical usage of inventory on hand, as well as future expectations, and the amount necessary to reduce the cost of the inventory to its estimated net realizable value. During the nine months ended September 30, 2017, the Company's reserve decreased by $2.8 million related to sale of previously reserved inventory.

NOTE 7—PROPERTY, PLANT, AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

Major classifications of property, plant, and equipment and their respective estimated useful lives are as follows (in thousands):

	Estimated Useful Lives	September 30, 2017	December 31, 2016
Land	Indefinite	$ 13,660	$ 13,140
Buildings and leasehold improvements	1–39 years	33,474	30,052
Computers and office equipment	3–7 years	13,879	13,446
Completion & Specialty Chemicals—machinery and equipment	5–12 years	23,040	22,461
Water management—machinery and equipment	3–15 years	227,860	202,242
Automobiles, trucks, and trailers	4–7 years	152,569	151,650
		464,482	432,991
Less accumulated depreciation		(313,343)	(287,228)
		151,139	145,763
Construction in progress		9,489	1,788
Property, plant, and equipment, net		$ 160,628	$ 147,551

During the nine months ended September 30, 2017 and 2016, depreciation expense was $34.8 million and $33.4 million, respectively.

During the nine months ended September 30, 2016, the Company reviewed certain field fluids logistics machinery and equipment used in its operations in Canada that are included in our Water Management segment. Based on this evaluation, the Company determined that long-lived assets with a carrying value of $1.3 million were no longer recoverable and were written down to their estimated fair value of $0.3 million.

Rockwater is obligated under various capital leases for certain vehicles and equipment that expire at various dates during the next five years. The gross amount of equipment and related accumulated depreciation recorded under capital leases and included above consisted of the following (in thousands):

	Estimated Useful Lives	September 30, 2017	December 31, 2016
Equipment	5–12 years	$ 1,006	$ 716
Automobiles, trucks, and trailers	4–7 years	5,120	5,306
		6,126	6,022
Less accumulated depreciation		(2,419)	(890)
		$ 3,707	$ 5,132

Depreciation of assets held under capital lease for the nine months ended September 30, 2017 and 2016 was $1.6 million and $0.4 million, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statements of operations and comprehensive loss.

NOTE 8—GOODWILL AND INTANGIBLE ASSETS

Goodwill

The changes in the amount of goodwill for the nine months ended September 30, 2017 and twelve months December 31, 2016, are as follows (in thousands):

	Water Management	Completion & Specialty Chemical	Total
Goodwill balance as of January 1, 2016	$ 185,755	$ 22,222	207,977
Impact of foreign currency translation	1,676	—	1,676
Goodwill balance as of December 31, 2016	$ 187,431	$ 22,222	209,653
Acquisition of Crescent	127,877	—	127,877
Sale of Crescent Consulting (See Note 4)	(40,681)	—	(40,681)
Impact of foreign currency translation	4,542	—	4,542
Goodwill balance as of September 30, 2017	$ 279,169	$ 22,222	301,391

During the nine months ended September 30, 2017, in connection with sale of Crescent Consulting, goodwill of $40.7 million was included in the disposal group as defined by ASC 360 and included in the determination of the Loss on Sale of Crescent Consulting on the accompanying consolidated statement of operations and comprehensive loss. See Note 4.

Intangible Assets

At September 30, 2017 and December 31, 2016, intangible assets consisted of the following:

	September 30, 2017			
	Gross Carrying Amount	Accumulated Amortization	Net Amortizable Intangibles	Amortization Period
	(in thousands)			(In Years)
Customer relationships	$ 105,560	$ (76,094)	$ 29,466	5–10
Patents and technology	2,738	(1,017)	1,721	15–18
Intellectual property	8,355	(4,650)	3,705	15–20
Trademarks	4,176	(809)	3,367	5
	$ 120,829	$ (82,570)	$ 38,259	

	December 31, 2016			
	Gross Carrying Amount	Accumulated Amortization	Net Amortizable Intangibles	Amortization Period
	(in thousands)			(In Years)
Customer relationships	$ 86,906	$ (69,109)	$ 17,797	5–10
Patents and technology	2,340	(874)	1,466	15–18
Intellectual property	8,355	(4,484)	3,871	15–20
	$ 97,601	$ (74,467)	$ 23,134	

Our intangible assets include patents, customer relationships, intellectual property and trademarks, and are subject to amortization. The Company evaluates the remaining useful life in each reporting period to determine whether events and circumstances warrant a revision of the remaining period of amortization. If the estimate of an intangible asset's remaining life is changed, the remaining carrying amount of such asset is amortized over that revised remaining useful life. Intangible assets obtained in the Crescent merger consisted of Customer relationships and Trade names that will be amortized over estimated useful lives of five years.

During the nine months ended September 30, 2017, in connection with sale of the Crescent Consulting, $25.5 million in customer relationship and tradename intangible assets were included in the disposal group in which determined the Loss on Sale of Crescent Consulting on the accompanying consolidated statement of operations and comprehensive loss. See Note 4.

Amortization expense was $8.1 million and $6.2 million for the nine months ended September 30, 2017 and 2016, respectively.

NOTE 9—ACCRUED LIABILITIES AND OTHER CURRENT LIABILITIES

Accrued liabilities and other current liabilities consist of the following (in thousands):

	September 30, 2017	December 31, 2016
Accrued accounts payables	$ 21,841	$ 9,985
Wages, benefits and taxes	9,403	6,207
Restructuring costs	3,139	3,338
Property taxes payable	2,394	1,881
Other	6,537	2,646
	$ 43,314	$ 24,057

NOTE 10—CREDIT FACILITIES, NOTES PAYABLE, AND CAPITAL LEASE OBLIGATIONS

Credit facilities, notes payable, capital lease obligations and lines of credit consist of the following (in thousands):

	September 30, 2017	December 31, 2016
Senior secured credit facility	$ 78,200	$ 100,381
Capital lease obligations	3,771	5,200
Total due to unrelated third-parties	81,971	105,581
Due to former owners		
Note payable to former owner of Benchmark, interest at 7%	—	10,175
Total due to former owners	—	10,175
Total long-term debt	81,971	115,756
Less current capital lease obligation	2,133	2,028
Less current portion of long-term debt	—	10,175
Long-term debt and capital lease obligations, net of current portion	$ 79,838	$ 103,553

The Company has a senior secured credit facility with several financial institutions originally executed on June 1, 2011 which has been amended over time. The credit facility was amended on March 9, 2015 to reduce the total facility from $440.0 million to $335.0 million, the $100 million U.S. Tranche B Commitments were terminated, the Canadian Commitments remained at $15.0 million, and the maturity date was extended to March 9, 2019. Effective December 2, 2015, the Company further amended its senior secured credit facility. Under this amendment, the U.S. Commitments were reduced from $335.0 million to $172.5 million, the Canadian Commitments were reduced from $15.0 million to $7.5 million, and the maturity date was amended to April 30, 2018.

Effective August 9, 2016, the U.S. Commitments were reduced from $172.5 million to $167.2 million since the Company did not meet the minimum Interest Coverage Ratio threshold of 1.25 to 1.00 as required by the senior secured credit facility for the quarter ended June 30, 2016. Under the terms of the agreement, the Company's majority owner was required to make an equity contribution, as determined by the credit agreement, of $5.3 million at which time the Company became compliant with the financial covenants of the credit agreement.

2017 Credit Facility Amendments

Effective January 20, 2017, we entered into Agreement and Amendment No. 2 to the Amended and Restated Credit Agreement with Wells Fargo Bank, National Association, as US administrative agent, HSBC Bank Canada, as the Canadian administrative agent, and various lenders, which was previously amended most recently as of December 2, 2015. The amendment was effected to:

(i) modify the borrowing base such that availability thereunder is determined using outstandings other than undrawn letters of credit for the remaining life of the facility. At December 31, 2016, we had outstanding undrawn letters of credit of $4.7 million;

(ii) limit the outstanding loans to no more than $150 million if the interest coverage ratio was not at least 1.50 to 1 as of the end of the most recently reported fiscal quarter;

(iii) include an exception providing that an audit opinion expressing a "going concern" or like qualification or exception with respect to, or resulting from, a potential inability to satisfy any financial covenant would not be a breach of the credit facility;

(iv) add a carry-over provision such that any unused amount of the 2016 capital expenditures limitation may be carried over into 2017. The aggregate 2017 limitation was amended to $8 million plus any such carry-over amount;

(v) amend the equity cure provision to eliminate the condition that there shall be at least two fiscal quarters in a four fiscal quarter period with no cure and reset the number of cures available for the remaining life of the facility to three.

In exchange for the above mentioned amendment terms, the US tranche commitment was reduced by $5 million.

On January 22, 2017, we entered into Agreement and Amendment No. 3 to the Amended and Restated Credit Agreement with Wells Fargo Bank, National Association, as US administrative agent, HSBC Bank Canada, as the Canadian administrative agent, and various lenders, which was previously amended most recently as of January 20, 2017. The amendment was effected to update certain references to our majority owner.

On February 16, 2017, we entered into Agreement and Amendment No. 4 to the Amended and Restated Credit Agreement with Wells Fargo Bank, National Association, as US administrative agent, HSBC Bank Canada, as the Canadian administrative agent, and various lenders, which was previously amended most recently as of January 22, 2017. The amendment was effected to:

(i) extend the maturity date to April 30, 2019.

(ii) reduce the U.S. Commitments from $162 million to $95 million.

(iii) reduce the Canadian Commitments from $7.5 million to $5 million.

(iv) remove the borrowing base limitations for both the US and Canada lines of credit (but if outstanding loans and letters of credit are 50% or more of the credit facility, the outstandings may not exceed two-thirds of the net book value of accounts receivable, inventory and equipment).

(v) amend the leverage ratio (as defined in the credit facility) of not more than 3.50 to 1.00 for the fiscal quarters beginning June 30, 2017 but prior to December 31, 2018. This ratio changes to 3.00 to 1.00 on or after December 31, 2018.

(vi) amend the interest coverage ratio (as defined in the credit facility) of 2.50 to 1.00 for the fiscal quarters ending March 31, 2017 and June 30, 2017 and 3.00 to 1.00 for each fiscal quarter ending after June 30, 2017.

(vii) amend the total capital amount of permitted expenditures to not more than $25 million for 2017 and for each year thereafter, if leverage exceeds 3.0x, 75% of consolidated EBITDA for the immediately prior fiscal year.

On March 17, 2017, we entered into Agreement and Amendment No. 5 to the Amended and Restated Credit Agreement with Wells Fargo Bank, National Association, as US administrative agent, HSBC Bank Canada, as the Canadian administrative agent, and various lenders, which was previously amended most recently as of February 16, 2017. The amendment was effected to update certain references to the acquisition of Crescent.

Concurrent with the closing of the 144A Offering, all the outstanding borrowings under the credit agreement were repaid on February 16, 2017.

In connection with our first quarter 2017 amendment to our senior secured credit facility, we incurred debt issuance costs of $1.7 million.

In conjunction with amending the senior secured revolving credit facility, $0.9 million and $0.7 million of debt finance costs were amortized to interest expense for the nine months ended September 30, 2017 and nine months ended September 30, 2016, respectively.

Availability under the credit facility, considering the covenants discussed above, was approximately $16.1 million at September 30, 2017. The Company was in compliance with the aforementioned financial covenants at September 30, 2017.

Amounts outstanding under the credit facility at September 30, 2017 and December 31, 2016 were $78.2 million and $100.4 million, respectively. Interest is payable monthly, on the date any Advance is paid in full and on the maturity date. Amounts outstanding are collateralized by a general security agreement over the Company's assets and the terms of this agreement restrict the Company's ability to sell, transfer, or encumber such assets. The Company is also subject to various financial and other covenants under the terms of its credit facility, which, among other things, impose limitations on investments, acquisitions, dispositions, capital expenditures and the incurrence of additional debt. The weighted-average interest rate at September 30, 2017 and December 31, 2016 was 5.50% and 5.03%, respectively. Interest is computed using the one-month London Interbank Offered Rate (LIBOR), in addition to an applicable margin between 2.5% and 4.5% (with the applicable margin depending upon the Company's ratio of the total funded debt to EBITDA, as defined in the credit agreement). Letters of credit outstanding under the credit facility totaled $5.7 million at September 30, 2017 and $4.7 million at December 31, 2016.

The Company's completion chemicals company formerly known as Benchmark had a subordinated note to its former owner. The subordinated note was due January 21, 2017, and bore interest at 7.0%, payable quarterly. The fair value of this note at December 31, 2016 was $10.2 million. Concurrent with the closing of the 144A Offering, this note was repaid on February 16, 2017.

NOTE 11—COMMITMENTS AND CONTINGENCIES

Letters of Credit and Guarantees

The Company has a $5.7 million standby letter of credit to guarantee the Company fulfills certain workers compensation and auto liability insurance requirements.

Litigation

The Company is subject to a number of lawsuits and claims arising out of the conduct of its business. The ability to predict the ultimate outcome of such matters involves judgments, estimates, and inherent uncertainties. Based on a consideration of all relevant facts and circumstances, including applicable insurance coverage, we do not expect that the ultimate outcome of any currently pending lawsuits or claims against the Company will have a material adverse effect on the consolidated financial position, results of operations, or cash flows; however, there can be no assurance as to the ultimate outcome of these matters.

We are under investigation by the U.S Attorney's Office for the Middle District of Pennsylvania and the Environmental Protection Agency. It is alleged that certain employees at some of our facilities altered emissions controls systems on approximately 4% of the vehicles in our fleet in violation of the Clean Air Act. The Company is cooperating with the relevant authorities to resolve the matter. At this time no administrative, civil or criminal

changes have been brought against the Company and we cannot estimate the possible fines and penalties that may be levied against the Company.

The Company insures against risks arising from business, to the extent deemed prudent by management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify against liabilities arising out of pending or future legal proceedings or other claims. Some of the Company's insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which the Company is responsible for payment. In determining the amount of policy retentions and/or deductibles, it is the Company's policy generally to retain those losses that are predictable, measurable, and recurring in nature, such as claims for general liability and workers' compensation.

Monolyte Litigation and Related Matters

The Company and certain subsidiaries are named defendants in two pending lawsuits arising from a November 2012 fire at a chemical facility owned and operated by Monolyte in Slaughter, Louisiana. The Company previously acquired certain assets from Monolyte in 2011 and purchased products from Monolyte's Slaughter facility. The lawsuits generally name certain Company subsidiaries, as well as Monolyte, its owner, its primary insurer, and the landowner/lessor of the Monolyte site, as defendants.

The two lawsuits are identical except for the fact that one was filed in East Feliciana Parish on November 18, 2013 and the other was filed in East Baton Rouge Parish on September 24, 2013. The plaintiffs allege that they lived near the Monolyte facility and suffered personal injuries and property damage as a result of emissions from the facility fire which occurred in November, 2012, and subsequent cleanup operations.

The Company has notified its insurer of these claims and is vigorously defending against each such claim. Reef Services Holdings, Inc. has been served but no other defendants have been served. There has been no discovery in the case and a trial date has not yet been set.

At this time, although management is unable to reasonably estimate any potential financial impact associated with this litigation, the Company does not expect it to result in a material adverse effect on the Company's consolidated financial condition or results of operations.

Contingent Consideration

In 2014, the Company acquired 100% of the equity interests in Neohydro. Neohydro owned certain water treatment intellectual property and technology that supports the Company's water reuse service line in all markets where it operates. The Company paid aggregate consideration of approximately $0.8 million in cash, a $1.0 million note payable, and certain contingent consideration of up to $2.0 million.

The aggregate earn-out opportunity of up to $2.0 million for the period from July 1, 2014 through December 31, 2018 (Payout Period) is based on the water reuse service line's EBITDA during each measurement period within the Payout Period. The seller will receive 18.5% of the positive EBITDA generated by the water reuse service line during the measurement periods, subject to an annual true-up and certain other specified conditions, up to $2.0 million in aggregate. The contingent consideration must be calculated and paid quarterly, and is subject to true-up at the end of the measurement periods. We determined the estimated fair value of the contingent consideration obligation based on a probability-weighted income approach derived from EBITDA estimates and probability assessments with the likelihood of achieving positive EBITDA. As of September 30, 2017 and 2016, the fair value of the contingent consideration was $0.1 million and $0.4 million, respectively, and is included in other long-term liabilities on the accompanying consolidated balance sheets.

NOTE 12—SHAREHOLDERS' EQUITY

On March 9, 2017, in connection with the completion of its 144A Offering, the Company's authorized capital stock consisted of 30,000,000 shares of Class A-1 common stock, of which 8,797,500 are issued and outstanding; 250,000,000 shares of Class A common stock, $0.01 par value per share, of which 34,482,060 are issued and outstanding; 120,000,000 shares of Class B common stock, $0.01 par value per share, of which 5,693,258 shares are

issued and outstanding; and 50,000,000 shares of preferred stock, $0.01 par value per share, of which no shares are issued and outstanding.

Common Stock

Holders of our A-1 common stock, Class A common stock and Class B common stock are entitled to one vote per share held of record on all matters to be voted upon by the stockholders. Holders of our A-1 common stock and Class A common stock do not have cumulative voting rights in the election of directors.

Each share of Class B common stock has no economic rights but entitles its holder to one vote on all matters to be voted on by our stockholders generally. Holders of our Class A-1 common stock, Class A common stock and Class B common stock vote together as a single class on all matters presented to our stockholders for their vote or approval., except with respect to (i) the selection by holders of our Class A-1 common stock of two new independent director pursuant to terms of the registration rights agreement, in which case the holders of our Class A-1 common stock shall vote independently and as a separate class without the holders of other classes of our common stock and (ii) the amendment of certain provisions of our amended and restated certificate of incorporation that would alter or change the powers, preferences or special rights of the

Class A-1 common stock so as to affect them adversely, which amendments must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class, or as otherwise required by applicable law.

Holders of our Class A-1 common stock issued in the 144A Offering are entitled to receive special stock dividends that will accrue and be payable only in additional shares of Class A-1 common stock if certain conditions are not met for a period not to exceed three years. Shares of Class A-1 common stock will automatically convert into shares of Class A common stock on a one-for-one basis at the earlier of the effectiveness of a registration statement filed to permit resales of such shares or the date on which special stock dividends have accrued for three years. Shares of class A-1 common stock have been classified as permanent equity within the condensed consolidated balance sheet as of September 30, 2017 in accordance with the provisions of ASC 480.

Holders of our Class B common stock do not have any right to receive dividends, unless (i) the dividend consists of shares of our Class B common stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable for shares of Class B common stock paid proportionally with respect to each outstanding share of our Class B common stock and (ii) a dividend consisting of shares of Class A common stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable for shares of Class A common stock on the same terms is simultaneously paid to the holders of Class A common stock. Holders of our Class B common stock do not have any right to receive a distribution upon our liquidation or winding up. Shares of class B common stock have been classified as permanent equity within the condensed consolidated balance sheet as of September 30, 2017 in accordance with the provisions of ASC 480.

Preferred Stock

Each class or series of preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders.

NOTE 13—EMPLOYEE BENEFIT PLANS

The Company maintains separate employee savings plans for specified eligible employees, such as 401(k) savings plans for U.S. employees and Registered Retirement Savings Plans for Canadian employees. The Company made employer contributions either at their discretion or as a matching percentage, as defined by the respective plan agreements. Such contributions are reported within selling, general, and administrative expense and cost of sales in the accompanying consolidated statements of operations and comprehensive loss. The Company made $0.3 million and $0 in employer contributions for the nine months ended September 30, 2017 and 2016, respectively.

NOTE 14—SHARE-BASED COMPENSATION

Amended and Restated 2017 Long-Term Incentive Plan: Effective February 16, 2017, in connection with the 144A Offering, the Company amended and restated the 2011 Plan, which was renamed the 2017 Plan. The 2017 Plan is an omnibus equity incentive plan for the employees, consultants and the directors of the Company and its affiliates who perform services for us. All outstanding restricted stock awards and stock option awards granted under the 2011 Plan will continue to be subject to the terms and conditions of the 2011 Plan and applicable award agreements.

The 2017 Plan increased the aggregate maximum number of shares of our Class A common stock reserved for delivery pursuant to awards under the 2011 Plan by a number of shares equal to the sum of (i) 3,899,798, (ii) plus 10% of any shares of our Class A common stock sold by the Company in this offering, (iii) plus 10% of the number of shares of our capital stock paid as consideration to the seller(s) in connection with any acquisition by the Company that is consummated on or before February 16, 2018. If an award under the 2017 Plan is forfeited, settled for cash or expires without the actual delivery of shares, any shares subject to such award will again be available for new awards under the 2017 Plan.

In addition, 40% of the total number of shares of our Class A common stock reserved under the 2017 Plan shall be available for the grant of restricted stock unit awards (which are settled in shares of our Class A common stock) while the total number of shares of our Class A common stock reserved under the 2017 Plan shall be available for the grant of incentive stock options

Stock Options

Rockwater Share-Based Compensation Plan

The exercise price of each option is the estimated fair value of the Company's stock at the date of grant. The Company's share price was valued at the grant date based on a combination of income and market approaches, which are highly complex and sensitive. The income approach involves the use of a discounted cash flow method, with the cash flow projections discounted at an appropriate discount rate. The market approach involves the use of comparable public companies market multiples in estimating the fair value of the Company's stock. Options may be exercised over a ten-year period and generally vest annually in equal increments over three or four years. The Company's policy for issuing stock upon a stock option exercise is to issue new shares.

The following table reflects changes during the nine month period and summary of Rockwater stock options outstanding at September 30, 2017:

	Number of Shares	Weighted-Average Exercise Price	Remaining Weighted-Average Contractual Life in Years	Intrinsic Value (in thousands)
Balance at December 31, 2016	1,417,672	$ 8.30	8.99	$ —
Granted	23,551	17.00		
Exercised	—	—		
Forfeited	(18,504)	9.87		
Total outstanding at September 30, 2017	1,422,719	8.42	8.26	12,201
Options exercisable	333,090	12.74	5.60	1,418

Acquired Companies Share-Based Compensation Plans

Stock options related to the Acquired Companies, which were granted prior to the creation of Rockwater, converted into Rockwater options at the Combination on June 1, 2011 and continue to be outstanding and are disclosed below. Since the inception of Rockwater, only Rockwater stock options have been granted.

The exercise price of each option is the estimated fair value of the Company's stock at the date of grant. Options may be exercised over either a seven or a ten-year period and vest annually in equal increments over three or four years. The Company's policy for issuing stock upon a stock option exercise is to issue new shares.

The following table reflects changes during the nine month period and summary of related stock options issued by the Acquired Companies at September 30, 2017:

	Number of Shares	Weighted-Average Exercise Price	Remaining Weighted-Average Contractual Life in Years	Intrinsic Value (in thousands)
Balance at December 31, 2016	1,936,422	$ 10.77	3.91	$ —
Granted	—	—		
Exercised	—	—		
Forfeited	(30,184)	12.76		
Total outstanding at September 30, 2017	1,906,238	10.74	3.22	11,935
Options exercisable	1,906,238	10.74	3.22	11,935

Restricted Stock

Restricted stock issued generally vests ratably over a three- or four-year period from the date of grant, depending on the terms of the specific grant. The following table reflects changes during the nine month period and summary of Rockwater's restricted stock status at September 30, 2017:

	Number of Shares
Non-vested at the beginning of period	317,902
Granted	195,074
Vested	(74,244)
Forfeited	(3,461)
Non-vested at the end of the period	435,271

The weighted-average grant-date fair value of the restricted stock was $17.00 per share during the nine months ended September 30, 2017. The total fair value of restricted stock vested during the nine months ended September 30, 2017 was $1.0 million.

Total Share-based Compensation Expense

It is the Company's policy to recognize compensation expense on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. For all of the plans combined, the total amount of compensation expense recorded was approximately $3.0 million and $1.8 million for the nine months ended September 30, 2017 and 2016, respectively. As of September 30, 2017, the Company expects to record compensation expense of approximately $4.1 million over the remaining vesting term of the restricted stock and options of approximately three years. Future restricted stock and stock option grants will result in additional compensation expense.

NOTE 15—RESTRUCTURING CHARGES

During 2016, in response to the further declines in oil and natural gas commodity prices the Company further reduced the number of employees and closed an additional 26 operating and manufacturing locations, 23 of which were subject to long-term operating lease agreements. Total restructuring charges for the nine months ended September 30, 2017 and 2016 was $2.4 million and $8.6 million of restructuring charges, respectively, consisting

primarily of severance payments to employees, contract termination costs, costs associated with the closure or relocation of facilities and offices and the relocation of property and equipment

Restructuring charges consist of the following (in thousands):

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Severance expense and related benefit costs	$ 814	$ 1,120
Exit costs	1,239	6,427
Other	353	1,029
Total restructuring charges	$ 2,406	$ 8,576

The changes in the amount of restructuring accrual from January 1, 2017 to September 30, 2017, by segment, are as follows (in thousands):

	Water Management	Completion & Specialty Chemicals	Corporate & Other	Total
Beginning balance, January 1	2,607	71	660	3,338
Restructuring charges	1,875	531	—	2,406
Payments	(1,371)	(574)	(660)	(2,605)
Ending balance, September 30	3,111	28	—	3,139

During the nine months ended September 30, 2017 we recorded $0.6 million and $0.2 million related to severance expense and related benefit for Water Management and Completion & Specialty Chemicals, respectively.

The restructuring accrual at September 30, 2017 is recognized within the accrued liabilities and other current liabilities on the accompanying consolidated balance sheets.

NOTE 16—LOSS PER SHARE

Loss per share is based on the amount of income allocated to the shareholders and the weighted average number of units outstanding during the period. All outstanding common Class A stock warrants and Class A common stock options are not included in the calculation of diluted weighted average units outstanding for the periods presented as the effect is antidilutive.

The following table sets forth the computation of basic and diluted loss per share (dollars in thousands, except share and per share amounts):

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
	(in thousands, except share and per share amount)	
Numerator (both basic and diluted)		
Net loss available to common stockholders	$ (54,582)	$ (68,479)
Allocation of net loss attributable to:		
Net loss attributable to Class A-1 stockholders	(9,914)	—
Net loss attributable to Class A stockholders	(44,668)	(68,479)
Denominator		
Class A-1 common stock	7,249,581	—
Class A common stock	32,663,457	28,664,171
Net loss per share		
Class A-1— Basic and Diluted	$ (1.37)	$ —
Class A— Basic and Diluted	$ (1.37)	$ (2.39)

The estimated number of shares of potentially convertible Class A common stock options, Class A common stock warrants and restricted Class A common stock shares and RES LLC Units that have been excluded from the computation of diluted loss per share as the effect would be anti-dilutive was 9,457,486 and 2,875,099 for the nine months ended September 30, 2017 and 2016, respectively.

NOTE 17—SEGMENT INFORMATION

Rockwater is an oilfield services company that provides products and services to the water, stimulation, fracturing, fluids, and production needs of our customers throughout the U.S. and Western Canada. The company services are offered through two operating segments. Corporate and other expenses that do not individually meet the criteria for segment reporting are reported separately as Corporate. Both operating segments report directly to our chief operating decision maker ("CODM"). Our CODM assesses performance and allocates resources on the basis of the two reportable segments:

Water Management (WM)—Our Water Management segment seeks to provide comprehensive, cost-effective water management and fracturing solutions for our customers. These services include: water transfer, sourcing and storage through the use of small and large diameter pipe and high-capacity Above Ground Storage Tanks; site and pit surveys; flowback and well testing throughout the completion and early production stages of the well, including real-time monitoring of testing information; water reuse services through self-contained mobile treating units for the onsite conditioning of source, flowback and produced water; water testing; fluids logistics services and production chemicals solutions.

Completion & Specialty Chemicals—Our Completion & Specialty Chemicals segment develops, manufactures and provides a full suite of chemicals utilized in hydraulic fracturing, stimulation, cementing and well completions, including polymer slurries, crosslinkers, friction reducers, buffers, breakers and other chemical technologies, to leading pressure pumping service companies in the United States.

Financial information related to the Company's financial position as of September 30, 2017 and December 31, 2016, by segment, is as follows (in thousands):

	Total assets September 30, 2017	Total assets December 31, 2016
Water Management	$ 606,111	$ 390,885
Completion & Specialty Chemicals	126,090	83,125
Corporate & Other	10,270	2,706
	$ 742,471	$ 476,716

	Total assets September 30, 2017	Total assets December 31, 2016
United States	$ 648,359	$ 385,597
Canada	94,112	91,119
	$ 742,471	$ 476,716

We view Adjusted EBITDA as an important indicator of segment performance. We define Adjusted EBITDA as net income (loss), plus provisions for (benefit from) income taxes, interest expense, depreciation and amortization, plus/(minus) loss/(income) from discontinued operations, plus any impairment charges or asset write-offs pursuant to GAAP, plus/(minus) non-cash losses/(gains) on sale of assets or subsidiaries, non-cash compensation expense, bad debt expense, inventory write-downs, foreign currency losses/(gains), restructuring related to severance expenses, transaction costs, non-cash losses/(gains) on the valuation of contingent obligations and restructuring costs such as facility related exit and disposal costs.

Our CODM uses Adjusted EBITDA as the primary measure of segment performance.

The following table presents a reconciliation of Segment Adjusted EBITDA to loss from continuing operations (in thousands):

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Segment Adjusted EBITDA:		
Water Management	$ 49,305	$ 1,015
Completion & Specialty Chemicals:	11,107	(315)
Total	60,412	700

Corporate & Other	(14,582)	(10,760)
Benefit from income taxes	17,556	(583)
Interest Expense	(4,369)	(5,963)
Depreciation and amortization	(42,889)	(39,577)
Impairments of long-lived and Intangible assets	—	(1,009)
Loss on sale of Crescent Consulting	(64,205)	—
Restructuring costs	(1,592)	(7,456)
Restructuring related severance expenses	(814)	(1,120)
Bad debt expense	(135)	(2,178)
Inventory write downs	(71)	(1,009)
Foreign currency gains	464	508
Gain on the valuation of contingent obligations	145	358
Non-cash compensation expense	(3,092)	(1,776)
Non-cash gain on sale of subsidiaries and other assets	1,093	1,386
Transaction related costs	(9,292)	—
Net loss	$ (61,371)	$ (68,479)

The following table sets forth certain financial information with respect to our reportable segments. Included in "Corporate and Other" are intersegment eliminations and cost associated with activities of a general nature (in thousands).

	Water Management	Completion & Specialty Chemicals	Corporate & Other	Total
Nine months ended September 30, 2017				
Revenue from external customers	$ 370,363	$ 122,219	$ —	$ 492,582
Inter-segment revenue	1,034	20,566	(21,600)	—
Depreciation and amortization	38,984	3,490	415	42,889
Property, plant and equipment	148,659	11,003	966	160,628
Capital expenditures (excluding acquisitions)	(18,337)	(1,437)	(202)	(19,976)

	Water Management	Completion & Specialty Chemicals	Corporate & Other	Total
Nine months ended September 30, 2016				
Revenue from external customers	$ 161,048	$ 52,623	$ —	$ 213,671
Inter-segment revenue	5,052	2,449	(7,501)	—
Depreciation and amortization	34,893	3,495	1,189	39,577
Property, plant and equipment	143,232	12,111	1,009	156,352
Capital expenditures (excluding acquisitions)	(4,561)	(153)	(266)	(4,980)

	Total Revenues	
	Nine months ended September 30,	
	2017	2016
United States	$ 449,383	$ 175,794
Canada	43,199	37,877
	$ 492,582	$ 213,671

NOTE 18—SUBSEQUENT EVENTS

The Company has evaluated subsequent events for potential recognition and/or disclosure through December 22, 2017, the date these consolidated financial statements were available to be issued.

Exhibit 99.2

Report of Independent Auditors

To the Board of Directors of
Rockwater Energy Solutions, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Rockwater Energy Solutions, Inc. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
March 25, 2017

Rockwater Energy Solutions, Inc. and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except for Number of Shares)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 142	$ 252
Accounts receivable trade, net of allowance for doubtful accounts of $5,552 and $11,738 at December 31, 2016 and 2015, respectively	62,862	72,399
Inventories	23,899	31,824
Prepaid expenses and other current assets	5,244	3,974
Income taxes receivable	3,904	9,741
Total current assets	96,051	118,190
Property, plant, and equipment, net of accumulated depreciation	147,551	181,098
Other assets:		
Goodwill	209,653	207,977
Intangibles, net of accumulated amortization	23,134	31,242
Other long-term assets	327	1,279
Total other assets	233,114	240,498
Total assets	$ 476,716	$ 539,786
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 22,110	$ 16,680
Overdraft payable	95	827
Accrued liabilities and other current liabilities	24,057	27,934
Current portion of long-term debt	10,175	500
Current portion of capital leases	2,028	200
Income taxes payable	—	—
Total current liabilities	58,465	46,141
Long-term debt	100,381	114,319
Capital lease obligations	3,172	54
Deferred income taxes, net	19,758	17,936
Other long-term liabilities	1,933	2,259
Total liabilities	183,709	180,709
Commitments and contingencies *(Note 9)*		
Shareholders' equity:		
Preferred stock, $0.01 par value; 50,000,000 shares authorized, no shares issued and outstanding	—	—
Class A common stock, $0.01 par value; 250,000,000 shares authorized, 30,191,890 shares and 28,669,148 shares issued and outstanding at December 31, 2016 and 2015, respectively(1)	302	287
Additional paid-in capital(1)	233,315	222,037
Retained earnings	86,546	166,424
Accumulated other comprehensive loss	(27,156)	(29,671)
Total shareholders' equity	293,007	359,077
Total liabilities and shareholders' equity	$ 476,716	$ 539,786

(1) Amounts have been retroactively recast to reflect the 9.3415-for-one stock split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock on February 15, 2017. See Note 16.

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

Rockwater Energy Solutions, Inc. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

(In Thousands, Except for Number of Shares and per share data)

	Year Ended December 31, 2016	2015
Revenue		
Water solutions services	$ 224,173	$ 369,976
Completion & specialty chemicals products	76,905	124,160
Total Revenue	301,078	494,136
Costs of sales		
Water solutions services	204,912	286,129
Completion & specialty chemicals products	72,276	149,626
Depreciation and amortization	43,880	51,523
Total costs of sales	321,068	487,278
Gross profit (loss)	(19,990)	6,858
Operating expenses:		
Selling, general, and administrative expenses	37,341	71,656
Depreciation and amortization	8,106	9,658
Impairments of long-lived and intangible assets	1,008	3,615
Restructuring charges	8,169	5,638
Gain on disposal of property and equipment	(1,882)	(838)
Total operating expenses	52,742	89,729
Loss from operations	(72,732)	(82,871)
Other income (expense):		
Interest expense	(7,977)	(10,413)
Foreign currency gains (losses)	301	(3,349)
Other income, net	623	1,082
Total other expense	(7,053)	(12,680)
Loss from operations before provision for (benefit from) income taxes	(79,785)	(95,551)
Provision for (benefit from) income taxes	93	(24,011)
Net loss	(79,878)	(71,540)
Other comprehensive loss:		
Foreign currency translation adjustment, net of tax of zero	2,515	(16,454)
Total comprehensive loss	$ (77,363)	$ (87,994)
Weighted Average Shares Outstanding(1):		
Basic	28,911,914	28,247,482
Diluted	28,911,914	28,247,482
Net Loss per Share(1):		
Basic	$ (2.76)	$ (2.53)
Diluted	$ (2.76)	$ (2.53)

(1) Share and per share amounts have been retroactively recast for all prior periods presented to reflect the 9.3415-for-one split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock on February 15, 2017. See Note 16.

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

Rockwater Energy Solutions, Inc. and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

(In Thousands, Except for Number of Shares)

	Class A Common Stock Shares(1)	Amount(1)	Additional Paid-In Capital(1)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at January 1, 2015	28,558,610	286	219,395	237,964	(13,217)	444,428
Net loss	—	—	—	(71,540)	—	(71,540)
Share-based compensation	113,330	1	2,175	—	—	2,176
Issuance of common stock	50,398	—	671	—	—	671
Repurchase of common stock	(17,645)	—	(157)	—	—	(157)
Restricted shares forfeited	(35,545)	—	—	—	—	—
Excess tax provision	—	—	(47)	—	—	(47)
Foreign currency translation adjustment	—	—	—	—	(16,454)	(16,454)
Balance at December 31, 2015	28,669,148	$ 287	$ 222,037	$ 166,424	$ (29,671)	$ 359,077
Net loss	—	—	—	(79,878)	—	(79,878)
Share-based compensation	—	—	2,269	—	—	2,269
Issuance of common stock	1,659,924	17	9,844	—	—	9,861

Repurchase of common stock	(137,182)		(2)		(835)		—		—	(837)
Foreign currency translation adjustment	—		—		—		—		2,515	2,515
Balance at December 31, 2016	30,191,890	$	302	$	233,315	$	86,546	$	(27,156)	$ 293,007

(1) Amounts have been retroactively recast to reflect the 9.3415-for-one stock split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock on February 15, 2017. See Note 16.

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

Rockwater Energy Solutions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 31, 2016	2015
Operating activities		
Net loss	$ (79,878)	$ (71,540)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation expense	2,269	2,176
Depreciation and amortization	51,986	61,181
Provision for doubtful accounts	1,142	6,793
Net gain on disposal of fixed assets	(1,882)	(838)
Deferred income tax (benefit) provision	1,699	(16,204)
Loss on abandonment of facilities	591	—
Amortization of deferred financing costs	883	3,877
Lower of cost or market adjustment on inventory	491	5,670
Reserve for obsolete inventory	569	4,227
Impairment of fixed assets and other intangible assets	1,008	3,615
Fair value adjustment related to contingent consideration	(477)	(760)
Foreign currency (gains) losses	(301)	3,349
Other	(292)	(89)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable—trade	8,663	138,704
Prepaid expenses and other current assets	(389)	4,461
Inventories	8,914	31,720
Accounts payable	5,596	(20,860)
Accrued liabilities	(1,925)	(15,000)
Income taxes	5,926	(3,847)
Net cash provided by operating activities	4,593	136,635
Investing activities		
Capital expenditures for property and equipment	(7,292)	(10,563)
Insurance proceeds	462	393
Proceeds from sale of property and equipment	832	4,059
Net cash used in investing activities	(5,998)	(6,111)
Financing activities		
Borrowings on Rockwater revolving credit facility	$ 15,220	$ 21,200
Repayments on Rockwater revolving credit facility	(19,099)	(141,601)
Repayment of long-term debt	(501)	(2,500)
Overdraft payable	(733)	(3,194)
Payments of capital lease obligations	(917)	(167)
Payments of deferred financing costs	(136)	(4,033)
Proceeds from share issuance	8,150	—
Share repurchases	(602)	(94)
Excess tax provisions from share-based compensation	—	(47)
Net cash provided (used in) by financing activities	1,382	(130,436)
Effect of exchange rate changes on cash and cash equivalents	(87)	(352)
Net decrease in cash and cash equivalents	(110)	(264)
Cash and cash equivalents—beginning of year	252	516
Cash and cash equivalents—end of year	$ 142	$ 252
Supplemental cash flow disclosures		
Interest paid	$ 7,216	$ 6,389
Income tax refunds received, net of taxes paid	5,945	3,844
Noncash investing and financing activities		
Equipment financed through capital lease	$ 6,022	$ —
Noncash asset exchanges	1,486	—
Noncash capital expenditures	113	271
Noncash proceeds from the sale of equipment	550	—
Issuance of common stock	1,711	671
Repurchase of common stock	(235)	(63)

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

1. Nature of Operations and Combination

Rockwater Energy Solutions, Inc., a Delaware corporation ("Rockwater" or the "Company"), is a fluids and environmental solutions provider offering customized products and services for the water, stimulation, fracturing, fluids, and production needs of customers throughout the U.S. and western Canada. The Company is owned primarily by two private equity funds with the same sponsor, with the remainder owned by certain current and former employees of the Company and former owners of the Acquired Companies (as defined below) and other companies subsequently acquired by Rockwater.

On June 1, 2011, the Company completed the combination ("Combination") of Benchmark Performance Group, Inc. ("Benchmark"), EnerMAX Services Limited Partnership ("EnerMAX"), Red Oak Water Transfer, Inc. ("Red Oak"), and Reef Services Holdings, Inc. ("Reef") (collectively, the "Acquired Companies"), pursuant to which the shareholders of the Acquired Companies exchanged all of their common stock in the Acquired Companies for common stock of Rockwater.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Rockwater and its majority-owned subsidiaries and are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated upon consolidation.

Segment Reporting

The Company operates in two operating and reportable segments. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. The Company's chief operating decision maker assesses performance based on Adjusted EBITDA and allocates resources on the basis of the two reportable segments, Water Management and Completion & Specialty Chemicals.

Reclassifications and Changes in Presentation

On February 15, 2017, the company adopted an amended and restated certificate of incorporation in order to, among other things, effect an approximate 9.3415-for-one stock split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock. As a result of the stock split, every 1 share of issued and outstanding common stock was combined into 9.3415 issued and outstanding shares of Class A common stock, without any change in the par value per share. The stock split increased the number of shares of common stock outstanding from approximately 3.2 million shares to 30.2 million shares at February 15, 2017. The number of authorized shares of common stock was also increased from 6.0 million shares to 250.0 million shares. All share and per share data included in this report has been retroactively recast

2. Summary of Significant Accounting Policies (Continued)

to reflect the stock split. Since the par value of the common stock remained at $0.01 per share, the recorded value for common stock has been retroactively recast to reflect the par value of total Class A common stock outstanding shares with a corresponding decrease to paid-in capital. See Note 16.

Reclassifications

Certain reclassifications have been made to the Company's prior period consolidated financial information in order to conform to the current year presentation. These presentation changes did not impact our consolidated net income, total current assets, total assets or total stockholders' equity.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ significantly from those estimates.

Revenue Recognition

Revenue is recognized when all of the following criteria have been met: (a) persuasive evidence of an arrangement exists, (b) delivery of the product has occurred or services have been rendered, (c) the price of the product or service is fixed or determinable, and (d) collectability is reasonably assured. Deposits and other funds received in advance of delivery, if any, are deferred until all revenue recognition criteria is complete. The Company reports all sales net of tax assessed by qualifying governmental authorities.

Our product sales and job-site services are performed under non-binding service agreements which set the general terms and conditions of our providing services or delivering products to our customers. Service agreements generally do not authorize the performance of specific services or provide for guaranteed quantities or amounts. Service agreements generally do not provide for performance-, cancellation-, termination-, or refund-type provisions.

Our Water Management segment services are generally sold under sales and service agreements based upon work orders or field tickets that do not include right of return provisions or other significant post-delivery obligations. Services are contracted through work orders or field tickets which stipulate the project, specific services to be provided and the expected dates for the performance of those services. The rates for our services are fixed and determinable and are established in the service agreement or in separate price lists based on standalone selling prices. Rates for services are typically priced on a per day, per meter, per man-hour, or similar basis. Service revenue is recognized when the services are rendered and collectability is reasonably assured.

Our Completion and Specialty Chemicals products are generally sold under sales agreements based upon purchase orders or contracts with our customers that do not include right of return provisions or other significant post-delivery obligations. Our products are produced in a standard manufacturing operation, even if produced to our customer's specifications. The prices of products are fixed and determinable and are established in price lists or customer purchases orders. We recognize revenue

2. Summary of Significant Accounting Policies (Continued)

from product sales when title passes to the customer, the customer assumes risks and rewards of ownership, collectability is reasonably assured, and delivery occurs as directed by our customer.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash is defined as cash on hand, amounts due from depository institutions, and interest-bearing deposits in other banks. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

The Company records accounts receivable at the net realizable value when the product or service is delivered to the customer. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. A provision for doubtful accounts is recorded when it becomes probable, in management's judgment, that the customer will not make the required payments. At December 31, 2016 and 2015, the allowance for doubtful accounts totaled $5.6 million and $11.7 million, respectively. Bad debt expense was $1.1 million and $6.8 million for the years ended December 31, 2016 and 2015, respectively, and is recognized in selling, general, and administrative expenses on the accompanying consolidated statements of operations and comprehensive loss. If the Company exhausts all reasonable collection efforts and determines that the balance will not be collected, management will write-off the accounts receivable and the associated provision for doubtful accounts.

Inventories

Inventories, which are comprised of chemicals and materials available for resale and parts and consumables used in operations, are valued at the lower of cost and net realizable value, with cost determined under the weighted-average method and market defined as the net realizable value. The significant components of inventory are as follows (in thousands):

	December 31, 2016	December 31, 2015
Raw materials	$ 12,268	$ 12,245
Finished goods	19,092	23,242
Other	1,745	4,974
	33,105	40,461
Inventory reserve	(9,206)	(8,637)
	$ 23,899	$ 31,824

During the years ended December 31, 2016 and 2015, the Company incurred charges of $0.5 million and $5.7 million, respectively, to state inventory at the lower of cost or market value, which were recognized within cost of sales on the accompanying consolidated statements of operations and

2. Summary of Significant Accounting Policies (Continued)

comprehensive loss. These charges were due to the identifiable market prices of certain guar inventories, which fell below the Company's cost of the product.

During the years ended December 31, 2016 and 2015, the Company recorded charges to the reserve for excess and obsolete inventory in the amount of $0.6 million and $4.2 million, respectively, which was recognized within cost of sales on the accompanying consolidated statements of operations and comprehensive loss. The reserve for excess and obsolete inventories is determined based on the Company's historical usage of inventory on hand, as well as future expectations, and the amount necessary to reduce the cost of the inventory to its estimated net realizable value.

Property, Plant, and Equipment, Net

Property, plant, and equipment are recorded at historical cost. Ordinary maintenance and repairs are charged to expense, while expenditures that extend the physical or economic life of the assets are capitalized. Depreciation is provided using the straight-line method over the estimated economic service lives of the assets.

When assets are retired or otherwise disposed of, the cost and the accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the results of operations in the respective period.

We test for possible impairment of property, plant, and equipment whenever events or circumstances change, such as a current period operating cash flow loss combined with a history of, or projected, operating cash flow losses or a significant adverse change in the manner in which the asset is intended to be used, which may indicate that the carrying amount of the asset may not be recoverable. If indicators exist, we compare the estimated undiscounted future cash flows related to the assets to the carrying amount of those assets. If the carrying value is greater than the estimated undiscounted future cash flows, the cost basis of the asset is reduced to reflect the current fair value.

We use various assumptions in determining the current fair value of these assets, including comparable sales reflective of market value, determined replacement cost, or future expected cash flows and discount rates, as well as future salvage values and other fair value measures. The Company's impairment loss calculations require management to apply judgment in estimating future cash flows, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.

Goodwill and Intangibles

Goodwill results from business combinations and represents the excess of the acquisition price paid over the fair value of the net assets acquired. The Company accounts for goodwill in accordance with Accounting Standards Codification (ASC) 350, *Intangibles—Goodwill and Other*. The Company performs an annual test for impairment each fiscal year and more frequently if an event or circumstance indicates the carrying value of the reporting unit may exceed the fair value. The Company performs its required annual impairment test using a discounted cash flow analysis supported by comparative market multiples to determine the fair value of each reporting unit compared with its book value. When possible impairment is indicated, the Company values the implied goodwill to compare it with the

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2. Summary of Significant Accounting Policies (Continued)

carrying amount of goodwill. If the carrying amount of goodwill exceeds its implied fair value, an impairment charge is recorded.

The Company completed its annual impairment test using an assessment date of November 1, 2016. The Company uses significant estimates and assumptions while determining the fair value of each reporting unit. Such estimates and assumptions applied by the Company include revenue growth rates, operating margins, weighted-average costs of capital, market multiples, and future market conditions, among others (level 3 inputs). We compare our assumptions with observable information related to companies with similar operations to the Company's reporting units. The assumptions used in estimating fair values and performing the goodwill impairment test are inherently uncertain and require management's judgment. In 2016 and 2015, no goodwill impairment losses were recorded as the estimated fair value of each reporting unit exceeded its carrying value.

We test for possible impairment of intangible assets whenever events or circumstances change, such as a current period operating cash flow loss combined with a history of, or projected, operating cash flow losses or a significant adverse change in the manner in which the asset is intended to be used, which may indicate that the carrying amount of the asset may not be recoverable. If indicators exist, we compare the estimated undiscounted future cash flows related to the assets to the carrying amount of those assets. If the carrying value is greater than the estimated undiscounted future cash flows, the cost basis of the asset is reduced to reflect the current fair value.

Our intangible assets include patents, customer relationships, intellectual property and non-compete agreements, and are subject to amortization. The Company evaluates the remaining useful life in each reporting period to determine whether events and circumstances warrant a revision of the remaining period of amortization. If the estimate of an intangible asset's remaining life is changed, the remaining carrying amount of such asset is amortized over that revised remaining useful life.

Foreign Currency

The Company's functional currency is the U.S. dollar. The Company has a Canadian subsidiary that has designated the Canadian dollar as its functional currency. Assets and liabilities are translated at period-end exchange rates, while revenue and expenses are translated at average rates for the period. The Company follows a practice of settling its intercompany loans; accordingly, the related translation gains and losses are recognized within foreign currency gains (losses) on the accompanying consolidated statements of operations and comprehensive loss. Translation adjustments for the asset and liability accounts are included as a separate component of accumulated other comprehensive loss in shareholders' equity.

Currency transaction gains and losses are recorded on a net basis in other income and expense, net, in the accompanying consolidated statements of operations and comprehensive loss. During the years ended December 31, 2016 and 2015, the Company reported net foreign currency gain of $0.3 million and a loss of $3.3 million, respectively.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based upon temporary differences between the

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2. Summary of Significant Accounting Policies (Continued)

carrying amounts and tax bases of the Company's assets and liabilities at the balance sheet date, and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in income in the period in which the change occurs. The Company records a valuation allowance in each reporting period when management believes that it is more likely than not that any deferred tax asset created will not be realized.

The accounting guidance for income taxes requires that the Company recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. If a tax position meets the "more likely than not" recognition criteria, the accounting guidance requires the tax position to be measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

Shipping and Handling Fees and Costs

The Company includes shipping and handling cost in cost of sales on the consolidated statements of operations and comprehensive loss.

Share-Based Compensation

The Company accounts for the cost of share-based compensation based on the fair value at the grant date by utilizing a Black-Scholes option-pricing model. At this time, there is no public market for the Company's equity. Therefore, the Company considers the historic volatility of publicly traded peer companies when determining the volatility factor. The Company recognizes the cost of share-based compensation on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. Forfeitures are estimated at the time of grant and adjusted, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The forfeiture rate is based on historical experience.

The assumptions used in the Black-Scholes method to estimate the fair value of the options granted in 2016 and 2015 are as follows:

	2016	2015
Weighted-average fair value(1)	$2.10	$2.35
Assumptions:		
Expected life (in years)	6 - 6.25	6 - 6.25
Volatility	28.22% - 29.11%	27.95% - 29.26%
Dividend yield	—%	—%
Risk-free interest rate	1.60% - 2.08%	1.74% - 1.84%

(1) Amounts have been retroactively recast for all prior periods presented to reflect the 9.3415-for-one stock split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock on February 15, 2017. See Note 16.

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2. Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk include trade accounts receivable. Trade accounts receivable consist of receivables from a large customer base. The Company primarily sells its products and services to customers in the oil and gas industry. While current energy prices are important contributors to positive cash flow for our customers, expectations about future prices and price volatility are generally more important for determining future spending levels. However, any prolonged increase or decrease in oil and natural gas prices affects the levels of exploration, development and production activity as well as the entire health of the oil and natural gas industry, and can therefore negatively impact spending by our customers.

The Company had one individual customer in the Completion & Specialty Chemicals segment accounting for more than 10% of its revenue in 2016. This customer represented 11% of the Company's total sales for the year ended December 31, 2016. The Company did not have a customer accounting for more than 10% of its revenue in 2015.

Fair Value Measurements

The Company has adopted the authoritative guidance as it relates to financial and nonfinancial assets and liabilities that are measured at fair value on a recurring basis as well as the guidance for fair value measurements as they relate to nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis. The carrying amounts for financial instruments classified as current assets and current liabilities approximate fair value, due to the short maturity of such instruments. The book value of the Company's long-term debt approximates fair value because interest rates charged are similar to other financial instruments with similar terms and maturities. See Note 3.

Recent Accounting Pronouncements

In January 2017, Financial Accounting Standards Board (the FASB) issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* which clarifies the definition of a business. The objective of the guidance is to help companies and other organizations which have acquired or sold a business to evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The requirements in this update are effective during annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted under certain circumstances. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* To simplify the subsequent measure of goodwill, the amendments in this ASU eliminate Step two from the goodwill impairment test. An entity will no longer be required to calculate the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if the reporting unit had been acquired in a business combination to determine the impairment of goodwill. The amendments in this ASU will now require goodwill impairment to be measured by the amount by which the carrying value of the reporting unit exceeds its fair value. The guidance in this ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Upon adoption, an entity shall apply the

guidance in this ASU prospectively with early adoption permitted for annual goodwill tests performed after January 1, 2017. We do not anticipate the adoption of this ASU to have a material impact on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern.* Currently, there is no guidance in effect under accounting principles generally accepted in the United States of America regarding management's responsibility to assess whether there is substantial doubt about an entity's ability to continue as a going concern. Under ASU No. 2014-15, we will be required to assess our ability to continue as a going concern each interim and annual reporting period and provide certain disclosures if there is substantial doubt about our ability to continue as a going concern, including management's plan to alleviate the substantial doubt. ASU No. 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016, with early adoption permitted. The adoption of this update did not have a material impact on the company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* which is effective for the Company for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The amendments in this update are intended to clarify cash flow treatment of eight specific cash flow issues with the objective of reducing diversity in practice. Early adoption is permitted, including adoption in an interim period. An entity that elects early adoption must adopt all of the amendments in the same period. These are clarifications of diversity in disclosures practices, and will not have a material effect on Rockwater's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606): Section A—Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs—Contracts with Customers (Subtopic 340-40),* which will supersede most of the existing revenue recognition requirements in U.S. GAAP. Under this guidance, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. This guidance also requires more detailed disclosures to enable users of the financial statements to understand the nature, amount, timing, and uncertainty, if any, of revenue and cash flows arising from contracts with customers. In August 2015, the FASB voted to defer the effective date to annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018, and must be adopted using either a full retrospective method or a modified retrospective method. This guidance was updated in April and May of 2016, when the FASB issued ASU 2016-10 and 2016-12, respectively —Revenue *from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing and Narrow-Scope Improvements and Practical Expedients.* Accounting Standards Update 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, defers the effective date of Update 2014-09 by one year. The Company is in the process of determining if this pronouncement will have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.* The purpose of this update to is to simplify overly complex areas of GAAP, while maintaining or improving the usefulness of the information. The areas for simplification in this update involve several aspects of the accounting for share-based payment

transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This update is effective for the Company in annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The Company is in the process of determining if this pronouncement will have a material impact on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* which requires lessees to recognize all leases, including operating leases, on the balance sheet as a lease asset or lease liability, unless the lease is a short-term lease. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. The requirements in this update are effective for annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted and a number of optional practical expedients may be elected to simplify the impact of adoption. Upon adoption, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective transition approach. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In August 2015, the FASB issued ASU No. 2015-15, *Interest—Imputation of Interest (Topic 835): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements,* which states that since ASU No. 2015-03, Interest—Imputation of Interest (Topic 835): Simplifying the Presentation of Debt Issuance Costs does not address line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the arrangement. Under guidance ASU No. 2015-03, debt issuance costs associated with non-revolving debt are presented as a reduction to the debt principal balance. The requirements in this update are effective during annual periods beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The debt issuance costs on the Company's consolidated financial statements are related solely to a line-of-credit arrangement. The Company currently reports debt issuance costs as an asset, therefore, the adoption of these updates did not have an impact on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory,* which provides that an entity that measures inventory by using first-in, first-out or average cost should measure inventory at the lower of cost and net realizable value, rather than at the lower of cost or market. Net realizable value is the estimated selling prices of such inventory in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The requirements in this update are effective during annual periods beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments in this Update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The adoption of this update did not have a material impact on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, *Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period,* to provide guidance on the accounting for share-

2. Summary of Significant Accounting Policies (Continued)

based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The requirements in this update became effective during interim and annual periods beginning after December 15, 2015. The adoption of this update did not have a material impact on the Company's consolidated financial statements.

3. Fair Value Measurements

The Company follows the framework for measuring fair value under U.S. GAAP. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Hierarchical levels, as defined in this guidance, directly relate to the amount of subjectivity associated with the inputs to fair valuations of the Company's assets and liabilities, as follows:

· Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

· Level 2—Inputs other than quoted prices included within Level **1** that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates), and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

· Level 3—Inputs that are both significant to the fair value measurement and unobservable. Unobservable inputs reflect the Company's judgment about assumptions market participants would use in pricing the asset or liability.

The Company incurred a contingent consideration obligation in relation to the Neohydro Corp. (Neohydro) acquisition in 2014. Changes in the fair value of the contingent consideration obligation may result from changes in the terms of the contingent payments, discount periods and rates; the timing and amount of earnings before interest, taxes, depreciation, and amortization (EBITDA) estimates; and probability assumptions with respect to the timing and likelihood of achieving a positive EBITDA for the period from July 1, 2014 through December 31, 2018. It is reasonably possible that the estimate of the contingent liability could change in the near term, based upon a failure to achieve a positive EBITDA or other payment conditions. At each reporting date, we are required to revalue the contingent consideration obligation to the estimated fair value and recognize changes in fair value within selling, general, and administrative expense in the accompanying consolidated statements of operations and comprehensive loss. See Note 9.

3. Fair Value Measurements (Continued)

The Company had the following liabilities measured at fair value on a recurring basis as of December 31, 2016 and 2015 (in thousands):

	Level 1	Level 2	Level 3	Total
2016				
Contingent consideration	$ —	$ —	$ 259	$ 259

	Level 1	Level 2	Level 3	Total
2015				
Contingent consideration	$ —	$ —	$ 705	$ 705

The following table summarizes the activity of the contingent consideration utilizing Level 3 fair value measurements (in thousands):

	2016	2015
Fair value at January 1	$ 705	$ 1,615
Acquisitions	—	—
Settlements and other	31	(150)
Changes in fair value	(477)	(760)
Fair value at December 31	$ 259	$ 705

At December 31, 2016, the carrying value of the Company's debt under its revolving credit facility was $100.4 million. The debt incurs interest at a variable interest rate and, therefore, the carrying amount approximates fair value. The fair value of the debt is classified as a Level 2 measurement because interest rates charged are similar to other financial instruments with similar terms and maturities.

The fair value of the Company's other debt is reported in Note 8.

4. Property, Plant, and Equipment, net of Accumulated Depreciation

Major classifications of property, plant, and equipment and their respective estimated useful lives are as follows (in thousands):

	Estimated Useful Lives	December 31, 2016		December 31, 2015	
Land	Indefinite	$	13,140	$	13,139
Buildings and leasehold improvements	1 - 39 years		30,052		32,008
Computers and office equipment	3 - 7 years		13,446		13,574
Completion & Specialty Chemicals—machinery and equipment	5 - 12 years		22,461		26,117
Water management—machinery and equipment	3 - 15 years		202,242		209,347
Automobiles, trucks, and trailers	4 - 7 years		151,650		147,179
			432,991		441,364
Less accumulated depreciation			(287,228)		(261,289)
			145,763		180,075
Construction in progress			1,788		1,023
Property, plant, and equipment, net		$	147,551	$	181,098

For the years ended December 31, 2016 and 2015 depreciation expense was $43.9 million and $51.5 million, respectively.

During 2016, the Company reviewed certain fluids logistics machinery and equipment used in its Water Management segment operations in Canada. Based on this evaluation, the Company determined that long-lived assets with a carrying value of $1.3 million were no longer recoverable and were written down to their estimated fair value, less estimated costs to sell, of $0.3 million.

During 2015, the Company shut down its flowback operations of the Water Management segment in Canada due to under performance. Due to the condition and type of equipment used in the Water Management segment in Canada, the Company determined that long-lived assets with a carrying value of $2.0 million were no longer recoverable and were written down to their estimated fair value, less estimated costs to sell, of $0.1 million. Fair value was based on expected cash flows using Level 3 inputs under ASC 820. The cash flows are those expected to be generated by market participants on a discounted basis.

Rockwater is obligated under various capital leases for certain vehicles and equipment that expire at various dates during the next five years. The gross amount of equipment and related accumulated

4. Property, Plant, and Equipment, net of Accumulated Depreciation (Continued)

depreciation recorded under capital leases and included above consisted of the following (in thousands):

	Estimated Useful Lives	December 31, 2016		December 31, 2015	
Equipment	5 - 12 years	$	716	$	843
Automobiles, trucks, and trailers	4 - 7 years		5,306		—
			6,022		843
Less accumulated depreciation			(890)		(667)
		$	5,132	$	176

Depreciation of assets held under capital lease for the years ended December 31, 2016 and 2015 was $0.9 million and $0.1 million, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statements of operations and comprehensive loss.

5. Goodwill and Intangible Assets

Goodwill

The changes in the amount of goodwill from January 1, 2015 to December 31, 2016, are as follows (in thousands):

	Water Management	Completion & Specialty	Total

			Chemical	
Goodwill balance as of January 1, 2015	$ 196,242	$ 22,222	$ 218,464
Acquisitions	—	—	—
Disposition due to sale	—	—	—
Impact of foreign currency translation	(10,487)	—	(10,487)
Goodwill balance as of December 31, 2015	$ 185,755	$ 22,222	207,977
Acquisitions	—	—	—
Disposition due to sale	—	—	—
Impact of foreign currency translation	1,676	—	1,676
Goodwill balance as of December 31, 2016	$ 187,431	$ 22,222	209,653

As of December 31, 2016, the Company had no cumulative impairment charges.

5. Goodwill and Intangible Assets (Continued)

Intangible Assets

At December 31, 2016 and 2015, intangible assets consisted of the following:

	December 31, 2016			
	Gross Carrying Amount	Accumulated Amortization	Net Amortizable Intangibles	Amortization Period
		(in thousands)		(In Years)
Customer relationships	$ 86,906	$ (69,109)	$ 17,797	5 - 10
Patents and technology	2,340	(874)	1,466	15 - 18
Intellectual property	8,355	(4,484)	3,871	15 - 20
	$ 97,601	$ (74,467)	$ 23,134	

	December 31, 2015			
	Gross Carrying Amount	Accumulated Amortization	Net Amortizable Intangibles	Amortization Period
		(in thousands)		(In Years)
Customer relationships	$ 86,906	$ (61,811)	$ 25,095	5 - 10
Patents and technology	2,340	(736)	1,604	15 - 18
Non-compete agreements	1,869	(1,844)	25	5
Intellectual property	8,355	(3,837)	4,518	15 - 20
	$ 99,470	$ (68,228)	$ 31,242	

During 2015, the Company evaluated certain of its customer relationships due to the shutdown of its flowback operations of the Water Management segment in Canada. Based on an assessment of the value of the customer relationships using a discounted cash flow analysis, the Company recorded an impairment charge of $1.4 million, which is recognized in impairments of long-lived and intangible assets on the accompanying consolidated statements of operations and comprehensive loss.

Amortization expense was $8.1 million and $9.7 million for the years ended December 31, 2016 and 2015 respectively. The estimated amortization expense for the next five years and thereafter is as follows (in thousands):

Year ending December 31:	
2017	$ 7,347
2018	5,085
2019	3,339
2020	3,309
2021	524
Thereafter	3,530
	$ 23,134

6. Accrued Liabilities and Other Current Liabilities

Accrued liabilities and other current liabilities consist of the following (in thousands):

	December 31, 2016	December 31, 2015

Accrued accounts payables	$ 9,985	$ 11,316
Wages, benefits and taxes	6,207	10,980
Restructuring costs	3,338	1,495
Property taxes payable	1,881	1,798
Other	2,646	2,345
	$ 24,057	$ 27,934

7. Income Taxes

The jurisdictional components of loss from operations before income taxes consist of the following (in thousands):

	Year Ended December 31,	
	2016	2015
U.S.	$ (67,122)	$ (84,806)
Foreign	(12,663)	(10,745)
Total	$ (79,785)	$ (95,551)

The provision for (benefit from) income taxes consists of the following (in thousands):

	Year Ended December 31,	
	2016	2015
Current provision (benefit):		
U.S. federal	$ (9)	$ (6,110)
U.S. state	39	(70)
Foreign	(1,636)	(1,599)
Total current benefit	(1,606)	(7,779)
Deferred provision benefit:		
U.S. federal	3,007	(15,119)
U.S. state	—	(860)
Foreign	(1,308)	(225)
Total deferred provision (benefit)	1,699	(16,204)
U.S. federal and state uncertain tax position	—	(28)
Provision for (benefit from) income taxes	$ 93	$ (24,011)

7. Income Taxes (Continued)

The following table reconciles the statutory tax rates to the Company's actual tax rate:

	Year Ended December 31,	
	2016	2015
U.S. federal statutory rate	35.0%	35.0%
Tax at rates other than U.S. statutory rate	(1.3)	(1.0)
U.S. state income taxes, net of federal benefit	0.3	1.6
Nondeductible expenses	(0.4)	(0.2)
Changes in valuation allowance	(33.2)	(7.0)
Deferred taxes on foreign earnings	—	(3.6)
Return to accrual	(0.2)	0.6
Net operating loss carryback	—	(0.5)
Other	(0.3)	0.2
Effective income tax rate	(0.1)%	25.1%

The Company's deferred tax assets and liabilities consist of the following(in thousands):

	December 31,	
	2016	2015
Deferred tax assets, net—short term	$ —	$ —
Deferred tax liabilities, net—long-term	(19,758)	(17,936)
Total	$ (19,758)	$ (17,936)

7. Income Taxes (Continued)

	December 31, 2016	December 31, 2015
Deferred tax assets:		
Stock compensation	$ 4,105	$ 4,107
Allowance for doubtful accounts	1,921	4,022
Inventory	4,007	3,933
Accruals	3,209	4,008
Net operating losses	43,267	21,672
Other	938	2,277
Total gross deferred tax assets	57,447	40,019
Valuation allowance	(32,714)	(7,104)
Total gross deferred tax assets	24,733	32,915
Deferred tax liabilities:		
Depreciation on property, plant, and equipment	(24,969)	(31,633)
Amortization of goodwill and other intangibles	(17,416)	(15,663)
Foreign income inclusion	(2,106)	(3,555)
Other	—	—
Total gross deferred tax liabilities	(44,491)	(50,851)
Net deferred tax liabilities	$ (19,758)	$ (17,936)

As of December 31, 2016 various subsidiaries have federal, state and foreign net operating loss carryforwards taken together of $192 million with expiration dates through 2036. In addition, at December 31, 2016, the Company had approximately $0.5 million of foreign tax credit carryforwards, which will expire in the year 2021.

Federal, state and foreign net operating loss carryforwards will expire as follows:

	Federal	State	Foreign	Total
	(in thousands)			
2017 - 2021	$ —	$ 35	$ —	$ 35
2022 - 2026	—	590	—	590
2027 - 2031	353	863	—	1,216
Thereafter	109,005	77,664	3,405	190,074
Total	$ 109,358	$ 79,152	$ 3,405	$ 191,915

The Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of existing deferred tax assets. The evaluation considers, among various other items, the recent history of earnings, forecasted future earnings, carryback and carryforward periods, and tax planning strategies. Based on this evaluation, the Company has recorded a valuation allowance of $32.7 million against deferred tax assets, related to U.S. and Non-U.S. federal and local deferred tax assets. If or when recognized, the tax benefits related to any

7. Income Taxes (Continued)

reversal of the valuation allowance on the deferred tax assets as of December 31, 2016 will be recognized as a reduction to income tax expense.

The Company has a partial reinvestment on foreign earnings. Relevant U.S. taxes have been provided on the anticipated repatriation of foreign earnings of $6.0 million. As of December 31, 2016, the Company has not made a provision for U.S. taxes on approximately $22.9 million of foreign earnings that are permanently reinvested. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under other circumstances. It is not practical to estimate the amount of deferred tax liability related to those earnings in foreign subsidiaries which are permanently reinvested.

The following is a reconciliation of the total amounts of unrecognized tax benefits (in thousands):

	Year Ended December 31, 2016	Year Ended December 31, 2015
Unrecognized tax benefits at January 1	$ —	$ 28
Gross (decreases) increase—prior period positions	—	(28)
Unrecognized tax benefits at December 31	$ —	$ —

The Company recognizes interest and penalties related to unrecognized tax benefits within income tax expense in the accompanying consolidated statements of operations and comprehensive income (loss). Accrued interest and penalties are included within the related tax liability in the accompanying consolidated balance sheets. Related to the unrecognized tax benefits noted above, the Company did not accrue for interest nor penalties in the years ended December 31, 2016 and 2015.

The Company is subject to federal and state taxation in the U.S. and Canada. As of December 31, 2016, the Company's tax years for 2012 through 2015 are subject to examination by tax authorities in the U.S. and the tax years 2012 through 2015 are subject to examination by certain state tax authorities and tax authorities in Canada.

8. Credit Facilities, Notes Payable, and Capital Lease Obligations

Credit facilities, notes payable, capital lease obligations and lines of credit consist of the following (in thousands):

	December 31, 2016	December 31, 2015
Senior secured credit facility	$ 100,381	$ 104,319
Capital lease obligations	5,200	254
Total due to unrelated third-parties	105,581	104,573
Due to former owners		
Note payable to former owner of Neohydro, interest at 0.31%	—	500
Note payable to former owner of Benchmark, interest at 7%	10,175	10,000
Total due to former owners	10,175	10,500
Total long-term debt	115,756	115,073
Less current capital lease obligation	2,028	200
Less current portion of long-term debt	10,175	500
Long-term debt and capital lease obligations, net of current portion	$ 103,553	$ 114,373

On June 1, 2011, the Company entered into a senior secured credit facility with several financial institutions. Prior to being amended in March 2015 and December 2015, as noted below, the credit facility provided for a $555.0 million revolving credit facility that matured on June 1, 2016. The facility consisted of $440.0 million under the U.S. Tranche A Commitments, $100.0 million under the U.S. Tranche B Commitments, and $15.0 million under the Canadian Commitments

On March 9, 2015, the Company amended and restated its senior secured credit facility. Under the amendment, the U.S. Tranche A Commitments were reduced from $440.0 million to $335.0 million, the U.S. Tranche B Commitments were terminated, the Canadian Commitments remained at $15.0 million, and the maturity date was extended to March 9, 2019.

The Company evaluated the application of ASC 470-50, Debt Modification and Extinguishment, and ASC 470-60, Troubled Debt Restructuring, and concluded that the revised terms constituted a debt modification, rather than a debt extinguishment or a troubled debt restructuring. Due to the modification, the unamortized deferred costs for creditors that exited the credit facility, totaling approximately $0.4 million, were expensed as of the modification date, while the remaining unamortized deferred costs of approximately $1.2 million, fees paid to the creditors of approximately $2.9 million, and new third-party costs, primarily legal fees, of approximately $0.5 million were scheduled to be amortized through the maturity date.

On December 2, 2015, the Company further amended its senior secured credit facility. Under this amendment, the U.S. Commitments were reduced from $335.0 million to $172.5 million, the Canadian Commitments were reduced from $15.0 million to $7.5 million, and the maturity date was amended to April 30, 2018.

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8. Credit Facilities, Notes Payable, and Capital Lease Obligations (Continued)

The following financial ratios were also amended for covenant purposes:

- Leverage ratio (as defined in the credit facility) of not more than 3.50 to 1.00 for the fiscal quarters beginning June 30, 2017
- Interest coverage ratio (as defined in the credit facility) of 1.25 to 1.00 for the fiscal quarter ending June 30, 2016; 1.50 to 1.00 for the fiscal quarter ending September 30, 2016; 2.00 to 1.00 for the fiscal quarter ending December 31, 2016; 2.50 to 1.00 for the fiscal quarters ending March 31, 2017 and June 30, 2017: and 3.00 to 1.00 for each fiscal quarter ending after June 30, 2017
- Total capital expenditures of not more than $12.0 million for 2015, $7.0 million for 2016, and for each year thereafter, 75% of the U.S. Borrower's consolidated EBITDA for the immediate prior fiscal year

The Company concluded that the December 2015 revision constituted a debt modification, rather than a debt extinguishment or a troubled debt restructuring. Due to the modification, the unamortized deferred costs were written off in proportion to the decrease in the borrowing capacity; therefore, approximately $2.4 million was expensed as of the modification date. The remaining unamortized deferred costs of approximately $1.4 million, fees paid to the creditors of approximately $0.4 million, and new third-party costs, primarily legal fees, of approximately $0.3 million will be amortized through April 30, 2018.

Beginning in January 2016, the Company's availability under the facility was subject to a "borrowing base" limitation, based on eligible assets, and an interest coverage test. Eligible assets included under the borrowing base are equipment, inventory, real property and receivables. The borrowing base is calculated as follows:

- 80% of eligible receivables; plus
- 50% of the value of eligible inventory, valued at the lower of cost or market value; plus
- 60% of the net book value of eligible equipment; plus
- 65% of the appraised value of real property; minus
- A rent reserve

Beginning in 2016, until the Company delivered a quarterly financial report and a compliance certificate to the U.S. Administrative Agent for the quarter ending March 31, 2016, total outstandings (other than undrawn letters of credit) must be less than or equal to $140.0 million and total outstandings under each of the U.S. and Canadian facilities (other than undrawn letters of credit) must be less than or equal to the U.S. and Canadian borrowing bases, respectively. In periods after March 31, 2016, the Company's availability differs depending on whether the interest coverage ratio as of the most recently ended fiscal quarter is less than or equal to 1.50 to 1.00. In periods in which the Company's interest coverage ratio is less than or equal to 1.50 to 1.00, total outstanding (other than undrawn letters of credit) must be less than or equal to $150 million and each of the U.S. and Canadian facilities (not including undrawn letters of credit) must be less than or equal to the U.S. and Canadian borrowing bases, respectively. In periods in which the Company's interest coverage ratio

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8. Credit Facilities, Notes Payable, and Capital Lease Obligations (Continued)

exceeds 1.50 to 1.00, total outstandings (inclusive of letters of credit) must not exceed the lesser of the borrowing bases or the aggregate total commitments.

In conjunction with entering and amending the senior secured revolving credit facility, $0.9 million and $3.9 million of debt finance costs were amortized to interest expense for the years ended December 31, 2016 and 2015, respectively.

Effective August 9, 2016, the U.S. Commitments were reduced from $172.5 million to $167.2 million since the Company did not meet the minimum Interest Coverage Ratio threshold of 1.25 to 1.00 as required by the senior secured credit facility for the quarter ended June 30, 2016. Under the terms of the agreement, the Company's majority owner was required to make an equity contribution, as determined by the credit agreement, of $5.3 million at which time the Company became compliant with the financial covenants of the credit agreement.

Availability under the credit facility, considering the covenants discussed above, was approximately $6.0 million at December 31, 2016. The Company was in compliance with the aforementioned financial covenants at December 31, 2016.

Amounts outstanding under the credit facility at December 31, 2016 and 2015 were $100.4 million and $104.3 million, respectively. Interest is payable monthly, on the date any Advance is paid in full and on the maturity date. Amounts outstanding are collateralized by a general security agreement over the Company's assets and the terms of this agreement restrict the Company's ability to sell, transfer, or encumber such assets. The Company is also subject to various financial and other covenants under the terms of its credit facility, which, among other things, impose limitations on investments, acquisitions, dispositions, capital expenditures and the incurrence of additional debt. The weighted-average interest rate at December 31, 2016 and 2015 was 5.03% and 3.02%, respectively. Interest is computed using the one-month London Interbank Offered Rate (LIBOR), in addition to an applicable margin between 2.5% and 4.5% (with the applicable margin depending upon the Company's ratio of the total funded debt to EBITDA, as defined in the credit agreement). Letters of credit outstanding under the credit facility totaled $4.7 million at December 31, 2016 and 2015. All the outstanding borrowings under the credit agreement were repaid on February 16, 2017. See Note 16.

The Company's water management company formerly known as Red Oak had a subordinated note payable to its former owner for $2.0 million The subordinated note was repaid in July 27, 2015.

Rockwater had a senior unsecured promissory note with the former owner of Neohydro, bearing interest at 0.31%, payable annually. A principal payment of $0.5 million was made on July 1, 2015 and the final installment of $0.5 million was paid on July 29, 2016.

The Company's completion chemicals company formerly known as Benchmark had a subordinated note to its former owner. The subordinated note was due January 21, 2017, and bore interest at 7.0%, payable quarterly starting March 31, 2011. The fair value of this note at December 31, 2016 was $10.2 million. Per the terms of a Subordination Agreement with the former owner, the Company was not required to pay the scheduled principal payment due on January 21, 2017. The note was repaid on February 16, 2017. See Note 16.

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9. Commitments and Contingencies

Lease Commitments

The Company has operating leases for trucks, trailers, warehouses, office space, manufacturing facilities, and equipment. The Company also has capital leases for trucks, trailers and equipment. The leases generally require the Company to pay certain expenses, including taxes, insurance, maintenance, and utilities. Additionally, the Company has entered into noncancelable leases for certain equipment. The minimum future lease commitments under noncancelable leases in effect at December 31, 2016 are as follows (in thousands):

Year ending December 31:	Operating Leases	Capital Leases	Total
2017	$ 10,606	$ 2,028	$ 12,634
2018	7,716	2,047	9,763
2019	5,289	909	6,198
2020	4,174	129	4,303
2021	1,765	87	1,852
Thereafter	910	—	910
	$ 30,460	$ 5,200	$ 35,660

A majority of the Company's automobile, truck, and trailer operating leases are cancelable after the first 367 days of the rental term even though the maximum rental term exceeds 367 days. Lease payments beyond the first 367 days of the rental term are not included in the table above because they are cancelable. In the event the Company cancels a lease after the first 367 days of the rental term, there is no penalty to the Company; however, upon the sale of the asset, there is a settlement provision that compares the net resale proceeds against the lessor's net book value. If the net resale proceeds exceed the net book value, the Company will be reimbursed for the difference. If there is a shortfall between the net resale proceeds and the net book value, the Company is required to pay the deficiency to the lessor.

Total rent expense was $20.2 million and $21.3 million under operating leases for the years ended December 31, 2016 and 2015, respectively.

Letters of Credit and Guarantees

The Company has a $4.7 million standby letter of credit to guarantee the Company fulfills certain workers compensation and auto liability insurance requirements.

Litigation

The Company is subject to a number of lawsuits and claims arising out of the conduct of its business. The ability to predict the ultimate outcome of such matters involves judgments, estimates, and inherent uncertainties. Based on a consideration of all relevant facts and circumstances, including applicable insurance coverage, we do not expect that the ultimate outcome of any currently pending lawsuits or claims against the Company will have a material adverse effect on the consolidated financial position, results of operations, or cash flows; however, there can be no assurance as to the ultimate outcome of these matters.

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9. Commitments and Contingencies (Continued)

We are under investigation by the U.S Attorney's Office for the Middle District of Pennsylvania and the Environmental Protection Agency. It is alleged that certain employees at some of our facilities altered emissions controls systems on approximately 4% of the vehicles in our fleet in violation of the Clean Air Act. The Company is cooperating with the relevant authorities to resolve the matter. At this time no administrative, civil or criminal charges have been brought against the Company and we cannot estimate the possible fines and penalties that may be levied against the Company.

The Company insures against risks arising from business, to the extent deemed prudent by management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify against liabilities arising out of pending or future legal proceedings or other claims. Some of the Company's insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which the Company is responsible for payment. In determining the amount of policy retentions and/or deductibles, it is the Company's policy generally to retain those losses that are predictable, measurable, and recurring in nature, such as claims for general liability and workers' compensation.

Monolyte Litigation and Related Matters

The Company and certain subsidiaries are named defendants in two pending lawsuits arising from a November 2012 fire at a chemical facility owned and operated by Monolyte in Slaughter, Louisiana. The Company previously acquired certain assets from Monolyte in 2011 and purchased products from Monolyte's Slaughter facility. The lawsuits generally name certain Company subsidiaries, as well as Monolyte, its owner, its primary insurer, and the landowner/lessor of the Monolyte site, as defendants.

The two lawsuits are identical except for the fact that one was filed in East Feliciana Parish on November 18, 2013 and the other was filed in East Baton Rouge Parish on September 24, 2013. The plaintiffs allege that they lived near the Monolyte facility and suffered personal injuries and property damage as a result of emissions from the facility fire which occurred in November, 2012, and subsequent cleanup operations.

The Company has notified its insurer of these claims and is vigorously defending against each such claim. Reef Services Holdings, Inc. has been served but no other defendants have been served. There has been no discovery in the case and a trial date has not yet been set.

At this time, although management is unable to reasonably estimate any potential financial impact associated with this litigation, the Company does not expect it to result in a material adverse effect on the Company's consolidated financial condition or results of operations.

Contingent Consideration

In 2014, the Company acquired 100% of the equity interests in Neohydro. Neohydro owned certain water treatment intellectual property and technology that supports the Company's water reuse service line in all markets where it operates. The Company paid aggregate consideration of approximately $0.8 million in cash, a $1.0 million note payable, and certain contingent consideration of up to $2.0 million.

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9. Commitments and Contingencies (Continued)

The aggregate earn-out opportunity of up to $2.0 million for the period from July 1, 2014 through December 31, 2018 (Payout Period) is based on the water reuse service line's EBITDA during each measurement period within the Payout Period. The seller will receive 18.5% of the positive EBITDA generated by the water reuse service line during the measurement periods, subject to an annual true-up and certain other specified conditions, up to $2.0 million in aggregate. The contingent consideration must be calculated and paid quarterly, and is subject to true-up at the end of the measurement periods. We determined the estimated fair value of the contingent consideration obligation based on a probability-weighted income approach derived from EBITDA estimates and probability assessments with the likelihood of achieving positive EBITDA. As of

December 31, 2016 and 2015, the fair value of the contingent consideration was $0.3 million and $0.7 million, respectively, and is included in other long-term liabilities on the accompanying consolidated balance sheets.

10. Shareholders' Equity

Class A Common Stock

On February 15, 2017, we effected an approximate 9.3415-for-one stock split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock. As a result of the stock split, as of December 31, 2016, the Company has 250,000,000 authorized shares of $0.01 par value Class A common stock. See Note 1.

Preferred Stock

Our amended and restated certificate of incorporation authorizes our board of directors, subject to any limitations prescribed by law, without further stockholder approval, to establish and to issue from time to time one or more classes or series of preferred stock, par value $0.01 per share, covering up to an aggregate of 50,000,000 shares of preferred stock. Each class or series of preferred stock will cover the number of shares and will have the powers, preferences, rights, qualifications, limitations and restrictions determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights and redemption rights. Except as provided by law or in a preferred stock designation, the holders of preferred stock will not be entitled to vote at or receive notice of any meeting of stockholders.

11. Employee Benefit Plans and Share-Based Compensation

Profit Sharing and Retirement Plans

The Company maintains separate employee savings plans for specified eligible employees, such as 401(k) savings plans for U.S. employees and Registered Retirement Savings Plans for Canadian employees. The Company made employer contributions either at their discretion or as a matching percentage, as defined by the respective plan agreements. Such contributions are reported within selling, general, and administrative expense and cost of sales in the accompanying consolidated statements of operations and comprehensive loss. The Company did not make any employer contributions for the year ended December 31, 2016. Total employer contributions for the year ended December 31, 2015 were $2.1 million.

11. Employee Benefit Plans and Share-Based Compensation (Continued)

Stock Split and Reclassification

On February 15, 2017, we effected an approximate 9.3415-for-one stock split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock. Shares reserved under the Company's equity and incentive plans were recast to reflect the stock split. All share and per share data has been retroactively recast to reflect the stock split.

Stock Options

Rockwater Share-Based Compensation Plan

The exercise price of each option is the estimated fair value of the Company's stock at the date of grant. The Company's share price used to estimate the fair value of the option at the grant date was based on a combination of income and market approaches, which are highly complex and sensitive. The income approach involves the use of a discounted cash flow method, with the cash flow projections discounted at an appropriate discount rate. The market approach involves the use of comparable public companies market multiples in estimating the fair value of the Company's stock. Options may be exercised over a ten-year period and generally vest annually in equal increments over three or four years. The Company's policy for issuing stock upon a stock option exercise is to issue new shares.

The following tables provide additional information related to the Rockwater stock options.

	Number of Shares(1)	Weighted-Average Exercise Price(1)	Remaining Weighted-Average Contractual Life in Years	Intrinsic Value (in thousands)
2016 Activity				
Beginning balance	608,264	$ 11.22	8.54	$ —
Granted	843,913	6.62		
Exercised	—	—		
Forfeited	(34,505)	15.87		
Total outstanding	1,417,672	8.30	8.99	—
Options exercisable	313,381	12.84	6.38	—

	Number of Shares(1)		Weighted-Average Exercise Price(1)	Remaining Weighted-Average Contractual Life in Years		Intrinsic Value (in thousands)
2015 Activity						
Beginning balance	353,558	$	16.38	7.29	$	—
Granted	370,933		7.35			
Exercised	—		—			
Forfeited	(116,227)		14.55			
Total outstanding	608,264		11.22	8.54		—
Options exercisable	185,193		16.22	6.07		—

(1) Share amounts have been retroactively recast for all prior periods presented to reflect the 9.3415-for-one stock split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock on February 15, 2017. See Note 16.

Acquired Companies Share-Based Compensation Plans

Stock options related to the Acquired Companies, which were granted prior to the creation of Rockwater, converted into Rockwater options at the Combination on June 1, 2011 and continue to be outstanding and are disclosed below. Since the inception of Rockwater, only Rockwater stock options have been granted.

The exercise price of each option is the estimated fair value of the Company's stock at the date of grant. Options may be exercised over either a seven or a ten-year period and vest annually in equal increments over three or four years. The Company's policy for issuing stock upon a stock option exercise is to issue new shares.

The following tables provide additional information related to stock options issued by the Acquired Companies:

	Number of Shares(1)		Weighted-Average Exercise Price(1)	Remaining Weighted-Average Contractual Life in Years		Intrinsic Value (in thousands)
2016 Activity						
Beginning balance	1,975,414	$	10.72	4.91	$	—
Granted	—		—			
Exercised	—		—			
Forfeited	(38,992)		8.08			
Total outstanding	1,936,422		10.77	3.91		—
Options exercisable	1,936,422		10.69	3.91		—

	Number of Shares(1)		Weighted-Average Exercise Price(1)	Remaining Weighted-Average Contractual Life in Years		Intrinsic Value (in thousands)
2015 Activity						
Beginning balance	2,027,997	$	10.63	5.85	$	1,911
Granted	—		—			
Exercised	—		—			
Forfeited	(52,583)		7.29			
Total outstanding	1,975,414		10.72	4.91		—
Options exercisable	1,964,548		10.64	4.91		—

(1) Share amounts have been retroactively recast for all prior periods presented to reflect the 9.3415-for-one stock split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock on February 15, 2017. See Note 16.

Restricted Stock

Restricted stock issued generally vests ratably over a three- or four-year period from the date of grant, depending on the terms of the specific grant. Further information about the restricted stock follows:

	Number of Shares of a Restricted Stock(1) 2016	2015
Non-vested at the beginning of the year	380,836	362,825
Granted	—	113,331
Vested	(62,934)	(50,603)
Repurchased	—	(9,173)
Forfeited	—	(35,544)
Non-vested at the end of the year	317,902	380,836

(1) Share amounts have been retroactively recast for all prior periods presented to reflect the 9.3415-for-one stock split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock on February 15, 2017. See Note 16.

After adjusting for the 9.3415-for-one stock split, the weighted-average grant-date fair value of the restricted stock was $13.66 per share during the year ended December 31, 2015. The total fair value of restricted stock vested during the years ended December 31, 2016 and 2015 was $0.4 million and $0.6 million, respectively.

11. Employee Benefit Plans and Share-Based Compensation (Continued)

Phantom Stock

After adjusting for the 9.3415-for-one stock split, in connection with an acquisition, 14,012 shares of phantom stock were issued in December 2012 to certain employees of the acquired company. The phantom stock vests ratably over a four-year period from the date of grant, assuming continuing employment by the Phantom Stockholder. Upon vesting, a number of Rockwater common shares will be issued to the employee equal to the number of shares of vested phantom stock. During 2015, all of the remaining shares of phantom stock were forfeited. Further information about the phantom stock follows:

	Number of Shares of Phantom Stock(1)	
	2016	2015
Non-vested at the beginning of the year	—	4,428
Vested	—	—
Forfeited	—	(4,428)
Non-vested at the end of the year	—	—

(1) Share amounts have been retroactively recast for all prior periods presented to reflect the 9.3415-for-one stock split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock on February 15, 2017. See Note 16.

Total Share-based Compensation Expense

It is the Company's policy to recognize compensation expense on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. For all of the plans combined, the total amount of compensation expense recorded was approximately $2.3 million and $2.2 million for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, the Company expects to record compensation expense of approximately $3.7 million over the remaining vesting term of the restricted stock and options of approximately three years. Future stock option grants will result in additional compensation expense.

12. Warrants

After adjusting for the 9.3415-for-one stock split, pursuant to the Combination agreement entered into on June 1, 2011, 80,664 warrants were issued to purchase shares of the Company's common stock at an exercise price of $12.88 per share. The warrants were valued using the Black-Scholes pricing model and resulted in a fair value of $1.86 per warrant, which was recorded as additional paid in capital within the consolidated statement of changes in shareholders' equity. The warrants are exercisable by the holders at any time until the expiration date. The warrants expired on June 1, 2016. No warrants were exercised.

13. Restructuring Charges

In 2015, in response to the decline in the commodity price of oil and the contraction of the shale oil activity during 2015, the Company began a comprehensive effort to streamline its operating structure and reduce its fixed operating costs in the Water Management and the Completion & Specialty Chemicals segments. Accordingly, the Company eliminated certain
management positions, closed facilities and offices and reduced service line offerings in various regions of the U.S. and Canada. During 2016, in response to the further declines in oil and natural gas commodity prices the Company further reduced the number of employees and closed an additional 26 operating and manufacturing locations, 23 of which were subject to long-term operating lease agreements. During the years ended December 31, 2016 and 2015, the Company recognized $8.2 million and $5.6 million of restructuring charges, respectively, consisting primarily of severance payments to employees, contract termination costs, costs associated with the closure or relocation of facilities and offices and the relocation of property and equipment. The Company continues to evaluate potential changes to its operations and estimates additional restructuring charges of $0.1 million for year ended December 31, 2017.

Restructuring charges consist of the following (in thousands):

	Year Ended December 31,	
	2016	2015
Severance expense and related benefit costs	$ 1,262	$ 3,539
Exit costs	5,781	1,763

Other	1,126	336
Total restructuring charges	$ 8,169	$ 5,638

The changes in the amount of restructuring accrual from January 1, 2014 to December 31, 2016, by segment, are as follows (in thousands):

	Water Management	Completion & Specialty Chemicals	Corporate & Other	Total
Year ended December 31, 2014	—	—	—	—
Restructuring charges	1,093	2,386	2,159	5,638
Payments	(1,093)	(2,270)	(780)	(4,143)
Year ended December 31, 2015	—	116	1,379	1,495
Restructuring charges	6,741	1,071	357	8,169
Payments	(4,134)	(1,116)	(1,076)	(6,326)
Year ended December 31, 2016	2,607	71	660	3,338

During 2016, we recorded $0.3 million and $0.6 million related to severance expense and related benefit for Water Management and Completion & Specialty Chemicals, respectively. During 2015, we recorded $0.8 million and $1.3 million related to severance expense and related benefit for Water Management and Completion & Specialty Chemicals, respectively.

13. Restructuring Charges (Continued)

During 2016, we recorded $5.3 million and $0.5 million related to exit costs for Water Management and Completion & Specialty Chemicals, respectively. During 2015, we recorded $0.3 million and $0.8 million related to exit costs for Water Management and Completion & Specialty Chemicals, respectively.

The restructuring accrual at December 31, 2016 is recognized within the accrued liabilities and other current liabilities on the accompanying consolidated balance sheets.

14. Loss Per Share

Loss per share is based on the amount of income allocated to the shareholders and the weighted average number of units outstanding during the period. All outstanding common Class A stock warrants and Class A common stock options are not included in the calculation of diluted weighted average units outstanding for the periods presented as the effect is antidilutive.

The following table sets forth the computation of basic and diluted loss per share (dollars in thousands, except share and per share amounts):

	Year ended December 31, 2016	Year ended December 31, 2015
	(in thousands, except share and per share amount)	
Numerator (both basic and diluted)		
Net loss available to Class A common stockholders	$ (79,878)	$ (71,540)
Denominator(1)		
Class A common stock	28,911,914	28,247,482
Net loss per share(1)		
Basic	(2.76)	(2.53)
Diluted	(2.76)	(2.53)

(1) Share and per share amounts have been retroactively recast for all prior periods presented to reflect the 9.3415-for-one stock split of our issued and outstanding common stock and the concurrent reclassification of our common stock into Class A common stock on February 15, 2017. See Note 16.

After adjusting for the 9.3415-for-one stock split, the estimated number of shares of potentially convertible Class A common stock options, Class A common stock warrants and restricted Class A common stock shares that have been excluded from the computation of diluted loss per share as the effect would be anti-dilutive was 3,704,735 and 2,964,579 for the years ended December 31, 2016 and 2015, respectively.

15. Segment Information

Rockwater is an oilfield services company that provides products and services to the water, stimulation, fracturing, fluids, and production needs of our customers throughout the U.S. and Western Canada. The company services are offered through two operating segments. Corporate and other expenses that do not individually meet the criteria for segment reporting are reported separately as Corporate. Both operating segments report directly to our chief operating decision maker (“CODM”). Our CODM assesses performance and allocates resources on the basis of the two reportable segments:

Water Management (WM)—Our Water Management segment seeks to provide comprehensive, cost-effective water management and fracturing solutions for our customers. These services include: water transfer, sourcing and storage through the use of small and large diameter pipe and high-capacity Above Ground Storage Tanks; site and pit surveys; flowback and well testing throughout the completion and early production stages of the well, including real-time monitoring of testing information; water reuse services through self-contained mobile treating units for the onsite conditioning of source, flowback and produced water; water testing; fluids logistics services; consulting services to E&P operators; and production chemicals solutions.

Completion & Specialty Chemicals—Our Completion & Specialty Chemicals segment develops, manufactures and provides a full suite of chemicals utilized in hydraulic fracturing, stimulation, cementing and well completions, including polymer slurries, crosslinkers, friction reducers, buffers, breakers and other chemical technologies, to leading pressure pumping service companies in the United States.

Financial information related to the Company's financial position as of December 31, 2016 and 2015, by segment, is as follow (in thousands):

	Total assets As of December 31, 2016	Total assets As of December 31, 2015
Water Management	$ 390,885	$ 452,502
Completion & Specialty Chemicals	83,125	77,779
Corporate & Other	2,706	9,505
	$ 476,716	$ 539,786

	Total assets As of December 31, 2016	Total assets As of December 31, 2015
United States	$ 385,597	$ 442,827
Canada	91,119	96,959
	$ 476,716	$ 539,786

We view Adjusted EBITDA as an important indicator of segment performance. We define Adjusted EBITDA as net income, plus taxes, interest expense, depreciation and amortization, plus/(minus) loss/(income) from discontinued operations, plus any impairment charges or asset write-offs pursuant to GAAP, plus/(minus) non-cash losses/(gains) on sale of assets or subsidiaries, non-cash compensation expense, bad debt expense, inventory write-downs, foreign currency losses/(gains),

15. Segment Information (Continued)

severance expenses, transaction costs, non-cash losses/(gains) on the valuation of contingent obligations and restructuring costs such as facility related exit and disposal costs.

Our CODM uses Adjusted EBITDA as the primary measure of segment reporting performance.

The following table presents a reconciliation of Segment Adjusted EBITDA to income from continuing operations (in thousands):

	Year ended December 31, 2016	Year ended December 31, 2015
Segment Adjusted EBITDA:		
Water Management	$ 5,271	$ 23,965
Completion & Specialty Chemicals:	1,701	5,462
Total	6,972	29,427
Corporate & Other	(15,806)	(23,514)
Provision for (benefit from) income taxes	(93)	24,011
Interest Expense	(7,977)	(10,413)
Depreciation and amortization	(51,986)	(61,181)
Impairments of long-lived and intangible assets	(1,008)	(3,615)
Restructuring costs	(6,908)	(2,099)
Restructuring related severance expenses	(1,261)	(3,539)
Bad debt expense	(1,142)	(6,793)
Inventory write downs	(1,060)	(9,897)
Foreign currency gains (losses)	301	(3,349)
Gain on the valuation of contingent obligations	477	760
Non-cash compensation expense	(2,269)	(2,176)
Non-cash gain on sale of subsidiaries and other assets	1,882	838
Net loss	$ (79,878)	$ (71,540)

The following table sets forth certain financial information with respect to our reportable segments. Included in "Corporate and Other" are intersegment eliminations and cost associated with activities of a general nature (in thousands).

	Water Management	Completion & Specialty Chemicals	Corporate & Other	Total
Year ended December 31, 2016				
Revenue from external customers	$ 224,173	$ 76,905	$ —	$ 301,078
Inter-segment revenue	8,362	4,369	(12,731)	—
Depreciation and amortization	45,857	4,717	1,412	51,986
Property, plant and equipment	134,559	11,815	1,177	147,551
Capital expenditures (excluding acquisitions)	(6,683)	(343)	(266)	(7,292)

15. Segment Information (Continued)

	Water Management	Completion & Specialty Chemicals	Corporate & Other	Total
Year ended December 31, 2015				
Revenue from external customers	$ 369,976	$ 124,160	$ —	$ 494,136
Inter-segment revenue	2,134	4,047	(6,181)	—
Depreciation and amortization	53,971	4,624	2,586	61,181
Property, plant and equipment	165,637	13,271	2,190	181,098
Capital expenditures (excluding acquisitions)	(7,722)	(2,398)	(443)	(10,563)

	Total Revenues Year ended December 31,	
	2016	2015
United States	$ 250,832	$ 410,064
Canada	50,246	84,072
	$ 301,078	$ 494,136

16. Subsequent Events

The Company has evaluated subsequent events for potential recognition and/or disclosure through March 25, 2017, the date these consolidated financial statements were issued. There were no significant subsequent events to disclose other than as set forth below.

Reorganization

On March 9, 2017, the Company completed a private placement of equity for 8,797,500 shares of Class A-1 common stock (the “144A Offering”) at an offering price of $17.00 per share for net proceeds of $136.9 million. In conjunction with the 144A Offering, the Company amended and restated the certificate of incorporation to, among other things, effect a 9.3415-for-one stock split of our common stock, reclassify our common stock into Class A common stock and create the Class A-1 common stock and the Class B common stock.

Registration Rights Agreement

On February 16, 2017, in connection with the 144A Offering, the Company entered into a registration rights agreement with FBR Capital Markets & Co. Under this registration rights agreement, the Company agreed, at its expense, to file with the SEC, no later than June 30, 2017, a shelf registration statement registering for resale the 8,797,500 shares of the Company’s Class A-1 common stock sold in the 144A Offering plus any additional shares of Class A-1 common stock issued in respect thereof whether by stock dividend, stock distribution, stock split, or otherwise, and to cause such registration statement to be declared effective by the SEC as soon as practicable but in any event within 180 days after the initial filing of such registration statement. All of the Class A-1 common stock will convert into Class A common stock upon effectiveness of a shelf registration statement for the

16. Subsequent Events (Continued)

resale of such shares. Investors in the 144A Offering will be entitled to make sales under such registration statement 60 days following the effective date of an IPO registration statement.

Description of capital stock

Our authorized capital stock consists of 30,000,000 shares of Class A-1 common stock, of which 8,797,500 are issued and outstanding; 250,000,000 shares of Class A common stock, $0.01 par value per share, of which 30,191,890 are issued and outstanding; 120,000,000 shares of Class B common stock, $0.01 par value per share, of which no shares are issued and outstanding; and 50,000,000 shares of preferred stock, $0.01 par value per share, of which no shares are issued and outstanding. The number of shares of Class A common stock outstanding does not include 3,354,094 shares of Class A common stock underlying outstanding options to purchase Class A common stock or any shares of Class A common stock that became reserved for delivery with respect to awards under our Amended and Restated 2017 Long Term Incentive Plan.

Holders of our share Class A common stock are entitled to one vote per share held of record on all matters to be voted upon by the stockholders. Holders of shares of our Class A common stock do not have cumulative voting rights in the election of directors. Holders of shares of our Class A-1 common stock, Class A common stock and Class B common stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except with respect to (i) the selection by holders of our Class A-1 common stock of one new independent directors pursuant to terms of the registration rights agreement, in which case the holders of our Class A-1 common stock shall vote independently and as a separate class without the holders of other classes of our common stock and (ii) the amendment of certain provisions of our amended and restated certificate of incorporation that would alter or change the powers, preferences or special rights of the Class A-1 common stock so as to affect them adversely, which amendments must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class, or as otherwise required by applicable law.

Class A Common Stock

Holders of shares of our Class A common stock are entitled to one vote per share held of record on all matters to be voted upon by the stockholders. Holders of shares of our Class A common stock do not have cumulative voting rights in the election of directors. Holders of shares of our Class A common stock are entitled to ratably receive dividends (other than Special Stock Dividends) when and if declared by our board of directors out of funds legally available for that purpose, subject to any statutory or contractual restrictions on the payment of dividends and to any prior rights and preferences that may be applicable to any outstanding preferred stock. Upon our liquidation, dissolution, distribution of assets or other winding up, holders of shares of our Class A common stock are entitled to receive ratably the assets available for distribution to the stockholders after payment of liabilities and the liquidation preference of any of our outstanding shares of preferred stock. The shares of Class A common stock have no preemptive or conversion rights and are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to the Class A common stock. All outstanding shares of our Class A common stock are fully paid and non-assessable.

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16. Subsequent Events (Continued)

Class A-1 Common Stock

Holders of shares of our Class A-1 common stock are entitled to one vote per share held of record on all matters to be voted upon by the stockholders and will also be entitled to the benefit of Special Stock Dividends for such purposes. Holders of shares of our Class A-1 common stock do not have cumulative voting rights in the election of directors. Upon our liquidation, dissolution, distribution of assets or other winding up, holders of shares of our Class A-1 common stock (on an as-if-converted to Class A common stock basis) are entitled to receive ratably the assets available for distribution to the stockholders after payment of liabilities and the liquidation preference of any of our outstanding shares of preferred stock. Each share of Class A-1 common stock will be automatically converted into a share of Class A common stock upon the earlier to occur of (i) the end of the Maximum Accrual Period and (ii) the date on which either (A) a resale shelf registration statement is declared effective and the shares of Class A common stock are listed on a national securities exchange or (B) the Form 10 Registration is declared effective and the Class A common stock is listed on a national securities exchange. The shares of Class A-1 common stock have no preemptive rights and are not subject to further calls or assessment by us. There are no redemption or sinking fund provisions applicable to the Class A-1 common stock. All outstanding shares of our Class A-1 common stock are fully paid and non-assessable.

Holders of shares of our Class A-1 common stock are entitled to receive Special Stock Dividends that will accrue and be payable only in additional shares of Class A-1 common stock based on the aggregate number of days in the Dividend Accrual Periods, if any. The Special Stock Dividends will be cumulative and will accrue on a daily basis over a maximum period of 1,095 days, which may be non-consecutive (the "Maximum Accrual Period"), in preference to any dividend on shares of Class A common stock at a rate of 7% per annum on the shares of Class A-1 common stock, compounded annually. Other than with respect to the Special Stock Dividend, holders of shares of our Class A-1 common stock and Class A common stock are entitled to ratably receive dividends when and if declared by our board of directors out of funds legally available for that purpose, subject to any statutory or contractual restrictions on the payment of dividends and to any prior rights and preferences that may be applicable to any outstanding preferred stock.

Class B Common Stock

Holders of shares of our Class B common stock are entitled to one vote per share held of record on all matters to be voted upon by the stockholders. Holders of our Class B common stock do not have any right to receive dividends, unless (i) the dividend consists of shares of our Class B common stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable for shares of Class B common stock paid proportionally with respect to each outstanding share of our Class B common stock and (ii) a dividend consisting of shares of Class A common stock or of rights, options, warrants or other securities convertible or exercisable into or exchangeable for shares of Class A common stock on the same terms is simultaneously paid to the holders of Class A common stock. Holders of our Class B common stock do not have any right to receive a distribution upon our liquidation or winding up.

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16. Subsequent Events (Continued)

Amended and Restated 2017 Long-Term Incentive Plan

In connection with the 144A Offering, we amended and restated the 2011 Plan, which will be renamed the 2017 Plan. The 2017 Plan is an omnibus equity incentive plan for the employees, consultants and the directors of the Company and its affiliates who perform services for us. All outstanding restricted stock awards and stock option awards granted under the 2011 Plan will continue to be subject to the terms and conditions of the 2011 Plan and applicable award agreements.

The 2017 Plan will provide for potential grants of: (i) incentive stock options qualified as such under U.S. federal income tax laws ("incentive options"); (ii) stock options that do not qualify as incentive stock options ("nonstatutory options," and together with incentive options, "options"); (iii) stock appreciation rights ("SARs"); (iv) restricted stock awards ("restricted stock awards"); (v) performance awards ("performance awards"); (vi) restricted stock units ("restricted stock units" or "RSUs"); (vii) bonus stock ("bonus stock awards"); (viii) dividend equivalents; (ix) other stock-based awards; (x) cash awards; and (xi) substitute awards (referred to collectively herein with the other awards as the "awards").

The 2017 Plan increased the aggregate maximum number of shares of our Class A common stock reserved for delivery pursuant to awards under the 2011 Plan by a number of shares equal to the sum of (i) 10% of the shares of our common stock outstanding upon the completion of this offering, (ii) 10% of any shares of our Class A common stock sold by the Company in any initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, that occurs following the effective date of the 2017 Plan and (iii) 10% of the number of shares of our capital stock paid as consideration to the seller(s) in connection with any acquisition by the Company that is consummated on or before the first anniversary of the effective date of the 2017 Plan. If an award under the 2017 Plan is forfeited, settled for cash or expires without the actual delivery of shares, any shares subject to such award will again be available for new awards under the 2017 Plan.

In addition, 40% of the total number of shares of our Class A common stock reserved under the 2017 Plan shall be available for the grant of restricted stock unit awards (which are settled in shares of our Class A common stock) while the total number of shares of our Class A common stock reserved under the 2017 Plan shall be available for the grant of incentive stock options.

Letter of Intent

On January 18, 2017, the Company executed a non-binding Letter of Intent to acquire a company that provides water and fluid management solutions to E&P companies principally in the Mid-Continent, Marcellus/ Utica, Eagle Ford and Permian basins. A majority of the target company's revenue is derived by providing total water and fluid management solutions. Consideration will consist solely of equity securities, and we will repay the target company's outstanding indebtedness at closing. The Company's entry into a definitive agreement is subject to completion of satisfactory accounting, financial and other due diligence.

Credit Facility Amendments

On January 20, 2017, we entered into Agreement and Amendment No. 2 to the Amended and Restated Credit Agreement with Wells Fargo Bank, National Association, as US administrative agent,

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16. Subsequent Events (Continued)

HSBC Bank Canada, as the Canadian administrative agent, and various lenders, which was previously amended most recently as of December 2, 2015. The amendment was effected to:

(i) modify the borrowing base such that availability thereunder is determined using outstandings other than undrawn letters of credit for the remaining life of the facility. At December 31, 2016, we had outstanding undrawn letters of credit of $4.7 million;

(ii) limit the outstanding loans to no more than $150 million if the interest coverage ratio was not at least 1.50 to 1 as of the end of the most recently reported fiscal quarter;

(iii) include an exception providing that an audit opinion expressing a "going concern" or like qualification or exception with respect to, or resulting from, a potential inability to satisfy any financial covenant would not be a breach of the credit facility;

(iv) add a carry-over provision such that any unused amount of the 2016 capital expenditures limitation may be carried over into 2017. The aggregate 2017 limitation was amended to $8 million plus any such carry-over amount;

(v) amend the equity cure provision to eliminate the condition that there shall be at least two fiscal quarters in a four fiscal quarter period with no cure and reset the number of cures available for the remaining life of the facility to three.

In exchange for the above mentioned amendment terms, the US tranche commitment was reduced by $5 million.

On January 22, 2017, we entered into Agreement and Amendment No. 3 to the Amended and Restated Credit Agreement with Wells Fargo Bank, National Association, as US administrative agent, HSBC Bank Canada, as the Canadian administrative agent, and various lenders, which was previously amended most recently as of January 20, 2017. The amendment was effected to update certain references to our majority owner.

On February 16, 2017, we entered into Agreement and Amendment No. 4 to the Amended and Restated Credit Agreement with Wells Fargo Bank, National Association, as US administrative agent, HSBC Bank Canada, as the Canadian administrative agent, and various lenders, which was previously amended most recently as of January 22, 2017. The amendment was effected to:

(i) extend the maturity date to April 30, 2019.

(ii) reduce the U.S. Commitments from $162 million to $95 million.

(iii) reduce the Canadian Commitments from $7.5 million to $5 million.

(iv) remove the borrowing base limitations for both the US and Canada lines of credit (but if outstanding loans and letters of credit are 50% or more of the credit facility, the outstandings may not exceed two-thirds of the net book value of accounts receivable, inventory and equipment).

(v) amend the leverage ratio (as defined in the credit facility) of not more than 3.50 to 1.00 for the fiscal quarters beginning June 30, 2017 but prior to December 31, 2018. This ratio changes to 3.00 to 1.00 on or after December 31, 2018.

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16. Subsequent Events (Continued)

(vi) amend the interest coverage ratio (as defined in the credit facility) of 2.50 to 1.00 for the fiscal quarters ending March 31, 2017 and June 30, 2017 and 3.00 to 1.00 for each fiscal quarter ending after June 30, 2017.

(vii) amend the total capital amount of permitted expenditures to not more than $25 million for 2017 and for each year thereafter, if leverage exceeds 3.0x, 75% of consolidated EBITDA for the immediately prior fiscal year.

Concurrent with the closing of the 144A Offering, the Company repaid all debt outstanding under the Amended and Restated Credit Agreement of $100.4 million and the Benchmark subordinated note to its former owner of $10.2 million.

On March 17, 2017, we entered into Agreement and Amendment No. 5 to the Amended and Restated Credit Agreement with Wells Fargo Bank, National Association, as US administrative agent, HSBC Bank Canada, as the Canadian administrative agent, and various lenders, which was previously amended most recently as of February 16, 2017. The amendment was effected to update certain references to the January 18, 2017 letter of intent transaction mentioned previously.

SELECT ENERGY SERVICES, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Introduction

The following unaudited pro forma condensed combined financial statements of Select Energy Services, Inc. ("Select" or the "Company") present the combination of the financial information of Select and Rockwater Energy Solutions, Inc. ("Rockwater") adjusted to give effect to the transactions to be accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification 805, Business Combinations ("ASC 805").

The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2017 and for the year ended December 31, 2016 combine the consolidated statements of operations of Select and the pro forma consolidated statements of operations of Rockwater, giving effect to the mergers (as defined below) and merger-related transactions as if they had occurred on January 1, 2016. The pro forma consolidated statements of operations for Rockwater give effect to Rockwater's issuance and sale of 8,797,500 shares of Class A-1 common stock in a private placement on March 9, 2017 and the usage of the net proceeds (the "Rockwater 144A Offering") and Rockwater's acquisition of Crescent Companies, LLC and its subsidiaries on March 31, 2017 (the "Crescent Acquisition") as if they had occurred on January 1, 2016. The unaudited pro forma condensed combined statements of operations also give effect to the following equity transactions that occurred during the periods presented as if they had occurred on January 1, 2016: the issuance of 3,866,864 common units of Select's predecessor entity and consolidated subsidiary, SES Holdings, LLC ("SES Holdings" or "the Predecessor" for periods prior to the Select 144A Offering (as defined below)); the reorganization and private placement of 16,100,000 shares of Class A-1 common stock of Select (the "Select 144A Offering"); the issuance of 10,005,000 shares of Class A common stock of Select as a result of Select's initial public offering and the exercise of the underwriters' over-allotment option (the "IPO"); and the conversion of shares of Select Class A-1 common stock to shares of Select Class A common stock on a one-for-one basis as a result of the effectiveness of a shelf registration statement registering such shares for resale.

The unaudited pro forma condensed combined balance sheet combines the consolidated condensed balance sheet of Select and the consolidated condensed balance sheet of Rockwater as of September 30, 2017, giving effect to the mergers and merger-related transactions as if they had occurred on September 30, 2017.

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting with Select considered the accounting acquirer of Rockwater. Under the acquisition method of accounting, the purchase price is allocated to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values with any excess purchase price allocated to goodwill.

The pro forma purchase price allocation is preliminary and was based on an estimate of the fair values of the tangible and intangible assets and liabilities related to Rockwater, the value of Select's common stock exchanged, and the fair value of the Rockwater's outstanding share-based awards attributable to pre-acquisition service. As described in Note 1, at the effective time of the corporate merger (as defined below), each outstanding share of Rockwater Class A common stock, Rockwater Class A-1 common stock and Rockwater Class B common stock, subject to certain exceptions, was converted into the right to receive a number of shares of Select Class A common stock, Select Class A-2 common stock and Select Class B common stock, respectively, each in an amount equal to the exchange ratio. At the effective time of the LLC merger, all units of Rockwater Energy Solutions, LLC ("Rockwater LLC") were converted into the right to receive a number of units of SES Holdings in an amount equal to the exchange ratio. The "exchange ratio" is equal to 0.7652.

Furthermore, as of the effective time of the corporate merger, each outstanding and unexercised option to purchase shares of Rockwater Class A common stock was converted into an option to purchase shares of Select Class A common stock, with the same terms and conditions as in effect immediately prior to the effective time of the corporate merger, in an amount determined by multiplying the number of shares of Rockwater Class A common stock subject to such options as of immediately prior to the effective time of the corporate merger by the exchange ratio, at an exercise price per share of Select Class A common stock equal to the exercise price per share of Rockwater Class A common stock under such option divided by the exchange ratio.

Additionally, as of the effective time of the corporate merger, each outstanding restricted stock award of Rockwater Class A common stock was converted into a restricted stock award of Select Class A common stock, with the same terms and conditions as in effect immediately prior to the effective time of the corporate merger, in an amount equal to the number of shares of Select Class A common stock determined by multiplying the number of shares of Rockwater Class A common stock subject to such restricted stock award as of immediately prior to the effective time of the corporate merger by the exchange ratio.

Select's sole material asset consists of its membership interest in SES Holdings. Each holder of Rockwater Class B common stock and Rockwater LLC units entitled to receive shares of Select Class B common stock received the right to exchange each share of Select Class B common stock and a corresponding SES Holdings unit for one share of Select Class A common stock. Upon the effectiveness of a shelf registration statement registering such shares for resale, Select's Class A-2 common stock will automatically convert to Class A common stock. As the shares of Class A-2 common stock will automatically convert to shares of Class A common stock and Class B common stock, in tandem with a unit of SES Holdings, are convertible at any time into a share of Select Class A common stock, the per share value of Class A-2 common stock and Class B common stock are assumed, for the purposes of the pro forma analysis, to be equivalent to the value of a share of Class A common stock. Thus, the purchase price allocation is based on the closing price of Select Class A common stock as of November 1, 2017 along with the portion of the acquisition-date fair value of Rockwater's outstanding share-based awards attributable to pre-acquisition service obligated to be exchanged as part of the mergers as described below.

Select expects to complete the purchase price allocation after considering the appraisal of Rockwater's assets at the level of detail necessary to finalize the required purchase price allocation, which will be no later than one year from the completion of the mergers. The purchase price utilized in the allocation is based on the closing price of Select Class A common stock on the date of acquisition, November 1, 2017, as well as the portion of the fair value of Rockwater's outstanding share-based awards attributable to pre-acquisition service that Select is obligated to replace as part of the merger agreement (as defined below). The pro forma adjustments included herein may be revised as additional information becomes available and as additional analyses are performed. The final purchase price allocation may be different than that reflected in the pro forma purchase price allocation presented herein, and this difference may be material.

The unaudited pro forma condensed combined financial statements do not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies or revenue synergies that may result from the mergers.

The unaudited pro forma condensed combined financial statements should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed combined financial statements;
- the unaudited consolidated condensed historical financial statements of Select as of and for the nine months ended September 30, 2017 and related notes, which are included in Select's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission (the "SEC") on November 13, 2017;

- the audited historical consolidated financial statements of Select as of and for the year ended December 31, 2016 and related notes, which are included in Select's final prospectus dated April 20, 2017 and filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on April 24, 2017; and

- the unaudited consolidated condensed financial statements of Rockwater as of and for the nine months ended September 30, 2017 and related notes, and the audited consolidated financial statements of Rockwater as of and for the year ended December 31, 2016 and related notes, which are included elsewhere in this current report.

SELECT ENERGY SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2017

(in thousands, except share data)	Historical Select Energy Services, Inc. (a)	Historical Rockwater Energy Solutions, Inc. (b)	Pro Forma Adjustments for Rockwater Merger and Merger-Related Transactions (c)		Pro Forma Select Energy Services, Inc. (a) + (b) + (c)
Assets					
Current assets					
Cash and cash equivalents	$ 42,393	$ 2,364	$ (9,393)	3(a), 3(b)	$ 35,364
Accounts receivable trade	151,239	192,428	—		343,667
Allowance for doubtful accounts	(2,867)	(5,730)	—		(8,597)
Accounts receivable, related parties	433	—	—		433
Inventories	852	44,241	—		45,093
Prepaid expenses and other current assets	13,495	5,703	(1,280)	3(a)	17,918
Income taxes receivable	—	2,267	—		2,267
Total current assets	205,545	241,273	(10,673)		436,145
Property and equipment	815,002	473,971	(284,067)	3(c)	1,004,906
Accumulated depreciation	(535,456)	(313,343)	313,343	3(c)	(535,456)
Property and equipment, net	279,546	160,628	29,276		469,450
Goodwill	25,091	301,391	(53,114)	3(c)	273,368
Other intangible assets, net	35,351	38,259	83,792	3(c)	157,402
Other assets	7,216	920	(1,401)	3(a), 3(d)	6,735
Total assets	$ 552,749	$ 742,471	$ 47,880		$ 1,343,100
Liabilities and Stockholders' Equity					
Current liabilities					
Accounts payable	$ 11,751	$ 53,804	$ —		$ 65,555
Accounts payable and accrued expenses, related parties	1,246	—	—		1,246
Accrued salaries and benefits	8,595	9,403	—		17,998
Accrued insurance	11,008	—	—		11,008
Accrued expenses and other current liabilities	39,713	33,911	—		73,624
Current portion of capital leases	—	2,133	—		2,133
Total current liabilities	72,313	99,251	—		171,564
Accrued lease obligations	18,100	—	—		18,100
Long-term debt	—	78,200	(3,200)	3(a)	75,000
Capital lease obligations	—	1,638	—		1,638
Deferred income taxes, net	—	15,751	(15,287)	3(e), 3(f)	464
Other long term liabilities	8,008	2,026	645	3(c), 3(e)	10,679
Total liabilities	98,421	196,866	(17,842)		277,445
Commitments and contingencies					
Select Energy Services, Inc. Common and Preferred Stock:					
Class A-2 common stock, $0.01 par value; no shares authorized, issued or outstanding as of September 30, 2017 (actual); Class A-2 common stock, $0.01 par value; 40,000,000 shares authorized; 6,731,845 shares issued and outstanding as of September 30, 2017 (pro forma as adjusted)	—	—	67	3(g)	67
Class A common stock, $0.01 par value; 250,000,000 shares authorized; 30,468,249 shares issued and outstanding as of September 30, 2017 (actual); Class A common stock, $0.01 par value; 350,000,000 shares authorized; 56,714,364 shares issued and outstanding as of September 30, 2017 (pro forma, as adjusted)	305	—	262	3(g)	567

SELECT ENERGY SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET (Continued)
AS OF SEPTEMBER 30, 2017

(in thousands, except share data)	Historical Select Energy Services, Inc. (a)	Historical Rockwater Energy	Pro Forma Adjustments for Rockwater		Pro Forma Select Energy

		Solutions, Inc. (b)	Merger and Merger-Related Transactions (c)		Services, Inc. (a) + (b) + (c)
Class B common stock, $0.01 par value; 150,000,000 shares authorized; 38,462,541 shares issued and outstanding as of September 30, 2017; Class B common stock, $0.01 par value; 150,000,000 shares authorized; 42,819,018 shares issued and outstanding as of September 30, 2017 (pro forma, as adjusted)	385	—	43	3(g)	428
Preferred stock, $0.01 par value; 50,000,000 shares authorized; no shares issued and outstanding as of September 30, 2017 (actual); Preferred stock, $0.01 par value; 50,000,000 shares authorized; no shares issued and outstanding as of September 30, 2017 (pro forma, as adjusted)	—	—	—		—
Rockwater Energy Solutions, Inc. Common and Preferred Stock:					
Class A-1 common stock, $0.01 par value; 30,000,000 shares authorized; 8,797,500 shares issued and outstanding as of September 30, 2017 (actual); Class A-1 common stock, $0.01 par value; no shares authorized, issued or outstanding as of September 30, 2017 (pro forma, as adjusted)	—	88	(88)	3(g)	—
Class A common stock, $0.01 par value; 250,000,000 shares authorized; 34,482,060 shares issued and outstanding as of September 30, 2017 (actual); Class A common stock, $0.01 par value; no shares authorized, issued, or outstanding as of September 30, 2017 (pro forma, as adjusted)	—	345	(345)	3(g)	—
Class B common stock, $0.01 par value; 120,000,000 shares authorized; 5,693,258 shares issued and outstanding as of September 30, 2017 (actual); Class B common stock, $0.01 par value; no shares authorized, issued or outstanding as of September 30, 2017 (pro forma, as adjusted);	—	57	(57)	3(g)	—
Preferred stock, $0.01 par value; 50,000,000 shares authorized; no shares issued and outstanding as of September 30, 2017 (actual); Preferred stock, $0.01 par value; no shares authorized, issued or outstanding as of September 30, 2017 (pro forma, as adjusted)	—	—	—		—
Additional paid-in capital	206,158	466,490	(25,625)	3(g)	647,023
Retained earnings (accumulated deficit)	(8,207)	31,964	(38,528)	3(a), 3(b), 3(d), 3(g)	(14,771)
Accumulated other comprehensive loss	—	(19,407)	19,407	3(g)	—
Total stockholders' equity	198,641	479,537	(44,864)		633,314
Noncontrolling interests	255,687	66,068	110,586	3(g)	432,341
Total equity	454,328	545,605	65,722		1,065,655
Total liabilities and equity	$ 552,749	$ 742,471	$ 47,880		$ 1,343,100

The accompanying notes are an integral part of these unaudited condensed combined pro forma financial statements.

SELECT ENERGY SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(in thousands, except unit and per unit data)	Historical Select Energy Services, Inc. (a)	Historical Rockwater Energy Solutions, Inc. (b)	Pro Forma Rockwater Energy Solutions, Inc. Adjustments (c)		Pro Forma Rockwater Energy Solutions, Inc. (b) + (c) = (d)	Pro Forma Adjustments for Rockwater Merger and Merger-Related Transactions (e)		Pro Forma Select Energy Services, Inc. Adjusted for Rockwater Merger (a) + (d) + (e) = (f)	Other Pro Forma Adjustments (g)	Pro Forma Select Energy Services, Inc. (f) + (g)
Revenues										
Water solutions and related services	$ 311,275	$ 342,529	$ 32,608	4(a)	$ 375,137	$ (36,696)	4(c)	$ 649,716	$ —	$ 649,716
Accommodations and rentals	38,457	—	—		—	—		38,457	—	38,457
Wellsite completion and construction services	38,522	—	—		—	—		38,522	—	38,522
Oilfield chemical product sales	—	150,053	—		150,053	—		150,053	—	150,053
Total revenues	388,254	492,582	32,608		525,190	(36,696)		876,748	—	876,748
Costs of revenue										
Water solutions and related services	226,737	275,892	27,024	4(a)	302,916	(32,733)	4(c)	496,920	—	496,920
Accommodations and rentals	30,697	—	—		—	—		30,697	—	30,697
Wellsite completion and construction services	32,155	—	—		—	—		32,155	—	32,155
Oilfield chemical product sales	—	133,092	—		133,092	—		133,092	—	133,092
Depreciation and amortization	67,144	34,786	1,405	4(a)	36,191	3,565	4(d)	106,900	—	106,900
Total costs of revenue	356,733	443,770	28,429		472,199	(29,168)		799,764	—	799,764
Gross profit (loss)	31,521	48,812	4,179		52,991	(7,528)		76,984	—	76,984
Operating expenses										
Selling, general and administrative	49,298	50,462	357	4(a) 4(b)	50,819	(9,898)	4(c), 4(e), 4(i)	90,219	—	90,219

Depreciation and amortization	1,312	8,103	2,447	4(a)	10,550	(181)	4(c), 4(f)	11,681	—		11,681
Impairment of goodwill and other intangible assets	—	—	—		—	—		—	—		—
Impairment of property and equipment	—	—	—		—	—		—	—		—
Lease abandonment costs	2,871	—	—		—	—		2,871	—		2,871
Loss on sale of Crescent Consulting	—	64,205			64,205	(64,205)	4(c)	—	—		—
Restructuring charges	—	2,406	—		2,406	—		2,406	—		2,406
Loss (gain) on disposal of property and equipment	—	(1,093)	(85)	4(a)	(1,178)	—		(1,178)	—		(1,178)
Total operating expenses	53,481	124,083	2,719		126,802	(74,284)		105,999	—		105,999
(Loss) income from operations	(21,960)	(75,271)	1,460		(73,811)	66,756		(29,015)	—		(29,015)
Other income (expense)											
Interest expense, net	(1,885)	(4,369)	335	4(a), 4(b)	(4,034)	2,251	4(c), 4(g)	(3,668)	1,885	4(j)	(1,783)
Foreign currency gains (losses)	—	464	—		464	—		464	—		464
Other income, net	3,342	249	—		249	—		3,591	—		3,591
(Loss) income before tax expense	(20,503)	(78,927)	1,795		(77,132)	69,007		(28,628)	1,885		(26,743)
Tax benefit (expense)	326	17,556	(14,407)	4(a)	3,149	35	4(c), 4(h)	3,510	—	4(h)	3,510
Net (loss) income	(20,177)	(61,371)	(12,612)		(73,983)	69,042		(25,118)	1,885		(23,233)
Less: Net loss attributable to noncontrolling interests	13,013	6,789	—		6,789	—		19,802	(10,414)	4(k)	9,388
Net loss attributable to the business	$ (7,164)	$ (54,582)	$ (12,612)		$ (67,194)	$ 69,042		$ (5,316)	$ (8,529)		$ (13,845)

SELECT ENERGY SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (Continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(in thousands, except unit and per unit data)	Historical Select Energy Services, Inc. (a)	Historical Rockwater Energy Solutions, Inc. (b)	Pro Forma Rockwater Energy Solutions, Inc. Adjustments (c)	Pro Forma Rockwater Energy Solutions, Inc. (b) + (c) = (d)	Pro Forma Adjustments for Rockwater Merger and Merger-Related Transactions (e)	Pro Forma Select Energy Services, Inc. Adjusted for Rockwater Merger (a) + (d) + (e) = (f)	Other Pro Forma Adjustments (g)	Pro Forma Select Energy Services, Inc. (f) + (g)	
Allocation of net loss attributable to:									
Class A-1 stockholders	$ (2,679)	$ (9,914)						$ —	
Class A-2 stockholders	—	—						(1,476)	
Class A stockholders	(4,485)	(44,668)						(12,369)	
Class B stockholders	—	—						—	
	$ (7,164)	$ (54,582)						$ (13,845)	
Weighted average shares outstanding:									
Class A-1—Basic & Diluted	9,671,795	7,249,581						—	4(m)
Class A-2—Basic & Diluted	—	—						6,731,845	4(m)
Class A—Basic & Diluted	16,189,997	32,663,457						56,426,038	4(m)
Class B—Basic & Diluted	38,462,541	5,693,258						42,819,018	4(m)
Net loss per share attributable to common stockholders:									
Class A-1—Basic & Diluted	$ (0.28)	$ (1.37)						$ —	
Class A-2—Basic & Diluted	$ —	$ —						$ (0.22)	
Class A—Basic & Diluted	$ (0.28)	$ (1.37)						$ (0.22)	
Class B—Basic & Diluted	$ —	$ —						$ —	

The accompanying notes are an integral part of these unaudited condensed combined pro forma financial statements.

SELECT ENERGY SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

(in thousands, except unit and per unit data)	Historical Select Energy Services, Inc. (a)	Historical Rockwater Energy Solutions, Inc. (b)	Pro Forma Rockwater Energy Solutions, Inc. Adjustments (c)		Pro Forma Rockwater Energy Solutions, Inc. (b) + (c) = (d)	Pro Forma Adjustments for Rockwater Merger and Merger-Related Transactions (e)		Pro Forma Select Energy Services, Inc. Adjusted for Rockwater Merger (a) + (d) + (e) = (f)	Other Pro Forma Adjustments (g)	Pro Forma Select Energy Services, Inc. (f) + (g)
Revenues										
Water solutions and related services	$ 241,455	$ 192,247	$ 91,841	4(a)	$ 284,088	$ (29,447)	4(c)	$ 496,096	$ —	$ 496,096
Accommodations and rentals	27,151	—	—		—	—		27,151	—	27,151
Wellsite completion and construction services	33,793	—	—		—	—		33,793	—	33,793
Oilfield chemical product sales	—	108,831	—		108,831	—		108,831	—	108,831
Total revenues	302,399	301,078	91,841		392,919	(29,447)		665,871	—	665,871

Costs of revenue											
Water solutions and related services	200,399	171,794	78,759	4(a)	250,553	(25,782)	4(c)	425,170	—		425,170
Accommodations and rentals	22,019	—	—		—	—		22,019	—		22,019
Wellsite completion and construction services	29,089	—	—		—	—		29,089	—		29,089
Oilfield chemical product sales	—	105,394	—		105,394	—		105,394	—		105,394
Depreciation and amortization	95,020	43,880	13,692	4(a)	57,572	(5,093)	4(d)	147,499	—		147,499
Total costs of revenue	346,527	321,068	92,451		413,519	(30,875)		729,171	—		729,171
Gross profit (loss)	(44,128)	(19,990)	(610)		(20,600)	1,428		(63,300)	—		(63,300)
Operating expenses											
Selling, general and administrative	34,643	37,341	11,176	4(a)	48,517	(2,673)	4(c), 4(i)	80,487	—		80,487
Depreciation and amortization	2,087	8,106	9,963	4(a)	18,069	(3,531)	4(c), 4(f)	16,625	—		16,625
Impairment of goodwill and other intangible assets	138,666	—	—		—	—		138,666	—		138,666
Impairment of property and equipment	60,026	1,008	—		1,008	—		61,034	—		61,034
Lease abandonment costs	19,423	—	—		—	—		19,423	—		19,423
Restructuring charges	—	8,169	—		8,169	—		8,169	—		8,169
Loss (gain) on disposal of property and equipment	—	(1,882)	136	4(a)	(1,746)	—		(1,746)	—		(1,746)
Total operating expenses	254,845	52,742	21,275		74,017	(6,204)		322,658	—		322,658
(Loss) income from operations	(298,973)	(72,732)	(21,885)		(94,617)	7,632		(385,958)	—		(385,958)
Other income (expense)											
Interest expense, net	(16,128)	(7,977)	3,683	4(a), 4(b)	(4,294)	2,742	4(c), 4(g)	(17,680)	16,128	4(j)	(1,552)
Foreign currency gains (losses)	—	301	—		301	—		301	—		301
Other income, net	629	623	—		623	—		1,252	—		1,252
(Loss) income before tax expense	(314,472)	(79,785)	(18,202)		(97,987)	10,374		(402,085)	16,128		(385,957)
Tax benefit (expense)	524	(93)	(729)	4(a)	(822)	32	4(c), 4(h)	(266)	—	4(h)	(266)
Net (loss) income	(313,948)	(79,878)	(18,931)		(98,809)	10,406		(402,351)	16,128		(386,223)
Less: Net loss attributable to Predecessor	306,481	—	—		—	—		306,481	(306,481)	4(l)	—
Less: Net loss attributable to noncontrolling interests	6,424	—	—		—	—		6,424	152,649	4(k)	159,073
Net loss attributable to the business	$ (1,043)	$ (79,878)	$ (18,931)		$ (98,809)	$ 10,406		$ (89,446)	$ (137,704)		$ (227,150)

SELECT ENERGY SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2016

(in thousands, except unit and per unit data)	Historical Select Energy Services, Inc. (a)	Historical Rockwater Energy Solutions, Inc. (b)	Pro Forma Rockwater Energy Solutions, Inc. Adjustments (c)	Pro Forma Rockwater Energy Solutions, Inc. (b) + (c) = (d)	Pro Forma Adjustments for Rockwater Merger and Merger-Related Transactions (e)	Pro Forma Select Energy Services, Inc. Adjusted for Rockwater Merger (a) + (d) + (e) = (f)	Other Pro Forma Adjustments (g)	Pro Forma Select Energy Services, Inc. (f) + (g)	
Allocation of net loss attributable to:									
Class A-1 stockholders	$ (844)	$ —						$ —	
Class A-2 stockholders	—	—						(24,316)	
Class A stockholders	(199)	(79,878)						(202,834)	
Class B stockholders	—	—						—	
	$ (1,043)	$ (79,878)						$ (227,150)	
Weighted average shares outstanding:									
Class A-1—Basic & Diluted	16,100,000	—						—	4(m)
Class A-2—Basic & Diluted	—	—						6,731,845	4(m)
Class A—Basic & Diluted	3,802,972	28,911,914						56,154,087	4(m)
Class B—Basic & Diluted	38,462,541	—						42,819,018	4(m)
Net loss per share attributable to common stockholders:									
Class A-1—Basic & Diluted	$ (0.05)	$ —						$ —	
Class A-2—Basic & Diluted	$ —	$ —						$ (3.61)	
Class A—Basic & Diluted	$ (0.05)	$ (2.76)						$ (3.61)	
Class B—Basic & Diluted	$ —	$ —						$ —	

The accompanying notes are an integral part of these unaudited condensed combined pro forma financial statements.

SELECT ENERGY SERVICES, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

NOTE 1—DESCRIPTION OF THE MERGERS AND MERGER-RELATED TRANSACTIONS

On November 1, 2017, Select completed its previously announced merger with Rockwater, pursuant to the closing of the transactions ("the closing") contemplated by the Agreement and Plan of Merger (the "merger agreement"), dated July 18, 2017. Select and certain of its subsidiaries, including SES Holdings, entered into the merger agreement with Rockwater and Rockwater LLC, pursuant to which Select will merge with Rockwater in a stock-for-stock transaction. The merger agreement provides that (i) Raptor Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Select, was merged with and into Rockwater, with Rockwater continuing as the surviving entity as a wholly owned subsidiary of Select (the "corporate merger"), and (ii) Raptor Merger Sub, LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of SES Holdings, was merged with and into Rockwater LLC, with Rockwater LLC continuing as the surviving entity as an indirect wholly owned subsidiary of SES Holdings (the "LLC merger" and together with the corporate merger, the "mergers").

Under the terms of the merger agreement and upon closing, subject to certain exceptions, (i) each share of Rockwater's Class A common stock then outstanding was converted into the right to receive a number of shares of Select's Class A common stock equal to the exchange ratio, (ii) each share of Rockwater's Class A-1 common stock then outstanding was converted into the right to receive a number of shares of Select's Class A-2 common stock equal to the exchange ratio, and (iii) each share of Rockwater's Class B Common Stock then outstanding was converted into the right to receive a number of shares of Select's Class B common stock equal to the exchange ratio. Under the terms of the merger agreement and upon closing of the LLC merger, subject to certain exceptions, each unit of Rockwater LLC then outstanding (including Rockwater LLC units held by Rockwater) was converted into the right to receive a number of units in SES Holdings equal to the exchange ratio. Upon the effectiveness of a shelf registration statement registering such shares for resale, Select's newly issued Class A-2 common shares will automatically convert to Class A common stock.

Upon closing, Select shareholders owned approximately 64.9% of the combined company and former Rockwater shareholders owned approximately 35.1% of the combined company with a total of 106.3 million Select common shares outstanding.

On November 1, 2017, in connection with the closing, SES Holdings and Select Energy Services, LLC, a wholly owned subsidiary of SES Holdings (the "Borrower"), entered into a $300.0 million senior secured revolving credit facility (the "Credit Agreement"), by and among SES Holdings, as parent, the Borrower, certain of SES Holdings' subsidiaries, as guarantors, each of the lenders party thereto and Wells Fargo Bank, N.A., as administrative agent, issuing lender and swingline lender (the "Administrative Agent"). The Credit Agreement also has a sublimit of $40.0 million for letters of credit and a sublimit of $30.0 million for swingline loans. Subject to obtaining commitments from existing or new lenders, Select has the option to increase the maximum amount under the senior secured credit facility by $150.0 million during the first three years following the closing.

Upon closing, each outstanding option to purchase shares of Rockwater Class A common stock was converted into an option to acquire, on the same terms and conditions as were applicable to such Rockwater stock option immediately prior to the effective time of the corporate merger, the number of shares of Select Class A common stock determined by multiplying the number of shares of Rockwater Class A common stock subject to such Rockwater stock option as of immediately prior to the effective time of the corporate merger by the exchange ratio, at an exercise price per share of Select Class A

common stock equal to the exercise price per share of Rockwater Class A common stock under such Rockwater stock option divided by the exchange ratio.

Additionally, upon closing, each outstanding restricted stock award of Rockwater Class A common stock that is outstanding immediately prior to the effective time of the corporate merger ceased to represent Rockwater Class A common stock and was converted into a new award of restricted shares, subject to the same terms and conditions as were applicable to such Rockwater restricted stock award prior to the effective time of the corporate merger, equal to the number of shares of Select Class A common stock determined by multiplying the number of shares of Rockwater Class A common stock subject to such Rockwater restricted stock award as of immediately prior to the effective time of the corporate merger by the exchange ratio. Subject to certain NYSE restrictions, the shares available under the Rockwater equity plan as of the effective time of the corporate merger (as appropriately adjusted to reflect the exchange ratio) may be used for post-transaction grants under the Select Energy Services, Inc. 2016 Equity Incentive Plan.

NOTE 2—BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed combined financial statements have been prepared using and should be read in conjunction with the respective unaudited consolidated financial statements of both Select and Rockwater as of and for the nine months ended September 30, 2017, and the audited historical financial statements of Select and Rockwater as of and for the year ended December 31, 2016. The accompanying unaudited pro forma condensed combined financial statements are presented for illustrative purposes only and do not reflect the costs of any integration activities or benefits that may result from realization of future cost savings due to operating efficiencies or revenue synergies that may result from the mergers.

The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2017 combines the consolidated statement of operations of Select and the consolidated statement of operations of Rockwater, as adjusted on a pro forma basis for the Rockwater 144A Offering and the Crescent Acquisition, for the nine months ended September 30, 2017, to reflect the mergers as if they had occurred on January 1, 2016. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2017 is further adjusted to give effect to the following equity transactions as if they had occurred on January 1, 2016: Select's issuance of the Predecessor's units; Select's reorganization and the Select 144A Offering; the IPO; and the conversion of Select's shares of Class A-1 common stock to shares of Class A common stock as a result of the effectiveness of a shelf registration statement registering such shares for resale.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2016 combines the consolidated statement of operations of Select and the consolidated statement of operations of Rockwater, as adjusted on a pro forma basis for the Rockwater 144A Offering and the Crescent Acquisition, for the year ended December 31, 2016, to reflect the mergers as if they had occurred on January 1, 2016. The unaudited pro forma condensed combined statement of operations is further adjusted to give effect to the following equity transactions as if they had occurred on January 1, 2016: Select's issuance of the Predecessor's units; Select's reorganization and the Select 144A Offering; the IPO; and the conversion of Select's shares of Class A-1 common stock to

NOTE 2—BASIS OF PRESENTATION (Continued)

shares of Class A common stock as a result of the effectiveness of a shelf registration statement registering such shares for resale.

The unaudited pro forma condensed combined balance sheet combines the consolidated balance sheet of Select and the consolidated balance sheet of Rockwater as of September 30, 2017 to reflect the mergers and merger-related transactions as if they had occurred on September 30, 2017.

The accompanying unaudited pro forma condensed combined financial statements of the combined company have been prepared in accordance with GAAP. The mergers were accounted for as a business combination, with Select treated as the "acquirer" and Rockwater treated as the "acquired" company for financial reporting purposes.

The unaudited consolidated condensed financial statements of Rockwater have been adjusted to reflect certain reclassifications in order to conform to Select's financial statement presentation.

NOTE 3—UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET ADJUSTMENT

The unaudited pro forma condensed combined balance sheet has been adjusted to reflect the allocation of the preliminary estimated purchase price to identifiable assets to be acquired and liabilities to be assumed, with the excess recorded as goodwill. The preliminary allocation of the consideration transferred is based on management's estimates, judgments and assumptions. When determining the fair values of assets acquired, liabilities assumed and noncontrolling interests of the acquiree, management made significant estimates, judgments and assumptions. These estimates, judgments and assumptions are subject to change upon final valuation and should be treated as preliminary values. The purchase price allocation in these unaudited pro forma condensed combined financial statements is based upon an estimated purchase price of approximately $620.2 million and results in goodwill of approximately $248.3 million. Goodwill recognized is primarily attributable to synergies driven by expanding into new geographies and service offerings, strengthening existing service lines, acquiring an established, trained workforce, and expected cost reductions.

NOTE 3—UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET ADJUSTMENT (Continued)

The purchase price was computed using the per share value of Select Class A common stock as of the closing. The following table summarizes the components of the estimated merger consideration reflected in the unaudited pro forma condensed combined financial information:

		Preliminary Purchase Consideration (in thousands, except share and per share data)
Corporate Merger Consideration		
Rockwater shares subject to exchange		
Class A-1 common stock		8,797,500
Class A common stock(1)		33,866,076
Class B common stock		5,693,258
Total Rockwater shares subject to exchange as of September 30, 2017		48,356,834
Exchange ratio		0.7652
Select shares issued:		
Class A-2 common stock		6,731,845
Class A common stock(1)		25,914,260
Class B common stock		4,356,477
Total Select shares issued for consideration for the Corporate Merger		37,002,582
LLC Merger Consideration		
Rockwater units subject to exchange as of September 30, 2017		5,693,258
Exchange ratio		0.7652
Total SES Holdings units issued for consideration for the LLC Merger		4,356,481
Value per share of Select's Class A common stock as of November 1, 2017(2)	$	16.36
Total consideration for the Corporate Merger and LLC Merger		
Class A-2 common stock	$	110,133
Class A common stock		423,957
Class B common stock and SES Holdings common units		71,272
Fair value of previously held interest in Rockwater		2,310
Fair value of Rockwater share-based awards attributed to pre-acquisition service(3)		12,529
Total purchase consideration	$	620,201

(1) Shares of Rockwater Class A common stock subject to exchange exclude 433,708 shares of Rockwater restricted stock that were converted into 331,871 shares of Select restricted stock as the consideration transferred related to these shares is included as fair value of Rockwater share-based awards attributed to pre-acquisition service.

(2) The value per share of Select's Class A common stock has been used to approximate the value of shares of Class A-2 common stock and the value of the joint issuance of Class B common stock of Select and units of SES Holdings. Select's management notes that shares of Class A-2 common stock will automatically convert into shares of Class A common stock upon the effectiveness of a shelf

NOTE 3—UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET ADJUSTMENT (Continued)

registration statement registering such shares for resale. Additionally, each share of Class B common stock of Select and a corresponding unit of SES Holdings are exchangeable for a share of Class A common stock of Select. Due to the conversion and exchange features of these instruments, the value per share of Select's Class A common stock was determined by Select's management to be an appropriate proxy for the value of these instruments.

(3) The consideration transferred related to Select's obligation to exchange Rockwater's outstanding share-based awards was determined based on the portion of the fair value of the acquiree's awards attributable to pre-acquisition service.

The total purchase consideration of $620.2 million was allocated to the pro forma assets acquired and liabilities assumed based on a preliminary estimate of their fair values as if the mergers had taken place on September 30, 2017.

The unaudited pro forma condensed combined balance sheet reflects the following adjustments:

3(a) Simultaneously upon closing, Select Energy Services, LLC entered into a debt commitment letter with Wells Fargo Bank, N.A. for a new senior secured credit facility to replace its current revolving credit facility. Select used cash on hand and borrowings under this new credit facility to pay off the then outstanding Rockwater debt and terminate the Rockwater credit facility. The following table summarizes the impact of these adjustments on the unaudited condensed combined pro forma balance sheet:

		(in thousands)
Historical Select and Rockwater cash	$	44,757
Plus:		
Borrowings under new Select senior secured credit facility		75,000
Less:		
Paydown of Rockwater senior secured credit facility		(78,200)
Payment of estimated debt issuance costs		(3,442)
Transaction costs incurred subsequent to 9/30/2017		(2,751)
Pro forma Select cash	$	35,364
Adjustments to expense historical Select and Rockwater debt issuance costs:		
Prepaid expenses and other current assets	$	(1,280)
Other assets		(3,743)
Adjustment to capitalize new debt issuance costs:		
Other assets		3,442

3(b) Reflects adjustments to expense the payment of $2.8 million of related transaction costs incurred subsequent to September 30, 2017.

NOTE 3—UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET ADJUSTMENT (Continued)

3(c) Adjustments were recorded to reflect the Rockwater assets acquired and liabilities assumed at fair value based on the preliminary allocation of purchase consideration as shown below:

		(in thousands)
Total estimated consideration transferred	$	620,201
Working capital	$	142,022
Property and equipment(1)		189,904
Intangible assets(2)		
Customer relationships		87,031
Trademarks and patents		31,115
Non-compete agreements		3,808
Other intangible assets		97
Other long-term assets		920
Long-term debt		(78,200)
Long-term capital lease obligations		(1,638)
Other long-term liabilities		(3,135)
Net assets acquired		371,924
Goodwill	$	248,277

(1) The estimated useful lives for property and equipment range from 3 to 6 years.

(2) The estimated amortization periods for intangible assets are as follows: customer relationships—12 years, trademarks—indefinite-lived, patents—7 years, non-compete agreements—2 years, and other intangible assets—5 years.

3(d) As of September 30, 2017, Select owned 184,485 shares of Rockwater Class A common stock. In connection with the mergers, Select remeasured its previously held interest in Rockwater to fair value and the resulting gain of $1.2 million was included as a pro forma adjustment within retained earnings (accumulated deficit) of the unaudited pro forma condensed combined balance sheet.

		(in thousands, except share and per share data)
Shares of Rockwater Class A common stock previously held by Select		184,485
Exchange ratio		0.7652
Exchange-adjusted shares previously held		141,168
Value per share of Select's Class A common stock as of November 1, 2017(1)	$	16.36
Fair value of previously held interest in Rockwater		2,310
Less: book value of previously held interest in Rockwater		1,100
Gain on remeasurement of previously held interest	$	1,210

(1) Refer to note in Purchase Consideration table above.

NOTE 3—UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET ADJUSTMENT (Continued)

3(e) Reflects reclassification adjustments to separately present Select's deferred tax liabilities of $0.5 million.

3(f) Reflects adjustments to deferred taxes to be recorded by Select as a result of the mergers. However, the tax benefits of anticipated deferred tax assets are only recorded as an asset to the extent that management assesses the utilization of such assets to be more likely than not. When the future utilization of some portion of deferred tax assets is determined not to be more likely than not, a valuation allowance is provided to reduce the recorded tax benefits from such assets. Select's management's assessment of additional pro forma deferred tax assets has resulted in the recording of a valuation allowance to fully offset deferred tax assets related to pro forma adjustments for the mergers. The changes resulting from the Tax Cuts and Jobs Act that was enacted on December 22, 2017 are not included in these pro forma adjustments as of September 30, 2017.

3(g) Reflects adjustments to eliminate Rockwater's historical equity in exchange for the issuance of 6,731,845 shares of Select Class A-2 common stock; 26,246,115 shares of Select Class A common stock; and 4,356,477 shares of Select Class B common stock.

NOTE 4—UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS ADJUSTMENTS

The unaudited pro forma condensed combined statements of operations reflect the following adjustments:

Pro forma Rockwater adjustments

4(a) The following table presents the adjustments to Rockwater's consolidated statements of operations to give pro forma effect to the Crescent Acquisition as if the acquisition had occurred on January 1, 2016, including an adjustment to eliminate the nonrecurring historical deferred income tax benefit of $14.4 million recognized upon assuming a deferred income tax liability and resulting in a reduction of the valuation allowance on Rockwater's deferred income tax assets which was recognized as a deferred income tax benefit during the nine months ended September 30, 2017:

	For the nine months ended September 30, 2017		For the year ended December 31, 2016	
	(in thousands)			
Water solutions and related services revenue	$	32,608	$	91,841
Water solutions and related services costs of revenue		27,024		78,759
Depreciation and amortization—cost of revenue		1,405		13,692
Selling, general, and administrative		2,301		11,176
Depreciation and amortization—operating expense		2,447		9,963
Loss (gain) on disposal of property and equipment		(85)		136
Interest expense, net		(530)		(2,006)
Tax expense		(14,407)		(729)
Total pro forma impact on net income (loss)	$	(15,421)	$	(24,620)

NOTE 4—UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS ADJUSTMENTS (Continued)

4(b) The following table presents the adjustments to Rockwater's consolidated statements of operations to give pro forma effect to the Rockwater 144A Offering, including the use of proceeds to repay then-outstanding debt as well as the elimination of nonrecurring transaction costs:

	For the nine months ended September 30, 2017	For the year ended December 31, 2016
	(in thousands)	

Selling, general, and administrative	$	(1,944)	$	—
Interest expense, net		865		5,689
Total pro forma impact on net income (loss)	$	2,809	$	5,689

Pro forma adjustments for mergers and merger-related transactions

4(c) The following table presents the adjustments to the unaudited pro forma condensed combined statements of operations to give effect to the required sale:

		For the nine months ended September 30, 2017		For the year ended December 31, 2016
		(in thousands)		
Water solutions and related services revenue	$	(36,696)	$	(29,447)
Water solutions and related services costs of revenue		(32,733)		(25,782)
Selling, general, and administrative		(2,752)		(2,581)
Depreciation and amortization—operating expense		(1,111)		(2,120)
Interest expense, net		(1)		1
Tax expense		35		32
Loss on sale of Crescent Consulting		(64,205)		—
Total pro forma impact on net income (loss)	$	64,139	$	1,069

4(d) Reflects adjustments to increase depletion, depreciation and amortization (“DD&A”) directly attributable to costs of revenues of $3.6 million for the nine months ended September 30, 2017 and to reduce DD&A directly attributable to cost of revenues of $5.1 million for year ended December 31, 2016, after calculation of the estimated pro forma DD&A expense as a result of the fair value adjustments to Rockwater’s property, plant, and equipment and intangible assets.

4(e) Reflects adjustments to eliminate transaction expenses of $7.0 million recorded during the nine months ended September 30, 2017.

4(f) Reflects adjustments to increase DD&A related to operating expenses of $0.9 million for the nine months ended September 30, 2017 and to reduce DD&A related to operating expenses of $1.4 million for the year ended December 31, 2016, after calculation of the estimated pro forma

DD&A expense as a result of the fair value adjustments to Rockwater’s property, plant, and equipment and intangible assets.

4(g) Reflects adjustments to eliminate interest expense of $2.3 million and $2.7 million for the nine months ended September 30, 2017 and year ended December 31, 2016, respectively, related to the paydown and elimination of Rockwater’s debt. Further, these adjustments reflect Select’s entry into and assumed drawdown of a new senior secured credit facility on a pro forma basis. Pro forma interest expense assumes a $267.8 million borrowing base under the new senior secured credit facility and the amortization of new debt issuance costs of $3.4 million. Pro forma interest expense assumes interest rates of 2.46% and 1.91% per annum for the nine months ended September 30, 2017 and year ended December 31, 2016, respectively. As a result of a 0.125% increase or decrease in interest rates, the impact on pro forma interest expense would be less than $0.1 million for the nine months ended September 30, 2017 and year ended December 31, 2016.

4(h) The pro forma adjustments within the unaudited pro forma condensed combined statements of operations related to the mergers and other pro forma adjustments related to Select’s equity transactions do not impact pro forma tax benefit (expense) as these changes to the net operating loss result in adjustments to the deferred tax asset which are offset in full by changes to the associated valuation allowance as management reduces deferred tax assets to amounts considered more likely than not to be realized. The historical blended statutory income tax rate of 37% in effect for the periods presented was assumed for these unaudited pro forma condensed combined statements of operations. The changes resulting from the Tax Cuts and Jobs Act that was enacted on December 22, 2017 are not included in these pro forma adjustments.

4(i) Reflects adjustments to selling, general and administrative expenses of less than $0.1 million and $0.1 million for the nine months ended September 30, 2017 and year ended December 31, 2016, respectively, related to the amortization of unfavorable leases.

Other pro forma adjustments

4(j) Reflects adjustments to eliminate historical Select interest expense of $1.9 million and $16.1 million for the nine months ended September 30, 2017 and the year ended December 31, 2016, respectively, related to the paydown of historical outstanding debt as a result of giving pro forma effect to the above noted Select equity transactions during the periods presented.

4(k) Represents adjustments to noncontrolling interest of $(10.4) million and $152.6 million for the nine months ended September 30, 2017 and year ended December 31, 2016, respectively, as a result of adjustments to pro forma net (loss) income and adjustments related to the mergers and merger-related transactions as well as other equity-related pro forma adjustments.

4(l) Represents adjustments to eliminate the net loss attributable to the Predecessor to give pro forma effect to the Select 144A Offering.

Adjustments to weighted average shares outstanding

4(m) Reflects adjustments to weighted average shares outstanding, including:

1. Adjustment to outstanding shares of Select Class A-1 common stock for the conversion of Select's Class A-1 common stock to shares of Class A common stock as a result of the effectiveness of a shelf registration statement registering such shares for resale on a pro forma basis.

2. Adjustment to outstanding shares of Select Class A-2 common stock to reflect the issuance of shares of Class A-2 common stock to the existing shareholders of Rockwater Class A-1 common stock as a result of the mergers on a pro forma basis.

3. Adjustment to outstanding shares of Select Class A common stock for the nine months ended September 30, 2017 for issuances of shares of Class A common stock, including: the issuance of the Predecessor's equity units, the IPO, and to the existing shareholders of Rockwater Class A common stock as a result of the mergers on a pro forma basis.

4. Adjustment to outstanding shares of Select Class A common stock for the year ended December 31, 2016 for issuances of shares of Class A common stock, including: the issuance of the Predecessor's equity units, Select's reorganization and the Select 144A Offering, the IPO, and to the existing shareholders of Rockwater Class A common stock as a result of the mergers on a pro forma basis.

5. Adjustment to outstanding shares of Select Class B common stock for the issuance of shares of Class B common stock to the existing shareholders of Rockwater Class B common stock as a result of the mergers on a pro forma basis.

NOTE 5—ITEMS NOT INCLUDED

The following impacts, which could be material, related to the mergers are not included or provided for in the unaudited pro forma condensed combined statements of operations or in the unaudited pro forma condensed combined balance sheet:

- Costs that may be incurred in connection with the integration of Select and Rockwater, including professional fees and consultants, would not be considered factually supportable.

- Other appropriate adjustments to the purchase price allocation which will be refined and recorded as more information becomes available.

The unaudited pro forma condensed combined statements of operations also do not reflect any revenue or cost synergies expected to be realized in connection with the mergers.