CINCINNATI BELL INC
Form S-4
July 08, 2005

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As filed with the Securities and Exchange Commission on July 8, 2005

Registration No. 333-

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

Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CINCINNATI BELL INC.
(Exact name of Registrant as specified in its charter)

Ohio	**4813**	**31-1056105**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

201 East Fourth Street
Cincinnati, OH 45202
(513) 397-9900
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Christopher J. Wilson, Esq.
General Counsel
Cincinnati Bell Inc.
201 East Fourth Street
Cincinnati, OH 45202
(513) 397-9900
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

William V. Fogg, Esq.	**Thomas W. Bosse, Esq.**
Cravath, Swaine & Moore LLP	**The Law Offices of Thomas W. Bosse, PLLC**
Worldwide Plaza, 825 Eighth Avenue	**2101 Chamber Center Drive**
New York, New York 10019	**Ft. Mitchell, Kentucky 41017**
(212) 474-1000	**(859) 344-9500**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
7% Senior Notes due 2015	$250,000,000	100%	$250,000,000	$29,425(1)
Guarantees of 7% Senior Notes due 2015(2)	(3)	(3)	(3)	(4)
$8^3/8$% Senior Subordinated Notes due 2014	$100,000,000	100%	$100,000,000	$11,770(1)
Guarantees of $8^3/8$% Senior Subordinated Notes due 2014(2)	(3)	(3)	(3)	(4)

(1) Calculated pursuant to Rule 457(f) of the Securities Act and Fee Rate Advisory #6 for Fiscal Year 2005 dated December 9, 2004 at a rate of $117.70 per $1,000,000.

(2) See inside facing page for table of registrant guarantors.

(3) No separate consideration will be received for the guarantees.

(4) No further fee is payable pursuant to Rule 457(n).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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REGISTRANT GUARANTORS

Exact Name of Registrant Guarantor as Specified in its Charter	State of Incorporation or Organization	Primary Standard Industrial Classification Code Numbers	I.R.S. Employer Identification Number
BCSI Inc.	Delaware	4813	74-2724593
BCSIVA Inc.	Virginia	4813	74-2935305
BRFS LLC	Delaware	4813	04-3671599
BRCOM Inc.	Delaware	4813	74-2644120
BRHI Inc.	Delaware	4813	31-1688768
BRWL, LLC	Delaware	7377	05-0545225
BRWSVCS LLC	Delaware	4813	11-3663579
Cincinnati Bell Any Distance Inc.	Delaware	4813	72-1122018
Cincinnati Bell Public Communications Inc.	Ohio	4813	31-1704789
Cincinnati Bell Wireless Holdings LLC	Delaware	4812	27-0013739
Cincinnati Bell Wireless Company	Ohio	4812	31-1570713
Cincinnati Bell Telecommunication Services LLC	Ohio	4813	20-2003851
Cincinnati Bell Entertainment Inc. (f/k/a ZoomTown.com Inc.)	Ohio	4813	31-1641843
Cincinnati Bell Complete Protection Inc.	Ohio	7382	20-0110466
Cincinnati Bell Technology Solutions Inc.	Ohio	5045	31-1581935
IXC Business Services, LLC	Delaware	7377	74-2865657
IXC Internet Services, Inc.	Delaware	4813	74-2865665

The address, including zip code, and telephone number, including area code of the registrant guarantors listed above is the same as those of Cincinnati Bell Inc.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 8, 2005

PROSPECTUS

CINCINNATI BELL INC.
Offer to Exchange

7% Senior Notes Due 2015 **For a Like Principal Amount of New** **7% Senior Notes Due 2015**	**8^3/8% Senior Subordinated Notes Due 2014** **For a Like Principal Amount of New** **8^3/8 Senior Subordinated Notes Due 2014**

We are offering to exchange up to (i) $250,000,000 aggregate principal amount of new 7% Senior Notes due 2015 (the New Senior Notes), for a like principal amount of the outstanding 7% Senior Notes due 2015, which have certain transfer restrictions (the Original Senior Notes) and (ii) $100,000,000 aggregate principal amount of new 8^3/8% Senior Subordinated Notes due 2014 (the New Senior Subordinated Notes and, together with the New Senior Notes, the New Notes), for a like principal amount of the outstanding 8^3/8% Senior Subordinated Notes due 2014, which have certain transfer restrictions (the Original Senior Subordinated Notes and, together with the Original Senior Notes, the Original Notes). The Original Senior Notes and the New Senior Notes are collectively referred to in this prospectus as the Senior Notes and the Original Senior Subordinated Notes and the New Senior Subordinated Notes are collectively referred to in this prospectus as the Senior Subordinated Notes. The Senior Notes and Senior Subordinated Notes are collectively referred to in this prospectus as the notes. The New Notes will be free of the transfer restrictions that apply to the Original Notes that you currently hold, but will otherwise have substantially the same terms as the outstanding Original Notes. This offer will expire at 5:00 p.m., New York City time, on , 2005, unless we extend it. The New Notes will not trade on any established exchange.

Each broker-dealer that receives New Notes for its own account pursuant to this exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal accompanying this prospectus states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933, as amended. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for outstanding Original Notes where such outstanding Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of not less than 90 days after the expiration of this exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

SEE RISK FACTORS BEGINNING ON PAGE 11 TO READ ABOUT IMPORTANT FACTORS YOU SHOULD CONSIDER IN CONNECTION WITH THIS EXCHANGE OFFER.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospectus dated , 2005.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS OR TO WHICH WE HAVE REFERRED YOU AND THE DOCUMENTS SPECIFICALLY INCORPORATED BY REFERENCE HEREIN. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. WE ARE NOT MAKING AN OFFER OF THESE SECURITIES IN ANY STATE WHERE THE OFFER IS NOT PERMITTED. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THIS PROSPECTUS.

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ABOUT OUR SUBSIDIARIES

The New Senior Notes will be guaranteed on an unsecured senior basis by each of our current and future restricted subsidiaries that is a guarantor under our existing credit facility. The New Senior Subordinated Notes will be guaranteed on an unsecured senior subordinated basis by each of our current and future restricted subsidiaries that is a guarantor under our existing credit facility. We refer to each guarantee of the New Senior Notes as a senior notes guarantee, to each guarantee of the New Senior Subordinated Notes as a senior subordinated notes guarantee, to the senior notes guarantees and the senior subordinated notes guarantees collectively as the note guarantees, to the entities that will be guaranteeing the notes as the note guarantors, and to the entities that will not be guaranteeing the notes as the non-guarantors. As disclosed under Prospectus Summary Recent Developments, concurrently with the offering of the Original Notes we entered into our existing credit facility. Under the terms of our existing credit facility, none of Cincinnati Bell Telephone Company LLC (Cincinnati Bell Telephone), its subsidiary, Cincinnati Bell Extended Territories LLC (CBET), our Mutual Signal subsidiaries and, for so long as we do not own all of its outstanding equity or membership interests, Cincinnati Bell Wireless LLC, are guarantors under our existing credit facility. Accordingly, for so long as these subsidiaries remain non-guarantors under our existing credit facility, these subsidiaries will not be note guarantors. See Prospectus Summary Organizational Chart.

Each guarantor of our existing credit facility also guarantees the Original Notes, our $7^{1}/4\%$ Senior Notes due 2013 (the $7^{1}/4\%$ Notes), our Senior Subordinated Discount Notes due 2009 (the 16% Notes) and our

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$540 million aggregate principal amount of $8^{3}/8$% Senior Subordinated Notes due 2014 issued on November 19, 2003 (the Existing Senior Subordinated Notes).

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and, accordingly, file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). Members of the public may read and copy any materials we file with the SEC at the Public Reference Room maintained by the SEC at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Information on the operation of the Public Reference Room maintained by the SEC may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at http://www.sec.gov that contains reports, proxy and other information statements, and other information regarding issuers that file electronically with the SEC. Our SEC filings are also available at the offices of the New York Stock Exchange, Inc. in New York, New York. For further information on obtaining copies of our public filings at the New York Stock Exchange, you should call 212-656-5060.

We have filed with the SEC a registration statement on Form S-4 under the Securities Act of 1933, as amended (the Securities Act) with respect to this exchange offer. This prospectus does not contain all of the information contained in the registration statement and the exhibits to the registration statement. The SEC allows us to incorporate by reference in this prospectus certain information we have filed with the SEC, which means:

- the prospectus incorporates important business and financial information about us that is not included or delivered with this prospectus;
- documents incorporated by reference are considered part of this prospectus;
- we can disclose important information to you by referring you to those documents; and
- information that we file with the SEC will automatically update and supersede the information in this prospectus and any information that was previously incorporated in this prospectus.

We incorporate by reference the documents listed below, filed by Cincinnati Bell with the SEC under the Exchange Act:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed with the SEC on March 16, 2005.
- Each of the Annual Reports on Form 11-K for the fiscal year ended December 30, 2004, filed with the SEC on June 24, 2005.
- Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed with the SEC on May 10, 2005.
- Proxy Statement on Schedule 14A, filed with the SEC on March 29, 2005.
- Current Reports on Form 8-K, filed with the SEC on January 27, 2005, February 1, 2005, February 15, 2005 (other than the information furnished pursuant to Item 2.02 and any information relating thereto furnished pursuant to Item 9.01), February 23, 2005, April 4, 2005, May 9, 2005, May 12, 2005, June 13, 2005, June 30, 2005, July 8, 2005 and the several Current Reports on Form 8-K filed with the SEC on each of February 2, 2005 (other than the information furnished pursuant to Item 2.02 or 7.01 and any information relating thereto furnished pursuant to Item 9.01), February 3, 2005 and March 24, 2005.

We also incorporate by reference all documents filed by Cincinnati Bell with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and until the expiration of the exchange offer, excluding any materials furnished pursuant to Item 2.02, 7.01 or 9.01 of Form 8-K to the

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extent they contain Regulation FD or Results of Operations and Financial Condition disclosure, unless otherwise indicated therein.

Information contained in documents that we file with the SEC under the Exchange Act after the date of this prospectus and prior to the termination of the exchange offer contemplated hereby will supersede the information contained in or incorporated by reference in this prospectus to the extent such subsequently filed information is inconsistent with or conflicts with the information contained in or incorporated by reference in this prospectus on the date hereof.

You can obtain any of the filings incorporated by reference in this prospectus through us or from the SEC through the SEC s website or at its facilities described above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents that are not specifically incorporated by reference in such documents. You can request a copy of the documents incorporated by reference in this prospectus and a copy of the indenture, registration rights agreements and other agreements referred to in this prospectus by requesting them in writing at the following address or by telephone from us at the following telephone number:

General Counsel
Cincinnati Bell Inc.
201 East Fourth Street
Cincinnati, OH 45202
(513) 397-9900

To obtain timely delivery of any copies of filings requested from us, please write or telephone us no later than , 2005.

For further information with respect to us, we refer you to the registration statement, the exhibits filed as part of the registration statement, and the documents incorporated by reference in this prospectus.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference herein contains forward-looking statements which are based on our (together with our majority-owned consolidated subsidiaries over which we exercise control) current expectations, estimates and projections. Statements that are not historical facts, including statements about the beliefs, expectations and future plans and strategies of Cincinnati Bell, are forward-looking statements. These include any statements regarding:

- future revenue, profit percentages, income tax refunds, realization of deferred tax assets, earnings per share or other results of operations;
- the continuation of historical trends;
- the sufficiency of cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs;
- the effect of legal and regulatory developments; and
- the economy in general or the future of the communications services industries.

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Actual results may differ materially from those expressed or implied in forward-looking statements. These statements involve potential risks and uncertainties, which include, but are not limited to:

- changing market conditions and growth rates within the telecommunications industry or generally within the overall economy;
- world and national events that may affect our ability to provide services or the market for telecommunications services;
- changes in competition in markets in which we operate;
- pressures on the pricing of our products and services;
- advances in telecommunications technology;
- the ability to generate sufficient cash flow to fund our business plan and maintain our networks;
- the ability to refinance our indebtedness when required on commercially reasonable terms;
- changes in the telecommunications regulatory environment;
- changes in the demand for our services and products;
- the demand for particular products and services within the overall mix of products sold, as our products and services have varying profit margins;
- our ability to introduce new service and product offerings in a timely and cost-effective basis;
- our ability to attract and retain highly qualified employees;
- our ability to access capital markets and the successful execution of restructuring initiatives;
- volatility in the stock market, which may affect the value of our stock; and
- the outcome of any of the pending class action and derivative shareholder lawsuits.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they were made. We do not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

For a further discussion of such risks, uncertainties and assumptions, see Risk Factors. You are urged to consider these factors in evaluating the forward-looking statements.

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PROSPECTUS SUMMARY

This summary highlights some of the information contained or incorporated by reference in this prospectus. It may not include all the information that is important to you. You should read the entire prospectus and the documents incorporated by reference before making an investment decision. See Risk Factors for factors that you should consider before deciding whether to participate in the exchange offer and Information Regarding Forward-Looking Statements for information relating to statements contained in this prospectus that are not historical facts. As used in this prospectus, the terms we, us, our, Cincinnati Bell, the Company and our company refer to Cincinnati Bell and its subsidiaries on a consolidated basis, unless the context requires otherwise. The term Issuer refers to Cincinnati Bell Inc. and not to any of its subsidiaries.

Our Company

We are a full-service local provider of data and voice communications services and equipment and a regional provider of wireless and long distance communications services. We provide telecommunications services on our owned local networks with a well-regarded brand name and reputation for service. We have five reportable business segments: Local, Wireless, Hardware and Managed Services, Other and Broadband. The Broadband segment no longer has any substantive, on-going operations.

Local

Our Local segment consists of the operations of Cincinnati Bell Telephone and CBET, which provide local voice telephone service, including enhanced custom calling features and data services such as dedicated network access, Gigabit Ethernet and Asynchronous Transfer Mode based data transport, and high-speed digital subscriber line (DSL) and dial-up Internet access, to customers in southwestern Ohio, northern Kentucky and southeastern Indiana. Cincinnati Bell Telephone s traditional operating market has consisted of approximately 2,400 square miles located within an approximate 25-mile radius of Cincinnati, Ohio. Cincinnati Bell Telephone s network includes 681 Synchronous Optical Network rings and 2,211 fiber network miles. The network also has full digital switching capability and can provide DSL data transmission services for approximately 90% of the network access lines served by the Company, which the Company refers to as addressable access lines.

During 2004, we extended our local service offering by entering the 700 square-mile market surrounding Dayton, Ohio through our CBET subsidiary. In the greater Dayton market, we provide service on our own network and by purchasing Unbundled Network Elements or UNE-platform from the incumbent local carrier. We also provide facilities-based services to 25% of our customer base in this market and provide route diversity between our Cincinnati and Dayton networks through two separate fiber routes.

Wireless

Our Wireless segment consists of the operations of Cincinnati Bell Wireless LLC (CB Wireless), a joint venture with Cingular Wireless LLC (Cingular), formerly AT&T Wireless PCS Inc. (AWE), in which we own 80.1% and Cingular owns the remaining 19.9%. This segment provides advanced digital voice and data communications services and sales of related communications equipment to customers in the greater Cincinnati and Dayton, Ohio operating areas. Historically, CB Wireless has operated as an affiliate of Cingular on a Time Division Multiple Access (TDMA) protocol. However, in 2003, CB Wireless also began offering voice service on the Global System for Mobile Communications (GSM) protocol and data services on the General Packet Radio Service (GPRS). CB Wireless plans to migrate its TDMA customer base to GSM and GPRS over the next few years.

Hardware and Managed Services

Our Hardware and Managed Services segment consists of the operations of Cincinnati Bell Technology Solutions Inc. (CB Technology Solutions), which provides data center collocation, IT consulting, telecommunications equipment, computer hardware and related installation and maintenance. In March 2004, CB Technology Solutions sold certain of its operating assets, generally consisting of assets located outside of the greater Cincinnati, Ohio area.

Other

Our Other segment combines the operations of Cincinnati Bell Any Distance Inc. (CB Any Distance), Cincinnati Bell Complete Protection Inc. (CB Complete Protection) and Cincinnati Bell Public Communications Inc. (CB Public Communications). CB Any Distance resells long distance voice and audio conferencing services; CB Complete Protection provides security and surveillance hardware and monitoring services for consumers and businesses; and CB Public Communications provides public payphone services.

Broadband

During the second and third quarter of 2003, we completed the sale of substantially all of our broadband assets. Subsequent to the closing of that sale, our Broadband segment consists of certain retained liabilities not transferred to the buyers. Prior to the sale of the broadband assets, revenue for the Broadband segment was generated from broadband transport which included revenue from indefeasible right of use contracts, switched voice services, data and Internet services (including data collocation and managed services) and other services. We currently have no meaningful operations in this segment.

Recent Developments

Issuance of Original Notes and Establishment of Existing Credit Facility

On February 16, 2005, we issued $250 million aggregate principal amount of Original Senior Notes and $100 million aggregate principal amount of Original Senior Subordinated Notes. The Original Senior Subordinated Notes were issued as additional debt securities under an indenture dated as of November 19, 2003, pursuant to which we issued the Existing Senior Subordinated Notes. Concurrently with the offering of the Original Notes, we entered into our existing credit facility. Our existing credit facility consists of a $250 million five-year revolving credit facility maturing in 2010. In addition, under our existing credit facility we have the right to request (but no lender is committed to provide) incremental credit facilities of up to an additional $500 million which may be structured, at our option, as an increase to the revolving credit facility or as term loans. We used the net proceeds from the offering of the Original Notes, together with the proceeds of the initial borrowings under our existing credit facility, to repay all outstanding borrowings under, and terminate, our prior credit facilities and to pay the consent payments associated with the 7^{1}/4% Notes Amendment (as defined below). These transactions are collectively referred to in this prospectus as the 2005 Refinancing. Upon consummating the 2005 Refinancing, we entered into fixed-to-floating interest rate swaps designated as fair value hedging instruments with notional amounts of $350 million. The interest rate swaps essentially change the fixed rate nature of the Original Notes to approximate the floating interest rate characteristics of our prior credit facility (the Interest Rate Swaps).

16% Notes Amendment

In January 2005, we received consents from holders of our 16% Notes to amend certain provisions of the agreements relating to the 16% Notes (the 16% Notes Amendment). The 16% Notes Amendment, among other things, eliminated (i) the restrictions on our dealings with BRCOM Inc. and its subsidiaries (collectively, the BRCOM Group) and (ii) the required separation of the BRCOM Group from our other operations.

7^{1}/4% Notes Amendment

In January 2005, we also received consents from holders of our 7^{1}/4% Notes to amend certain provisions of the indenture governing the 7^{1}/4% Notes (the 7^{1}/4% Notes Amendment). The 7^{1}/4% Notes Amendment, among other things, amended the restricted payments covenant set forth in such indenture in order to facilitate

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a future refinancing of the 16% Notes with debt instruments that were not permitted prior to the $7^{1}/4$% Notes Amendment. The 16% Notes are redeemable at a price equal to (1) prior to March 26, 2006, the accreted value thereof as of the redemption date plus a make whole premium and (2) on and after March 26, 2006, the accreted value thereof as of the redemption date plus a redemption premium equal to a specified percentage of the accreted value, which percentage is set at 8% initially and declines over time. We expect to redeem the 16% Notes in March 2006, but make no assurances that we will not redeem the 16% Notes prior to such time. On March 31, 2006, the redemption price for the 16% Notes will be 108% of the accreted value thereof as of such date, or approximately $425.8 million.

Cincinnati Bell Inc. was incorporated under the laws of Ohio in 1983 and remains incorporated under the laws of Ohio. We have our principal offices at 201 East Fourth Street, Cincinnati, Ohio 45202. Our telephone number is (513) 397-9900, and our website address is http://www.cincinnatibell.com. The information on our website is not a part of this prospectus.

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Organizational Chart

The following chart sets forth a summary of Cincinnati Bell s organizational structure:

Summary of the Terms of the Exchange Offer

Background	On February 16, 2005, we completed a private placement of (i) $250,000,000 aggregate principal amount of the Original Senior Notes and (ii) $100,000,000 aggregate principal amount of the Original Senior Subordinated Notes. In connection with that private placement, we entered into a registration rights agreement for each series of Original Notes in which we agreed to, among other things, complete an exchange offer for each series of Original Notes.
The Exchange Offer	We are offering to exchange our New Notes for a like principal amount of our outstanding Original Notes. Original Notes may only be tendered in integral multiples of $1,000 principal amount. See The Exchange Offer Terms of the Exchange.
Resale of New Notes	Based upon the position of the staff of the SEC as described in previous no-action letters, we believe that each series of New Notes issued pursuant to the exchange offer in exchange for Original Notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, *provided* that: you are acquiring the New Notes in the ordinary course of your business; you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in a distribution of the New Notes; and you are not our affiliate as defined under Rule 405 of the Securities Act. We do not intend to apply for listing of the New Notes on any securities exchange or to seek approval for quotation through an automated quotation system. Accordingly, there can be no assurance that an active market will develop upon completion of the exchange offer or, if developed, that such market will be sustained or as to the liquidity of any market. Each participating broker-dealer that receives New Notes for its own account pursuant to the exchange offer in exchange for Original Notes that were acquired as a result of market-making or other trading activity, may be a statutory underwriter and must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act, which may be the prospectus for the exchange offer so long as it contains a plan of distribution with respect to the resale transactions, in connection with any resale of New Notes. See Plan of Distribution.
Consequences If You Do Not Exchange Your Original Notes	Original Notes that are not tendered in the exchange offer or are not accepted for exchange will continue to bear legends restricting their transfer. You will not be able to offer or sell such Original Notes: except pursuant to an exemption from the requirements of the Securities Act; or unless the Original Notes are registered under the Securities Act.

	After the exchange offer is closed, we will no longer have an obligation to register the Original Notes, except for some limited exceptions. See Risk Factors If you fail to exchange your Original Notes, they will continue to be restricted securities and may become less liquid.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2005, unless we extend the exchange offer. See The Exchange Offer Expiration Date; Extensions; Amendments.
Exchange Date; Issuance of New Notes	The date of acceptance for exchange of each series of Original Notes is the exchange date, which will be the first business day following the expiration date of the exchange offer. We will issue New Notes in exchange for Original Notes tendered and accepted in the exchange offer promptly following the exchange date. See The Exchange Offer Terms of the Exchange.
Certain Conditions to the Exchange Offer	The exchange offer is subject to certain customary conditions, which we may waive. See The Exchange Offer Conditions to the Exchange Offer.
Special Procedures for Beneficial Holders	If you beneficially own Original Notes which are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender in the exchange offer, you should contact such registered holder promptly and instruct such person to tender on your behalf. If you wish to tender in the exchange offer on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your Original Notes, either arrange to have the Original Notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take a considerable time. See The Exchange Offer Procedures for Tendering.
Withdrawal Rights	You may withdraw your tender of Original Notes at any time before the exchange offer expires. See The Exchange Offer Withdrawal of Tenders.
Accounting Treatment	We will not recognize any gain or loss for accounting purposes upon the completion of the exchange offer. The expenses of the exchange offer that we pay will increase our deferred financing costs in accordance with generally accepted accounting principles. See The Exchange Offer Accounting Treatment.
Certain Tax Consequences	The exchange pursuant to the exchange offer generally will not be a taxable event for U.S. Federal income tax purposes. See Certain U.S. Federal Income Tax Consequences.
Use of Proceeds	We will not receive any proceeds from the exchange or the issuance of New Notes in connection with the exchange offer. See Use of Proceeds.
Exchange Agent	The Bank of New York is serving as exchange agent in connection with the exchange offer. See The Exchange Offer Exchange Agent.

Summary of the Terms of the Notes

Other than the obligations to conduct an Exchange Offer, the New Notes will have the same financial terms and covenants as the Original Notes, which are as follows:

Issuer	Cincinnati Bell Inc.
Securities Offered	\$350,000,000 aggregate principal amount of notes, consisting of (i) \$250,000,000 aggregate principal amount of 7% Senior Notes due 2015, referred to herein as the New Senior Notes and (ii) \$100,000,000 aggregate principal amount of 8 3/8% Senior Subordinated Notes due 2014, referred to herein as the New Senior Subordinated Notes.
Maturity	The New Senior Notes will mature on February 15, 2015. The New Senior Subordinated Notes will mature on January 15, 2014.
Interest	Interest on the New Senior Notes will accrue at the rate of 7% per annum, and will be payable semiannually in cash in arrears on each February 15 and August 15, commencing on August 15, 2005 or, if the exchange offer is not consummated by such date, February 15, 2006. Interest on the New Senior Subordinated Notes will accrue at the rate of 8 3/8% per annum, and will be payable semiannually in cash in arrears on each January 15 and July 15, commencing on January 15, 2006.
Guarantees	The New Senior Notes will be jointly and severally guaranteed on an unsecured senior basis by each of our current and future restricted subsidiaries that is a guarantor under our existing credit facility. The New Senior Subordinated Notes will be jointly and severally guaranteed on an unsecured senior subordinated basis by each of our current and future restricted subsidiaries that is a guarantor under our existing credit facility. Each note guarantor s guarantee of the 16% Notes will rank senior to such note guarantor s guarantee of the New Senior Subordinated Notes.
Ranking	The New Senior Notes will be unsecured senior obligations of the Issuer, will rank equally with all of its existing and future senior indebtedness and will rank senior to all of its existing and future senior subordinated and subordinated indebtedness. The New Senior Subordinated Notes will be unsecured senior subordinated obligations of the Issuer, will rank junior to all of its existing and future senior indebtedness (including for this purpose, the currently outstanding 16% Notes), will rank equally with all of its existing and future senior subordinated indebtedness (excluding for this purpose its currently outstanding 16% Notes) and will rank senior to all of its future subordinated indebtedness. With respect to the Senior Notes and the senior notes guarantees after giving effect to the Interest Rate Swaps, as of March 31, 2005, there was outstanding:

$872 million of senior indebtedness of the Issuer (excluding unused commitments under our existing credit facility and

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including the Senior Notes), of which $125 million was secured indebtedness;

no senior indebtedness of the note guarantors (excluding $2 million of debt issued by CB Technology Solutions (the CB Technology Solutions Debt) and the guarantees of our existing credit facility, the 7 1/4% Notes and the Original Senior Notes);

$264 million of indebtedness of non-guarantor subsidiaries (consisting of certain capital lease obligations, the 6.30% Debentures (as defined below) and the Medium Term Notes (as defined below)) effectively ranking senior to the notes and the note guarantees to the extent of the value of the assets of such non-guarantor subsidiaries;

$1,015 million of indebtedness of the Issuer that is subordinated or junior in right of payment to the Senior Notes (consisting of the Existing Senior Subordinated Notes, the Original Senior Subordinated Notes and the 16% Notes and excluding the guarantees by the Issuer of Cincinnati Bell Telephone s 6.30% Debentures and Medium Term Notes (as described under Description of Other Indebtedness and Preferred Stock Cincinnati Bell Telephone 6.30% Unsecured Senior Debentures due 2028 and Cincinnati Bell Telephone Guaranteed Medium Term Notes)); and

no indebtedness of the note guarantors that is subordinated or junior in right of payment to the note guarantees (excluding the guarantees of the Existing Senior Subordinated Notes, the Original Senior Subordinated Notes and the 16% Notes).

With respect to the Senior Subordinated Notes and the senior subordinated notes guarantees after giving effect to the Interest Rate Swaps, as of March 31, 2005, there was outstanding:

$1,251 million of senior indebtedness of the Issuer (excluding unused commitments under our existing credit facility and including the 16% Notes and the Senior Notes), of which $125 million was secured indebtedness;

no senior indebtedness of the note guarantors (excluding the CB Technology Solutions Debt and the guarantees of our existing credit facility, the 7 1/4% Notes, the 16% Notes and the Original Senior Notes);

$264 million of indebtedness of non-guarantor subsidiaries (consisting of certain capital lease obligations, the 6.30% Debentures and the Medium Term Notes) effectively ranking senior to the notes and the note guarantees to the extent of the value of the assets of such non- guarantor subsidiaries;

$690 million of indebtedness of the Issuer ranking *pari passu* in right of payment to the Senior Subordinated Notes (consisting of the Existing Senior Subordinated Notes and the guarantee by the Issuer of Cincinnati Bell Telephone s 6.30% Debentures (as described under Description of Other Indebtedness and Preferred Stock Cincinnati Bell Telephone 6.30% Unsecured Senior Debentures due 2028));

	no indebtedness of the note guarantors ranking *pari passu* in right of payment to the senior subordinated notes guarantees (other than the guarantees of the Existing Senior Subordinated Notes);
	$100 million of indebtedness of the Issuer that is subordinated or junior in right of payment to the Senior Subordinated Notes (consisting of the guarantee by the Issuer of Cincinnati Bell Telephone s Medium Term Notes (as described under Description of Other Indebtedness and Preferred Stock Cincinnati Bell Telephone Guaranteed Medium Term Notes)); and
	no indebtedness of the note guarantors that is subordinated or junior in right of payment to the senior subordinated notes guarantees.
Optional Redemption	We may redeem some or all of the Senior Notes at our option at any time after February 15, 2010, at the redemption prices listed under Description of the Senior Notes Optional Redemption, plus accrued and unpaid interest, if any, to the redemption date.
	We may redeem some or all of the Senior Subordinated Notes at our option at any time after January 15, 2009, at the redemption prices listed under Description of the Senior Subordinated Notes Optional Redemption, plus accrued and unpaid interest, if any, to the redemption date.
Optional Redemption after Certain Equity Offerings	At any time prior to February 15, 2008 we may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds of certain equity offerings of our common stock at a redemption price of 107% of the principal amount of the Senior Notes plus accrued and unpaid interest, if any, to the redemption date, so long as (1) at least 65% of the original aggregate amount of the Senior Notes remains outstanding after each such redemption and (2) any such redemption is made within 60 days of such public equity offering. See Description of the Senior Notes Optional Redemption.
	At any time prior to January 15, 2007 we may redeem up to 35% of the aggregate principal amount of the Senior Subordinated Notes (including the Existing Senior Subordinated Notes) with the net cash proceeds of certain equity offerings of our common stock at a redemption price of 108.375% of the principal amount of the Senior Subordinated Notes plus accrued and unpaid interest, if any, to the redemption date so long as (1) at least 65% of the Senior Subordinated Notes (including the Existing Senior Subordinated Notes) remain outstanding after each such redemption and (2) any such redemption by us is made within 60 days of such public equity offering. See Description of the Senior Subordinated Notes Optional Redemption.
Change of Control	If we experience specific kinds of changes in control, holders of the notes will have the right to require us to purchase their notes, in whole or in part, at a price equal to 101% of the principal amount,

	together with any accrued and unpaid interest to the date of such purchase.
Use of Proceeds	We will not receive any proceeds from the exchange offer.
Restrictive Covenants	The indentures governing the Senior Notes and the Senior Subordinated Notes contain certain covenants that limit, among other things, our ability and the ability of our restricted subsidiaries to: incur additional indebtedness; create liens; make investments; enter into transactions with affiliates; sell assets; guarantee indebtedness; declare or pay dividends or other distributions to shareholders; repurchase equity interests; redeem debt that is junior in right of payment to the applicable series of notes; enter into agreements that restrict dividends or other payments from subsidiaries; issue or sell capital stock of certain of our subsidiaries; and consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis. These covenants are subject to a number of important exceptions and qualifications.
Risk Factors	See Risk Factors beginning on page 11 for a discussion of factors you should carefully consider before deciding to participate in the exchange offer.
Absence of a Public Market	The New Notes will generally be freely transferable but will be issues of securities for which there is currently no established market. The New Senior Subordinated Notes will trade as a single class with the registered Existing Senior Subordinated Notes and will have the same CUSIP number assigned to those Existing Senior Subordinated Notes. The initial purchasers of the Original Notes have advised us that they currently intend to make a market for the New Notes as permitted by applicable laws and regulations. However, they are not obligated to do so and may discontinue any such market-making activities at any time without notice. Accordingly, there can be no assurance as to the development or liquidity of any market for the New Notes.

Further Issuances	We may create and issue further notes ranking equally and ratably with either series of the New Notes offered by this prospectus in all respects, so that such further notes will be consolidated and form a single series with the applicable series of New Notes offered by this prospectus and will have the same terms as to status, redemption or otherwise.

For a more complete description of the notes, see Description of the Senior Notes and Description of the Senior Subordinated Notes.

RISK FACTORS

In considering whether to participate in this exchange offer, you should carefully consider all of the information we have included and incorporated by reference in this prospectus. In particular, you should carefully consider the Risk Factors described below before making a decision to participate in this exchange offer. Any or all of these risks could have a material adverse effect on our businesses, reputation, financial condition, results of operations and cash flows, the trading price of the notes and on our ability to make payments on the notes.

Risk Factors Related to the Notes and the Exchange Offer

Our substantial debt could limit our ability to fund operations, expose us to interest rate volatility, limit our ability to raise additional capital and have a material adverse effect on our ability to fulfill our obligations under the notes and on our business and prospects generally.

We have a substantial amount of debt and have significant debt service obligations. As of March 31, 2005, our aggregate outstanding indebtedness was $2,122.3 million and our total shareowners deficit was $627.6 million. Our interest expense for the quarter ended March 31, 2005 was $50.5 million. In addition, as of March 31, 2005, we had the ability to borrow an additional $168.6 million under our existing credit facility, subject to compliance with certain conditions. We may also incur additional debt from time to time, subject to the restrictions contained in our existing credit facility and other debt instruments.

Our substantial debt could have important consequences to you, including the following:

- we will be required to use a substantial portion of our cash flow from operations to pay principal and interest on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, strategic acquisitions, investments and joint ventures and other general corporate requirements;

- our interest expense could increase if interest rates in general increase because a significant portion of our debt bears interest at floating rates, either by the terms of the debt instruments or due to the Interest Rate Swaps;

- our substantial debt will increase our vulnerability to general economic downturns and adverse competitive and industry conditions and could place us at a competitive disadvantage compared to those of our competitors that are less leveraged;

- our debt service obligations could limit our flexibility to plan for, or react to, changes in our business and the industry in which we operate;

- our level of debt may restrict us from raising additional financing on satisfactory terms to fund working capital, capital expenditures, strategic acquisitions, investments and joint ventures and other general corporate requirements;

- our level of debt may prevent us from raising the funds necessary to repurchase all of the notes tendered to us upon the occurrence of a change of control, which would constitute an event of default under the notes;

- our level of debt may impact our ability to obtain, on commercially reasonable terms, any funds which may be needed to redeem the 16% Notes, which we expect to complete in March 2006; and

- a potential failure to comply with the financial and other restrictive covenants in our debt instruments, which, among other things, require us to maintain specified financial ratios, could, if not cured or waived, have a material adverse effect on our ability to fulfill our obligations under the notes and on our business or prospects generally.

See Description of the Senior Notes Certain Covenants and Defaults, Description of the Senior Subordinated Notes Certain Covenants and Defaults, and Description of Other Indebtedness and Preferred Stock.

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We may not be able to redeem our 16% Notes in March 2006 or obtain funds to redeem the 16% Notes on commercially favorable terms.

We expect to redeem our 16% Notes in March 2006, thereby realizing savings on interest expense going forward. However, there can be no assurance that we will be able to redeem the 16% Notes in March 2006, or obtain funds to do so on commercially reasonable terms. Failure to redeem the 16% Notes at that time, or to obtain the funds to do so on commercially reasonable terms, could have a material impact on the amount of interest expense savings we hope to achieve. Failure to redeem the 16% Notes prior to July 20, 2008 would also result in an acceleration of our existing credit facility. See Description of Other Indebtedness and Preferred Stock Existing Credit Facility.

Servicing our indebtedness requires a significant amount of cash, and our ability to generate cash depends on many factors beyond our control.

Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, that additional sources of debt financing will be available to us or that future borrowings will be available to us under our existing credit facility, in each case, in amounts sufficient to enable us to service our indebtedness, including the notes, or to fund our other liquidity needs. If we cannot service our indebtedness, we will have to take actions such as reducing or delaying capital expenditures, strategic acquisitions, investments and joint ventures, selling assets, restructuring or refinancing indebtedness or seeking additional equity capital, which may adversely affect our customers and affect their willingness to remain customers. We cannot assure you that any of these actions could, if necessary, be effected on commercially reasonable terms, or at all. In addition, the terms of existing or future debt instruments, including the indentures governing the notes, may restrict us from adopting any of these actions.

We have the ability to incur substantial additional debt, which may intensify the risks associated with our substantial existing debt, including our ability to service the notes and other debt.

Our existing credit facility and other debt instruments will permit us, subject to compliance with certain covenants, to incur a substantial amount of additional indebtedness, including senior secured indebtedness. As of March 31, 2005, our aggregate outstanding indebtedness was $2,122.3 million and we had the ability to borrow an additional $168.6 million under our existing credit facility, subject to compliance with certain conditions. We may also incur additional debt from time to time, subject to restrictions contained in our existing credit facility and other debt instruments. See Description of Other Indebtedness and Preferred Stock. If we incur additional debt above the levels currently outstanding, the risks associated with our substantial existing debt, including our ability to service our debt, could intensify.

The Issuer will depend on the receipt of dividends or other intercompany transfers from its subsidiaries to pay the principal of, and interest on, the notes. Claims of creditors of these subsidiaries may have priority over your claims with respect to the assets and earnings of these subsidiaries.

The Issuer conducts substantially all of its operations through its subsidiaries, and substantially all of its operating assets are held directly by its subsidiaries. The Issuer will therefore be dependent upon dividends or other intercompany transfers of funds from these subsidiaries in order to pay the principal of, and interest on, the notes and to meet its other obligations.

Although the note guarantees will provide holders of notes with a direct claim against the subsidiaries of the Issuer that are note guarantors, enforcement of the note guarantees against any note guarantor may be challenged in a bankruptcy or reorganization case or a lawsuit by or on behalf of creditors of the note guarantor and could be subject to the defenses available to guarantors generally. To the extent that the note guarantees are not enforceable, the notes would be effectively subordinated to all liabilities of the note guarantors, including trade payables and contingent liabilities, and any preferred stock of the note guarantors.

In any event, the notes will be effectively subordinated to all liabilities of the subsidiaries of the Issuer that are non-guarantors. As of March 31, 2005, the non-guarantors had:

assets of $982.3 million, or 51% of our total assets, as of March 31, 2005;

liabilities of $563.9 million, or 22% of our total liabilities, as of March 31, 2005;

revenue of $964.5 million and $238.1 million, or 80% and 83% of our consolidated revenue, for the year ended December 31, 2004 and for the quarter ended March 31, 2005, respectively; and

operating income of $280.8 million and $49.9 million, or 94% and 90% of our consolidated operating income, for the year ended December 31, 2004 and for the quarter ended March 31, 2005, respectively.

See Description of Other Indebtedness and Preferred Stock.

Accordingly, in the event of dissolution, bankruptcy, liquidation or reorganization of the Issuer, amounts may not be available to its creditors, including holders of the notes, until after the payment in full of the claims of creditors of its subsidiaries. Amounts available for distribution to creditors of the Issuer will be available first to holders of secured debt and only second to holders of unsecured debt, including holders of the notes, all as described below.

Although the indentures governing the Senior Notes and the Senior Subordinated Notes limit the ability of the Issuer s subsidiaries to enter into contractual restrictions on their ability to pay dividends and make other payments to the Issuer, these limitations have a number of significant qualifications and exceptions. In addition, certain of the Issuer s material subsidiaries, specifically Cincinnati Bell Telephone, are subject to debt obligations or regulatory schemes that potentially restrict their ability to distribute funds or assets to the Issuer. Specifically, the various state public utility commissions with jurisdiction over Cincinnati Bell Telephone may seek to exercise control over the payment of dividends to the Issuer, including in cases where there has been a degradation of service quality at Cincinnati Bell Telephone. See Description of Other Indebtedness and Preferred Stock. If the Issuer s subsidiaries were to be prohibited from paying dividends and making distributions to the Issuer, it would have a material adverse effect on the Issuer and its ability to meet its obligations under the notes.

Senior Subordinated Note holders right to receive payments on the Senior Subordinated Notes will be junior to the borrowings under our existing credit facility and all other existing and future senior indebtedness, including the Senior Notes, the 7^1/4% Notes, the Issuer s 7^1/4% Senior Notes due 2023 and the 16% Notes. Further, any senior subordinated notes guarantees will be junior to the note guarantors existing and future senior indebtedness, including guarantees of the Senior Notes, the 7^1/4% Notes and the 16% Notes.

The Senior Subordinated Notes rank behind all of the Issuer s existing senior indebtedness, including the Senior Notes, the 7^1/4% Notes, its 7^1/4% Senior Notes due 2023, the 16% Notes, borrowings under its existing credit facility and the Issuer s future senior indebtedness and rank *pari passu* with the Existing Senior Subordinated Notes and the Issuer s guarantee of Cincinnati Bell Telephone s 6.30% Debentures. In addition, any senior subordinated notes guarantee will rank behind the note guarantors senior indebtedness, including any guarantees of the Senior Notes, the 7^1/4% Notes, the 16% Notes and borrowings under the Issuer s existing credit facility. As a result, upon any distribution to the Issuer s creditors or the creditors of any note guarantor in a bankruptcy, liquidation or reorganization or similar proceeding relating to the Issuer or any note guarantor or their respective property, the holders of the Issuer s senior indebtedness and the senior indebtedness of any note guarantors will be entitled to be paid in full in cash before any payment may be made with respect to the Senior Subordinated Notes or any senior subordinated notes guarantees.

In addition, all payments on the Senior Subordinated Notes and any senior subordinated notes guarantee will be blocked in the event of a payment default on senior indebtedness (including the 16% Notes) and may be blocked for up to 179 consecutive days in the event of certain non-payment defaults on senior indebtedness (including the 16% Notes).

In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to the Issuer or any note guarantor, holders of the Senior Subordinated Notes will participate with trade creditors and all other holders of the Issuer s or the note guarantor s, as the case may be, senior subordinated indebtedness (excluding the 16% Notes and including, in the case of a bankruptcy, liquidation, reorganization or similar proceeding involving the Issuer, the holders of Cincinnati Bell Telephone s 6.30% Debentures) in the assets remaining after the Issuer or note guarantor has paid all of its senior indebtedness (including the 16% Notes). However, because the indenture governing the Senior Subordinated Notes requires that amounts otherwise payable to holders of the Senior Subordinated Notes in a bankruptcy or similar proceeding be paid to holders of senior indebtedness instead, holders of the Senior Subordinated Notes may receive less, ratably, than holders of trade payables in any such proceeding. In any of these cases, the Issuer and the note guarantors may not have sufficient funds to pay all of their creditors and holders of Senior Subordinated Notes may receive less, ratably, than the holders of senior indebtedness.

As of March 31, 2005, after eliminating intercompany activity and giving effect to the Interest Rate Swaps, the Senior Subordinated Notes were subordinated to $1,251 million of senior indebtedness (including the 16% Notes and the Senior Notes and exclusive of unused commitments under our existing credit facility) and approximately $168.6 million was available for borrowing as additional senior indebtedness under our existing credit facility. We will be permitted to borrow substantial additional indebtedness, including senior indebtedness, in the future under the terms of the indenture governing the Senior Subordinated Notes.

In addition, after eliminating intercompany activity, as of March 31, 2005, the senior subordinated notes guarantees were subordinated to no senior indebtedness of the note guarantors (excluding the CB Technology Solutions Debt and the guarantees of our existing credit facility, the $7^1/4\%$ Notes, the 16% Notes and the Original Senior Notes).

The notes are unsecured obligations, and our assets may be insufficient to pay amounts due on your notes.

The notes and note guarantees are our unsecured obligations that will be effectively subordinated in right of payment to all of the Issuer s and each note guarantor s secured debt to the extent of the value of the collateral securing such debt. Debt outstanding under the existing credit facility is secured by perfected first priority pledges of and security interests in (1) 100% of all present and future shares of capital stock or other equity, membership or profit interests owned directly by the Issuer or any note guarantor in our present and future domestic subsidiaries (other than our Mutual Signal subsidiaries and, for so long as we do not own all of its outstanding equity or membership interests, CB Wireless), (2) 66% of all present and future shares of capital stock or other equity, ownership or profit interests owned directly by the Issuer or any note guarantor in our present and future direct first-tier foreign subsidiaries, (3) substantially all of our and each note guarantor s other personal property and assets, to the extent perfection is effected by the filing of a UCC financing statement and other appropriate notice filings with the U.S. Copyright Office and the U.S. Patent and Trademark Office, (4) all present and future intercompany debt owing from any non-guarantor to Cincinnati Bell or any note guarantor, and (5) all proceeds of the foregoing. The Issuer s $7^1/4\%$ Senior Notes due 2023 and holders under various swap agreements entered into by the Issuer are equally and ratably secured with the lenders under our existing credit facility by the assets of the Issuer, including the capital stock of its subsidiaries.

As of March 31, 2005, after eliminating intercompany activity, we had $138.9 million of senior secured debt, including capital lease obligations but excluding unused commitments of $168.6 million under our $250 million credit facility. In addition, we and our subsidiaries may incur additional secured debt, including debt incurred under the incremental credit facilities that may be established under our existing credit facility.

Because the notes and the note guarantees will be our unsecured obligations, your right of repayment may be compromised if any of the following events were to occur:

a bankruptcy, liquidation, reorganization or other winding-up involving us or any of our subsidiaries;

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- a default in payment under our existing credit facility or other secured debt; or
- an acceleration of any debt under our existing credit facility or any other secured debt.

If any of these events were to occur, the secured lenders could foreclose on the pledged stock of our subsidiaries and on our and our subsidiaries assets in which they have been granted a security interest, in each case to your exclusion, even if an event of default exists under the indentures governing the notes at that time. As a result, upon the occurrence of any of these events, there may not be sufficient funds to pay amounts due on the notes and note guarantees.

The indentures governing the notes, our existing credit facility and other debt instruments contain covenants which impose significant operational and financial restrictions on us, and the failure to comply with these covenants would result in an event of default under these instruments.

Our debt instruments impose, and the terms of any future debt may impose, on us operating and other restrictions. These restrictions affect, and in many respects limit or prohibit, among other things, our and our subsidiaries ability to:

- incur additional indebtedness;
- create liens;
- make investments;
- enter into transactions with affiliates;
- sell assets;
- guarantee indebtedness;
- declare or pay dividends or other distributions to shareholders;
- repurchase equity interests;
- redeem debt that is junior in right of payment to certain debt instruments;
- enter into agreements that restrict dividends or other payments from subsidiaries;
- issue or sell capital stock of certain of our subsidiaries; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

In addition, our existing credit facility includes other and more restrictive covenants and materially limits our ability to prepay other debt, including the notes, while debt under our existing credit facility is outstanding. The agreements governing our existing credit facility also require us to maintain compliance with specified financial ratios. The indentures governing the Senior Notes, the $7^1/4$% Notes and the 16% Notes also restrict our ability to repay the Senior Subordinated Notes.

The restrictions contained in our existing credit facility and our other debt instruments could:

- limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; and
- adversely affect our ability to finance our operations, strategic acquisitions, investments or alliances or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of these restrictive covenants or our inability to comply with the required financial ratios and financial results could result in a default under our existing credit facility. During the occurrence and continuance of a default under our credit facility, the lenders under our existing credit facility may elect not to provide loans until such default is cured or waived. Additionally, if certain defaults occur, the lenders may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable, which would result in an event of default under the notes. The lenders will also have the right in these circumstances to terminate any commitments they have to provide further borrowings. Additionally, our debt instruments contain cross-acceleration provisions, which generally cause each instrument to accelerate upon a qualifying acceleration of any other debt instrument. If we are unable to repay outstanding borrowings when due, the lenders under our existing credit facility will also have the right to proceed against the collateral, including our pledged assets and those of our subsidiaries, granted to them to secure the indebtedness. If the indebtedness under our existing credit facility and the notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that indebtedness and our other indebtedness, including the notes. If not cured or waived, such default could have a material adverse effect on our business and our prospects. See Description of the Senior Notes Certain Covenants, Description of the Senior Subordinated Notes Certain Covenants and Description of Other Indebtedness and Preferred Stock Existing Credit Facility. See also Risk Factors Risk Factors Associated with Our Business We depend upon our existing credit facility to provide for our financing requirements in excess of amounts generated by operations for a description of the effects of a default under our existing credit facility.

We may be unable to repurchase notes tendered pursuant to an offer to repurchase, which the indentures governing the notes require us to make if a change of control occurs, because we may not have, or be able to raise, sufficient funds.

If we experience certain changes of control, you will have the right to require us to repurchase your notes at a purchase price in cash equal to 101% of the principal amount of your notes plus accrued and unpaid interest. Our ability to repurchase the notes upon a change of control is limited by the terms of our existing credit facility. Upon a change of control, we may be required immediately to repay the outstanding principal, any accrued interest and any other amounts owed by us under our existing credit facility and other debt instruments. We cannot assure you that we would be able to repay the required amounts or obtain the necessary consents to repurchase the notes. Our existing credit facility provides that certain change of control events with respect to us constitute a default thereunder. Any future credit agreement or other agreements relating to indebtedness to which we become a party may contain similar provisions. Our failure to repurchase tendered notes at a time when the repurchase is required by the indentures governing the notes would constitute an event of default under the indentures, which, in turn, would constitute an event of default under our existing credit facility and may constitute an event of default under other future indebtedness. See Description of the Senior Notes Change of Control and Certain Covenants, Description of the Senior Subordinated Notes Change of Control and Certain Covenants, and Description of Other Indebtedness and Preferred Stock Existing Credit Facility.

In addition, the change of control provisions in the indentures governing the notes will not necessarily afford you protection in the event of a highly leveraged transaction that may adversely affect you, including by way of a reorganization, restructuring, merger or other similar transaction involving us. These transactions may not involve a change in voting power or beneficial ownership, or, even if they do, may not involve a change of the magnitude required under the definition of change of control in the indentures governing the notes to trigger these provisions.

Under federal bankruptcy or state fraudulent conveyance laws, a court could void obligations under the notes or note guarantees or subordinate the note guarantees to other obligations of the note guarantors.

The incurrence of indebtedness by us or the note guarantors, such as the notes or the note guarantees, may be subject to review under federal bankruptcy law or relevant state fraudulent conveyance laws if a bankruptcy case or lawsuit is commenced by or on behalf of unpaid creditors. Under these laws, if in such a case or lawsuit a court were to find that, at the time we or any note guarantor incurred indebtedness (including indebtedness under the notes or the note guarantees):

we or any note guarantor, as applicable, incurred such indebtedness with the intent of hindering, delaying or defrauding current or future creditors; or

(1) we or any note guarantor, as applicable, received less than reasonably equivalent value or fair consideration for incurring such indebtedness, and (2) we or any note guarantor, as applicable,

(a) were insolvent or were rendered insolvent by reason of any of the transactions, (b) were engaged, or about to engage, in a business or transaction for which the assets remaining with us or such note guarantor constituted unreasonably small capital to carry on our or its business, (c) intended to incur, or believed that we or such note guarantor would incur, debts beyond our or its ability to pay as such debts matured (as all of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes), or (d) were a defendant in an action for money damages, or had a judgment for money damages docketed against us or such note guarantor (in either case, if, after final judgment, the judgment is unsatisfied);

then such court could avoid or subordinate the amounts owing under the notes or the note guarantees to our or such note guarantor s presently existing and future indebtedness and take other actions detrimental to you.

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied in any such proceeding. Generally, however, a debtor would be considered insolvent if, at the time such debtor incurred the indebtedness, either (l) the sum of its debts (including contingent liabilities) is greater than its assets, at fair valuation, or (2) the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured. There can be no assurance as to what standards a court would use to determine whether we or any note guarantor were solvent at the relevant time, or whether, whatever standard is used, the notes or note guarantees would not be avoided or further subordinated on another of the grounds set forth above.

We and the note guarantors believe that at the time we initially incurred the indebtedness constituting the notes and the note guarantees, we and each note guarantor:

- neither were insolvent nor rendered insolvent thereby;
- were in possession of or had access to sufficient capital to run our respective businesses effectively;
- were incurring debts within our respective abilities to pay as the same mature or become due; and
- had sufficient assets to satisfy any probable money judgment against any of us in any pending action.

In reaching the foregoing conclusions, we have relied upon our analyses of internal cash flow projections and estimated values of assets and liabilities. We cannot assure you, however, that a court passing on such questions would reach the same conclusions.

Additionally, under federal bankruptcy or applicable state insolvency law, if certain bankruptcy or insolvency proceedings were initiated by us or any note guarantor within 90 days after any payment by us with respect to the notes or by such note guarantor under the applicable note guarantee or if we or such note guarantor anticipated becoming insolvent at the time of such payment, all or a portion of such payment could be avoided as a preferential transfer, and the recipient of such payment could be required to return such payment.

If an active trading market does not develop for the New Notes you may not be able to resell them.

Currently, there is no established trading market for the New Notes, although the New Senior Subordinated Notes will trade as a single class with the registered Existing Senior Subordinated Notes. If no active trading market develops, you may not be able to resell the New Notes at their fair market value or at all. We do not intend to apply for listing of the New Notes on any securities exchange or for quotation through Nasdaq. The initial purchasers of the Original Notes have informed us that they intend to make a market in the New Notes. However, they are not obligated to do so and may discontinue any such market-making at any time without notice.

The liquidity of any market for the New Notes will depend upon various factors, including:

- the number of holders of the New Notes;
- the interest of securities dealers in making a market for the New Notes;

our financial performance or prospects; and

the prospects for companies in our industry generally.

Accordingly, we cannot assure you that a market or liquidity will develop for the New Notes.

If you fail to exchange your Original Notes, they will continue to be restricted securities and may become less liquid.

Original Notes that you do not tender or we do not accept will, following the exchange offer, continue to be restricted securities, and you may not offer to sell them except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We will issue New Notes in exchange for the Original Notes pursuant to the exchange offer only following the satisfaction of the procedures and conditions set forth in The Exchange Offer Procedures for Tendering. Such procedures and conditions include timely receipt by the exchange agent of such Original Notes and of a properly completed and duly executed letter of transmittal or confirmation of book-entry transfer. Because we anticipate that most holders of Original Notes will elect to exchange their Original Notes, we expect that the liquidity of the market for each series of the Original Notes remaining after the completion of the exchange offer will be substantially limited. Any Original Notes of a series tendered and exchanged in the exchange offer will reduce the aggregate principal amount outstanding of that series. Following the exchange offer, if you did not tender your Original Notes you generally will not have any further registration rights, and such Original Notes will continue to be subject to certain transfer restrictions. Accordingly, the liquidity of the market for each series of Original Notes could be adversely affected.

Risk Factors Associated with Our Business

Our future cash flows could be adversely affected if we are unable to utilize fully our deferred tax assets.

As of March 31, 2005, we had net deferred tax assets of $704.3 million, which includes U.S. federal net operating loss carryforwards of approximately $625.4 million and state and local net operating loss carryforwards of approximately $219.7 million. Valuation allowances of $144.0 million have been provided against certain state and local net operating losses due to the uncertainty of our ability to utilize the assets within statutory expiration periods. For more information concerning our net operating loss carryforwards, deferred tax assets and valuation allowances, see Note 1 of Notes to Consolidated Financial Statements, included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 and Note 13 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2004. If we are unable for any reason to fully realize our deferred tax assets, as a result of insufficient taxable income or otherwise, our business and future cash flows could be adversely affected.

We depend upon our existing credit facility to provide for our financing requirements in excess of amounts generated by operations.

We depend upon our existing credit facility to provide for financing requirements in excess of amounts generated by operations. As of March 31, 2005, we had the ability to borrow an additional $168.6 million under our existing credit facility. That ability is predicated, however, on our and our subsidiaries compliance with covenants that have been negotiated with the lenders. Failure to satisfy these covenants would, unless cured or waived, cut off our ability to borrow under our existing credit facility, thereby severely constraining our ability to obtain funds in excess of those generated by our operations.

We operate in a highly competitive industry and our customers may not continue to purchase our services, which could result in reduced revenue and loss of market share.

There is substantial competition in the telecommunications industry. Either new entrants, such as cable companies, or existing competitors attempting to respond to difficult market conditions, may reduce pricing, create bundled offerings or develop new, potentially disruptive technologies, products or services. If we cannot offer reliable, value-added services on a price-competitive basis in any of our markets, we could be adversely impacted by competitive forces. In addition, if we do not keep pace with technological advances or fail to respond timely to changes in competitive factors in our industry, we could lose market share or experience a decline in our revenue and profit margins.

Specifically, Cincinnati Bell is facing greater competition in its core local business from other local exchange carriers, interexchange carriers, cable companies, wireless services providers and Internet access providers. Cincinnati Bell Telephone has lost, and may continue to lose, access lines by virtue of customers moving their local wireline service to competitive wireline or wireless providers. Cincinnati Bell Telephone also competes with voice over internet protocol (VoIP) providers as well as broadband providers utilizing cable or powerline access technologies. In June 2004, Time Warner began offering VoIP and long distance service in both Cincinnati and Dayton. In July 2004, both AT&T and Verizon began offering VoIP and long distance service in Cincinnati and Dayton. Also, in July 2004, the local gas and electric supplier began offering high speed Internet access over electrical lines to customers in limited neighborhoods of Cincinnati Bell Telephone s operating area.

In response, we are implementing new strategies for competing, including by bundling our products into a competitive package and by enhancing our video and wireless offerings. If we are unable to effectively implement our strategy for competing, our traditional telephone businesses may be adversely affected.

CB Wireless is one of seven active wireless service providers in the Cincinnati and/or Dayton, Ohio metropolitan market areas, including Cingular, Sprint PCS, T-Mobile, Verizon, Nextel and Leap, all of which are nationally known. We anticipate that competition will cause profit margins for wireless products and services to decline in the future. CB Wireless ability to compete will depend, in part, on its ability to anticipate and respond to various competitive factors affecting the telecommunications industry and by our ability to continue bundling our wireless products in an overall bundle that is attractive to customers. Furthermore, as evidenced by Cingular s recent acquisition of AT&T Wireless and the planned merger of Sprint and Nextel, there has been a trend in the wireless communications industry towards consolidation of wireless service providers through joint ventures, reorganizations and acquisitions. We expect this consolidation to lead to larger competitors who have greater resources or who offer more services than CB Wireless.

Furthermore, rules adopted by the Federal Communications Commission now permit wireless subscribers to retain their wireless phone numbers when changing to another wireless carrier within the same geographic area. Cincinnati Bell generally does not enter into long-term contracts with its wireless subscribers and, therefore, such rules could have an adverse effect on us.

Our other subsidiaries operate in a largely local or regional area, and each of these subsidiaries faces significant competition. CB Any Distance s competitors include large national long-distance carriers such as AT&T, MCI and Sprint, and emerging VoIP providers. CB Public Communications competes with several other public payphone providers, some of which are national in scope and offer lower prices for coin-based local calling services. CB Public Communications has also continued to be adversely impacted by the growing popularity of wireless communications. CB Technology Solutions competes against numerous other information technology consulting, web-hosting and computer system integration companies, many of which are larger, national in scope and better financed.

The effect of the foregoing competition on any of our subsidiaries could have a material adverse impact on our businesses, financial condition and results of operations. This could result in increased reliance on borrowed funds and could impact our ability to maintain our wireline and wireless networks.

Maintaining our networks requires significant capital expenditures, and our inability or failure to maintain our networks would have a material adverse impact on our market share and ability to generate revenue.

We had capital expenditures of approximately $126 million and $134 million in 2003 and 2004, respectively. For the quarter ended March 31, 2005, capital expenditures totaled $28.0 million, compared to $23.3 million for the quarter ended March 31, 2004. For the quarter ended March 31, 2005, capital expenditures totaled approximately 10% of consolidated revenue. We expect to spend approximately 10% to

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12% of future revenues on capital expenditures in future periods excluding any expenditures relating to the initiation of new products, services or network expansions to provide such products and services. We may incur significant additional capital expenditures at our remaining businesses as a result of unanticipated expenses, regulatory changes and other events that impact our business. If we are unable or fail to adequately maintain or expand our networks to meet customer needs, there could be a material adverse impact on our market share and our ability to generate revenue.

Maintenance of CB Wireless wireless network, growth in the wireless business or the addition of new wireless products and services requires that CB Wireless retain existing spectrum and perhaps obtain additional spectrum, which may not be available or be available only on less than favorable terms.

The TDMA wireless network currently operates on spectrum which the FCC has licensed to CB Wireless. For its GSM network, CB Wireless uses spectrum licensed to us or to Cingular. Introduction of new wireless products and services, as well as maintenance of the existing wireless business, requires that CB Wireless maintain access to existing spectrum and may require it to obtain additional spectrum in the Cincinnati or Dayton markets, either to supplement or to replace the existing spectrum when such spectrum is no longer available to CB Wireless. There can be no assurance that such additional spectrum will be available to CB Wireless, or that it will be available on commercially favorable terms. Failure to obtain any needed new spectrum or to retain existing spectrum could have a materially adverse impact on the wireless business as a whole, the quality of the wireless networks, and the ability to offer new competitive products and services.

The regulation of our businesses by federal and state authorities may, among other things, place us at a competitive disadvantage, restrict our ability to price our products and services and threaten our operating licenses.

Several of our subsidiaries are subject to regulatory oversight of varying degrees at both the state and federal levels. For example, a significant portion of Cincinnati Bell Telephone s revenue is derived from pricing plans that require regulatory overview and approval. In recent years, these regulated pricing plans have resulted in decreasing or fixed rates for some services. In the future, any regulatory initiatives that would put us at a competitive disadvantage or mandate lower rates for our services could result in lower profitability and cash flow for Cincinnati Bell. In addition, different regulatory interpretations of existing regulations or guidelines may affect our revenues in future periods.

Cincinnati Bell Telephone is subject to regulation at the federal level under the Telecommunications Act of 1996 and the rules subsequently adopted by the FCC to implement it, which we expect will continue to impact Cincinnati Bell Telephone s in-territory local exchange operations in the form of greater competition. At the state level, Cincinnati Bell Telephone conducts local exchange operations in portions of Ohio, Kentucky and Indiana and, consequently, is subject to regulation by the Public Utilities Commissions in those states. Various regulatory decisions or initiatives at the federal or state level may from time to time have a negative impact on Cincinnati Bell Telephone s ability to compete in-territory, or upon its out-of-territory subsidiary s ability to compete in its markets.

CB Wireless FCC licenses to use spectrum and provide wireless services are subject to renewal and revocation. Although the FCC has routinely renewed wireless licenses in the past, we cannot be assured that challenges will not be brought against those licenses in the future. Revocation or non-renewal of CB Wireless licenses would result in lower operating results and cash flow for Cincinnati Bell.

There are currently many regulatory actions under way and being contemplated by federal and state authorities regarding issues that could result in significant changes to the business conditions in the telecommunications industry. No assurance can be given that changes in current or future regulations adopted by the FCC or state regulators, or other legislative, administrative, or judicial initiatives relating to the telecommunications industry, would not have a material adverse effect on our business, financial condition and results of operations.

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Failure to anticipate the needs for and introduce new products and services may compromise our success in the telecommunications industry.

Our success depends, in part, on being able to anticipate the needs of current and future enterprise, carrier and residential customers. We seek to meet these needs through new product introductions, service quality and technological superiority. For example, in 2003, we began implementing the Global System for Mobile Communications and General Packet Radio Service, or GSM/ GPRS, technology. GSM/ GPRS technology provides enhanced wireless data and voice communications. We are also investigating the implementation of the next generation of high-speed voice and data communications and entertainment services. New products and services such as these and our ability to anticipate the future needs of our customers are critical to our success.

Terrorist attacks and other acts of violence or war may affect the financial markets and our business, financial condition and results of operations.

Terrorist attacks may negatively affect our operations and financial condition. There can be no assurance that there will be no further attacks against the United States or U.S. businesses or armed conflict involving the United States. Further terrorist attacks or other acts of violence or war may directly impact our physical facilities or those of our customers and vendors. These events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and world financial markets and economy. They could result in an economic recession in the United States or abroad. Any of these occurrences could have a material adverse impact on our business, financial condition and results of operations.

We could incur significant costs resulting from complying with, or potential violations of, environmental and health and human safety laws.

Our operations are subject to laws and regulations relating to the protection of the environment and health and human safety, including those governing the management and disposal of, and exposure to, hazardous materials and the cleanup of contamination, and the emission of radio frequency. While we believe our operations are in substantial compliance with environmental and health and human safety laws and regulations, as an owner or operator of property and in connection with the current and historical use of hazardous materials and other operations at our sites, we could incur significant costs resulting from complying with, or violations of such laws, the imposition of cleanup obligations, and third-party suits. For instance, a number of our sites formerly contained underground storage tanks for the storage of used oil and fuel for back-up generators and vehicles. In addition, a few sites currently contain underground tanks for back-up generators, and many of our sites have aboveground tanks for similar purposes.

We could incur significant costs as a result of a number of putative class action and derivative lawsuits that were filed against us.

During 2004, 2003 and 2002, a number of putative class action and derivative lawsuits were filed against us and certain of our current and former officers and directors which allege a number of violations of securities laws. We are vigorously contesting these matters, but such litigation could result in substantial costs and have a material impact on our financial condition, results of operation and cash flow. An adverse decision or settlement in any of these cases could require us to pay substantial damages which would have a material adverse affect on our business and operations.

Substantially all of our revenue is derived by serving a limited geographic area.

Substantially all of our revenue is generated by serving customers in the greater Cincinnati and Dayton, Ohio areas. An economic downturn or natural disaster occurring in this limited operating territory could have a disproportionate effect on our business, financial condition, results of operations and cash flow compared to similar companies of a national scope and similar companies operating in different geographic areas.

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USE OF PROCEEDS

This exchange offer is intended to satisfy our obligations under the registration rights agreements entered into in connection with the issuance of the Original Notes. We will not receive any cash proceeds from the issuance of the New Notes in the exchange offer. In consideration for issuing the New Notes as contemplated by this prospectus, we will receive the Original Notes in like principal amount. The Original Notes surrendered and exchanged for the New Notes will be retired and canceled and cannot be reissued. Accordingly, the issuance of the New Notes will not result in any increase in our indebtedness or capital stock.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the unaudited consolidated ratios of earnings to fixed charges for Cincinnati Bell on a historical basis:

	Quarter Ended March 31,	Year Ended December 31,				
	2005	2004	2003	2002	2001	2000
				(dollars in millions)		
Ratio of Earnings to Fixed Charges		1.5x	2.4x			
Coverage Deficiency	$3.7	n/a	n/a	$2,324.4	$473.8	$614.5

We computed the ratio of earnings to fixed charges by dividing fixed charges into the sum of earnings (after certain adjustments) and fixed charges. Earnings used in computing the ratio of earnings to fixed charges consisted of income from continuing operations before income taxes, minority interests, income or loss from equity method investees, and fixed charges except for capitalized interest and preferred stock dividends of majority-owned subsidiaries. Fixed charges consist of interest expensed and capitalized, the portion of rent expense representative of interest, and preferred stock dividends of majority-owned subsidiaries.

THE EXCHANGE OFFER

Purpose of the Exchange Offer

In connection with the sale of the Original Notes, we entered into registration rights agreements for each series of Original Notes with the initial purchasers, under which we agreed to use our reasonable efforts to file and have declared effective an exchange offer registration statement under the Securities Act and to consummate the exchange offer.

We are making the exchange offer in reliance on the position of the SEC as set forth in certain no-action letters. However, we have not sought our own no-action letter. Based upon these interpretations by the SEC, we believe that a holder of New Notes, but not a holder who is our affiliate within the meaning of Rule 405 of the Securities Act, who exchanges Original Notes for New Notes in the exchange offer, generally may offer the New Notes for resale, sell the New Notes and otherwise transfer the New Notes without further registration under the Securities Act and without delivery of a prospectus that satisfies the requirements of Section 10 of the Securities Act. This does not apply, however, to a holder who is our affiliate within the meaning of Rule 405 of the Securities Act. We also believe that a holder may offer, sell or transfer the New Notes only if the holder acquires the New Notes in the ordinary course of its business and is not participating, does not intend to participate and has no arrangement or understanding with any person to participate in a distribution of the New Notes.

Any holder of the Original Notes using the exchange offer to participate in a distribution of New Notes cannot rely on the no-action letters referred to above and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. A broker-dealer that acquired Original Notes directly from us, but not as a result of market-making activities or other trading activities, must also comply with the registration and prospectus delivery requirements of the Securities Act in the absence of an exemption from such requirements.

Each broker-dealer that receives New Notes for its own account in exchange for Original Notes, where such Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. See Plan of Distribution. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Original Notes where such Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The letter of transmittal states that by so acknowledging and delivering a prospectus, a broker-dealer will not be considered to admit that it is an underwriter within the meaning of the Securities Act. We have agreed that for a period of not less than 90 days after the expiration date for the exchange offer, we will make this prospectus available to broker-dealers for use in connection with any such resale. See Plan of Distribution.

Except as described above, this prospectus may not be used for an offer to resell, resale or other transfer of New Notes.

The exchange offer is not being made to, nor will we accept tenders for exchange from, holders of Original Notes in any jurisdiction in which the exchange offer or the acceptance of tenders would not be in compliance with the securities or blue sky laws of such jurisdiction.

Terms of the Exchange

Upon the terms and subject to the conditions of the exchange offer, we will accept any and all Original Notes validly tendered prior to 5:00 p.m., New York City time, on the expiration date for the exchange offer. The date of acceptance for exchange of the Original Notes, and completion of the exchange offer, is the exchange date, which will be the first business day following the expiration date (unless extended as described in this prospectus). We will issue, on or promptly after the exchange date, an aggregate principal amount of (i) up to $250,000,000 of the New Senior Notes for a like principal amount of the outstanding Original Senior Notes tendered and accepted in connection with the exchange offer and (ii) up to $100,000,000 of the New

Senior Subordinated Notes for a like principal amount of the outstanding Original Senior Subordinated Notes tendered and accepted in connection with the exchange offer. The New Notes issued in connection with the exchange offer will be delivered on the earliest practicable date following the exchange date. Holders may tender some or all of their Original Notes in connection with the exchange offer, but only in minimum principal amounts of $1,000 and integrals of $1,000 in excess thereof.

The terms of each series of New Notes will be identical in all material respects to the terms of the respective series of Original Notes, except that the New Notes will have been registered under the Securities Act and are issued free from any covenant regarding registration, including the payment of additional interest upon a failure to file or have declared effective an exchange offer registration statement or to complete the exchange offer by certain dates. The New Notes will evidence the same debt as the Original Notes and will be issued under the same indentures and entitled to the same benefits under those indentures as the Original Notes being exchanged. As of the date of this prospectus, $350,000,000 in aggregate principal amount of the Original Notes are outstanding, consisting of (i) $250,000,000 aggregate principal amount of the Original Senior Notes and (ii) $100,000,000 aggregate principal amount of the Original Senior Subordinated Notes.

In connection with the issuance of the Original Notes, we have arranged for the Original Notes originally purchased by qualified institutional buyers and those sold in reliance on Regulation S under the Securities Act to be issued and transferable in book-entry form through the facilities of The Depository Trust Company (DTC), acting as depositary. The New Notes will be issued in the form of global notes registered in the name of DTC or its nominee and each beneficial owner s interest in it will be transferable in book-entry form through DTC.

Holders of Original Notes do not have any appraisal or dissenters rights in connection with the exchange offer. Original Notes which are not tendered for exchange or are tendered but not accepted in connection with the exchange offer will remain outstanding and be entitled to the benefits of the indenture under which they were issued, but, subject to certain limited exceptions, will not be entitled to any registration rights under the applicable registration rights agreement. See Consequences of Failures to Properly Tender Original Notes in the Exchange Offer.

We shall be considered to have accepted validly tendered Original Notes if and when we have given oral or written notice to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the New Notes from us.

If any tendered Original Notes are not accepted for exchange because of an invalid tender, the occurrence of certain other events described in this prospectus or otherwise, we will return the Original Notes, without expense, to the tendering holder as quickly as possible after the expiration date.

Holders who tender Original Notes will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes on exchange of Original Notes in connection with the exchange offer. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with the exchange offer. See Fees and Expenses.

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757,912

	Common Stock					
(Thousands of dollars, except share amounts)	Shares	Par	Treasury Stock	APIC	Retained Earnings	Total
Balance as of December 31, 2016	46,767,164	$468	$(608,001)	$555,338	$749,271	$697,076
Net income	—	—	—	—	52,537	52,537
Purchase of treasury stock	—	—	(66,337)	—	—	(66,337)
Issuance of common stock	—	—	—	—	—	—
Issuance of treasury stock	—	—	6,816	(6,816)	—	—

Amounts related to share-based compensation	—	—	—	(5,159)	—	(5,159)
Share-based compensation expense	—	—	—	2,524	—	2,524
Balance as of June 30, 2017	46,767,164	$468	$(667,522)	$545,887	$801,808	$680,641

See notes to consolidated financial statements.

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of Business and Basis of Presentation

Description of business — Murphy USA Inc. (“Murphy USA” or the “Company”) markets refined products through a network of retail gasoline stations and to unbranded wholesale customers. Murphy USA’s owned retail stations are almost all located in close proximity to Walmart stores in 26 states and use the brand name Murphy USA®. Murphy USA also markets gasoline and other products at standalone stations under the Murphy Express brand. At June 30, 2017, Murphy USA had a total of 1,411 Company stations of which 1,154 were Murphy USA and 257 were Murphy Express.

Basis of Presentation — Murphy USA was incorporated in March 2013 and, in connection with its incorporation, Murphy USA issued 100 shares of common stock, par value $0.01 per share, to Murphy Oil Corporation (“Murphy Oil”) for $1.00. On August 30, 2013, Murphy USA was separated from Murphy Oil through the distribution of 100% of the common stock of Murphy USA to holders of Murphy Oil stock.

In preparing the financial statements of Murphy USA in conformity with accounting principles generally accepted in the United States, management has made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

In 2017, we revised our historical presentation of gains and losses on asset disposals and retirements, which are shown in our Consolidated Statements of Income as gain (loss) on sale of assets. This line item is currently, and will be prospectively, presented as a component of income from operations. Our accounting policy has been updated to reflect this presentation.

Interim Financial Information — The interim period financial information presented in these consolidated financial statements is unaudited and includes all known accruals and adjustments, in the opinion of management, necessary for a fair presentation of the consolidated financial position of Murphy USA and its results of operations and cash flows for the periods presented. All such adjustments are of a normal and recurring nature.

These interim consolidated financial statements should be read together with our audited financial statements for the years ended December 31, 2016, 2015 and 2014, included in our Annual Report on Form 10-K (File No. 001-35914), as filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934 on February 22, 2017.

Recently Issued Accounting Standards—

In May 2014, the FASB issued ASU No. 2014-09 "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in the Accounting Standards Codification ("Codification") Topic 605, Revenue Recognition, and industry-specific guidance throughout the Industry Topics of the Codification. The core principle of the new ASU No. 2014-09 is for companies to recognize revenue from the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The Company will adopt ASU No. 2014-09 beginning January 1, 2018 using the modified retrospective approach applied to those contracts that were not completed at that date. Prior periods will not be retrospectively adjusted. The Company has substantially completed its analysis to identify all revenue streams, and is currently determining the impact the ASU will have on its various revenue streams and consolidated financial statements. The Company anticipates completing its analysis during the second half of 2017 and we continue to evaluate the impact to our consolidated financial statements and disclosures. The Company is in the process of updating our existing controls and processes to comply with the guidance.

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company currently presents excise tax and other similar taxes collected on sales of refined products and remitted to governmental agencies on a gross basis, in both revenues and cost of petroleum products sold in the income statement. ASU 2014-09 requires the Company to either analyze each tax on a jurisdiction-by-jurisdiction basis to determine if it is the principal in the transaction and continue to present the tax on a gross basis or elect to report all taxes on a net basis. The Company expects to elect to assess all excise and other similar taxes on a jurisdiction-by-jurisdiction basis resulting in certain taxes to be presented on a net basis upon adoption of ASU 2014-09, thus reducing revenue in the income statement with no impact to net income or cash flows. The Company does not expect the impact on reported revenue for the year ended December 31, 2018, or the quarters therein, to be material.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" (“ASU 2016-02”). ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets. Lessor accounting will remain similar to lessor accounting under previous GAAP, while aligning with the FASB’s new revenue recognition guidance. ASU 2016-02 is effective for the Company beginning January 1, 2019. Early adoption of ASU 2016-02 is permitted. The standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. While this ASU will have an impact on our internal processes and controls and result in a change to our accounting, we are still in the evaluation and information gathering stage of implementing the guidance and can not yet estimate the potential impact.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting", which amends the current stock compensation guidance. The amendments simplify the accounting for the taxes related to share-based payments, including adjustments to how excess tax benefits and a company’s payments for tax withholdings should be classified among other changes. The standard was effective for the Company on January 1, 2017.

The primary impact of adoption for the first half of 2017 was the recognition of $1.9 million of excess tax benefits in the provision for income taxes rather than paid-in-capital for the current period. Additional amendments to the accounting for income taxes and minimum statutory withholding tax requirements had no impact to retained earnings as of January 1, 2017, where the cumulative effect of these changes is required to be recorded. The Company elected to continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized in each period.

The Company elected to apply the presentation requirements for cash flows related to excess tax benefits prospectively as of January 1, 2017. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to any of the periods presented on the consolidated statement of cash flows, as such cash flows have historically been presented as a financing activity.

Note 2 — Inventories

Inventories consisted of the following:

(Thousands of dollars)	June 30, 2017	December 31, 2016
Finished products - FIFO basis	$202,737	$ 207,903
Less LIFO reserve - finished products	(128,515)	(153,319)
Finished products - LIFO basis	74,222	54,584
Store merchandise for resale	100,214	95,649
Materials and supplies	4,608	3,118

Total inventories	$179,044	$ 153,351

At June 30, 2017 and December 31, 2016, the replacement cost (market value) of last-in, first-out (LIFO) inventories exceeded the LIFO carrying value by $128.5 million and $153.3 million, respectively.

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 — Long-Term Debt

Long-term debt consisted of the following:

(Thousands of dollars)	June 30, 2017	December 31, 2016
6% senior notes due 2023 (net of unamortized discount of $5,392 at June 30, 2017 and $5,826 at December 2016)	$494,608	$ 494,174
5.625% senior notes due 2027 (net of unamortized discount of $3,682 at June 30, 2017)	296,318	—
Term loan due 2020 (effective rate of 3.78% at June 30, 2017)	97,000	180,000
Capitalized lease obligations, vehicles, due through 2021	1,909	1,451
Less unamortized debt issuance costs	(5,791)	(5,407)
Total long-term debt	884,044	670,218
Less current maturities	14,958	40,596
Total long-term debt, net of current	$869,086	$ 629,622

Senior Notes

On August 14, 2013, Murphy Oil USA, Inc., our primary operating subsidiary, issued 6.00% Senior Notes due 2023 (the “2023 Senior Notes”) in an aggregate principal amount of $500 million. The 2023 Senior Notes are fully and unconditionally guaranteed by Murphy USA, and are guaranteed by certain 100% owned subsidiaries that guarantee our credit facilities. The indenture governing the 2023 Senior Notes contains restrictive covenants that limit, among other things, the ability of Murphy USA, Murphy Oil USA, Inc. and the restricted subsidiaries to incur additional indebtedness or liens, dispose of assets, make certain restricted payments or investments, enter into transactions with affiliates or merge with or into other entities.

On April 25, 2017, Murphy Oil USA, Inc., issued $300 million of 5.625% Senior Notes due 2027 (the "2027 Senior Notes") under its existing shelf registration statement. The 2027 Senior Notes are fully and unconditionally guaranteed by Murphy USA, and are guaranteed by certain 100% owned subsidiaries that guarantee our credit facilities. The indenture governing the 2027 Senior Notes contains restrictive covenants that are essentially identical to the covenants for the 2023 Senior Notes.

The 2023 and 2027 Senior Notes and the guarantees rank equally with all of our and the guarantors’ existing and future senior unsecured indebtedness and effectively junior to our and the guarantors’ existing and future secured indebtedness (including indebtedness with respect to the credit facilities) to the extent of the value of the assets securing such indebtedness. The 2023 and 2027 Senior Notes are structurally subordinated to all of the existing and future third-party liabilities, including trade payables, of our existing and future subsidiaries that do not guarantee the notes. As of June 30, 2017, we have zero outstanding under our ABL facility.

Credit Facilities and Term Loan

In March 2016, we amended and extended our existing credit agreement. The credit agreement provides for a committed $450 million asset-based loan (ABL) facility (with availability subject to the borrowing base described below) and a $200 million term loan facility. It also provides for a $150 million uncommitted incremental facility. On March 10, 2016, Murphy Oil USA, Inc. borrowed $200 million under the term loan facility that has a four-year term.

The borrowing base is, at any time of determination, the amount (net of reserves) equal to the sum of:

- 100% of eligible cash at such time, plus
- 90% of eligible credit card receivables at such time, plus
- 90% of eligible investment grade accounts, plus
- 85% of eligible other accounts, plus
- 80% of eligible product supply/wholesale refined products inventory at such time, plus
- 75% of eligible retail refined products inventory at such time, plus

the lesser of (i) 70% of the average cost of eligible retail merchandise inventory at such time and (ii) 85% of the net orderly liquidation value of eligible retail merchandise inventory at such time.

The ABL facility includes a $200 million sublimit for the issuance of letters of credit. Letters of credit issued under the ABL facility reduce availability under the ABL facility.

Interest payable on the credit facilities is based on either:

- the London interbank offered rate, adjusted for statutory reserve requirements (the "Adjusted LIBO Rate"); or
- the Alternate Base Rate, which is defined as the highest of (a) the prime rate, (b) the federal funds effective rate from time to time plus 0.50% per annum and (c) the one-month Adjusted LIBO Rate plus 1.00% per annum,

plus, (A) in the case of Adjusted LIBO Rate borrowings, (i) with respect to the ABL facility, spreads ranging from 1.50% to 2.00% per annum depending on a total debt to EBITDA ratio under the ABL facility or (ii) with respect to the term loan facility, spreads ranging from 2.50% to 2.75% per annum depending on a total debt to EBITDA ratio and (B) in the case of Alternate Base Rate borrowings, (i) with respect to the ABL facility, spreads ranging from 0.50% to 1.00% per annum depending on total debt to EBITDA ratio or (ii) with respect to the term loan facility, spreads ranging from 1.50% to 1.75% per annum depending on a total debt to EBITDA ratio.

The interest rate period with respect to the Adjusted LIBO Rate interest rate option can be set at one, two, three, or six months as selected by us in accordance with the terms of the credit agreement.

We were obligated to make quarterly amortization payments on the outstanding principal amount of the term loan facility beginning on July 1, 2016 equal to 5% of the aggregate principal amount of term loans made on March 10, 2016, with the remaining balance payable on the scheduled maturity date of the term loan facility. Borrowings under the credit facilities are prepayable at our option without premium or penalty. We are also required to prepay the term loan facility with the net cash proceeds of certain asset sales or casualty events, subject to certain exceptions. The credit agreement also includes certain customary mandatory prepayment provisions with respect to the ABL facility.

The credit agreement contains certain covenants that limit, among other things, the ability of us and our subsidiaries to incur additional indebtedness or liens, to make certain investments, to enter into sale-leaseback transactions, to make certain restricted payments, to enter into consolidations, mergers or sales of material assets and other fundamental changes, to transact with affiliates, to enter into agreements restricting the ability of subsidiaries to incur liens or pay dividends, or to make certain accounting changes. In addition, the credit agreement requires us to maintain a minimum fixed charge coverage ratio of 1.0 to 1.0 when availability for at least three consecutive business days is less than the greater of (a) 17.5% of the lesser of the aggregate ABL facility commitments and the borrowing base and (b) $70,000,000 (including as of the most recent fiscal quarter end on the first date when availability is less than such amount), as well as a maximum secured total debt to EBITDA ratio of 4.5 to 1.0 at any time when term facility commitments or term loans are outstanding. As of June 30, 2017, our fixed charge coverage ratio was 0.57; however, we had more than $100 million of availability under the ABL facility at that date so the fixed charge coverage ratio currently has no impact on our operations or liquidity. Our secured debt to EBITDA ratio as of June 30, 2017 was 0.26 to 1.0.

The Senior Credit Agreement contains restrictions on certain payments, including dividends, when availability under the credit agreement is less than or equal to the greater of $100 million and 25% of the lesser of the revolving commitments and the borrowing base and our fixed charge coverage ratio is less than 1.0 to 1.0 (unless availability under the credit agreement is greater than $100 million and 40% of the lesser of the revolving commitments and the borrowing base). As of June 30, 2017, our ability to make restricted payments was not limited as our availability under the borrowing base was more than $100 million, while our fixed charge coverage ratio under our Senior Credit Agreement was less than 1.0 to 1.0. As of December 31, 2016, we had a shortfall of approximately $304.1 million of our net income and retained earnings subject to such restrictions before the fixed charge coverage ratio under our Senior Credit Agreement would exceed 1.0 to 1.0.

All obligations under the credit agreement are guaranteed by Murphy USA and the subsidiary guarantors party thereto, and all obligations under the credit agreement, including the guarantees of those obligations, are secured by certain assets of Murphy USA, Murphy Oil USA, Inc. and the guarantors party thereto.

Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 — Asset Retirement Obligations (ARO)

The majority of the ARO recognized by the Company at June 30, 2017 and December 31, 2016 related to the estimated costs to dismantle and abandon certain of its retail gasoline stations. The Company has not recorded an ARO for certain of its marketing assets because sufficient information is presently not available to estimate a range of potential settlement dates for the obligation. These assets are consistently being upgraded and are expected to be operational into the foreseeable future. In these cases, the obligation will be initially recognized in the period in which sufficient information exists to estimate the obligation.

A reconciliation of the beginning and ending aggregate carrying amount of the ARO is shown in the following table.

(Thousands of dollars)	June 30, 2017	December 31, 2016
Balance at beginning of period	$26,200	$ 24,345
Accretion expense	888	1,650
Liabilities incurred	167	379
Settlement of liabilities	$(277)	$ (174)
Balance at end of period	$26,978	$ 26,200

The estimation of future ARO is based on a number of assumptions requiring professional judgment. The Company cannot predict the type of revisions to these assumptions that may be required in future periods due to the lack of availability of additional information.

Note 5— Income Taxes

The effective tax rate is calculated as the amount of income tax expense divided by income before income tax expense (benefit). For the three and six month periods ended June 30, 2017 and 2016, the Company’s effective tax rates were as follows:

	2017	2016
Three months ended June 30,	38.2%	37.5%
Six months ended June 30,	34.4%	38.1%

The effective tax rate for the three months ended June 30, 2017 was higher than the U.S. Federal tax rate of 35% but is in line with our estimated effective tax rate of 38% for the remainder of the year. For the six months ended June 30, 2017, the tax rate was lower than the U.S. Federal tax rate due to impacts from first quarter tax benefits.

The Company was included in Murphy Oil’s tax returns for the periods prior to the separation. The statute of several jurisdictions remains subject to audit by taxing authorities. As of June 30, 2017, the earliest year remaining open for Federal examination is 2012 and for the states it ranges from 2009-2012. In addition to the pre-separation returns being open under statute, the federal and state tax returns post separation are also open under statute for examination. Although the Company believes that recorded liabilities for uncertain tax positions are adequate, additional gains or losses could occur in future periods from resolution of outstanding unsettled matters.

We adopted ASU 2016-09 on January 1, 2017, which requires the excess tax benefits or deficiencies to be reflected in the Consolidated Statements of Income as a component of the provision for income taxes whereas they previously were recognized in paid-in-capital. Total excess tax benefits recognized in the three and six months ended June 30, 2017 was $0.1 million and $1.9 million, respectively.

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 — Incentive Plans
2013 Long-Term Incentive Plan
Effective August 30, 2013, certain of our employees participate in the Murphy USA 2013 Long-Term Incentive Plan which was subsequently amended and restated effective as of February 8, 2017 (the "MUSA 2013 Plan"). The MUSA 2013 Plan authorizes the Executive Compensation Committee of our Board of Directors ("the Committee") to grant non-qualified or incentive stock options, stock appreciation rights, stock awards (including restricted stock and restricted stock unit awards), cash awards, and performance awards to our employees. No more than 5.5 million shares of MUSA common stock may be delivered under the MUSA 2013 Plan and no more than 1 million shares of common stock may be awarded to any one employee, subject to adjustment for changes in capitalization. The maximum cash amount payable pursuant to any "performance-based" award to any participant in any calendar year is $5 million.

On February 8, 2017, the Committee granted nonqualified stock options for 114,800 shares at an exercise price of $65.75 per share under the terms of the MUSA 2013 Plan. The Black-Scholes valuation for these awards is $15.45 per option. The Committee also awarded time-based restricted stock units and performance-based restricted stock units (performance units) to certain employees on the same date. There were 29,075 time-based restricted units granted at an average grant date fair value of $65.41 along with 53,800 performance units. Half of the performance units vest based on a 3-year return on average capital employed (ROACE) calculation and the other half vest based on a 3-year total shareholder return (TSR) calculation that compares MUSA to a group of 16 peer companies. The portion of the awards that vest based on TSR qualify as a market condition and must be valued using a Monte Carlo valuation model. For the TSR portion of the awards, the fair value was determined to be $94.51 per unit. For the ROACE portion of the awards, the valuation will be based on the grant date fair value of $65.75 per unit and the number of awards will be periodically assessed to determine the probability of vesting.

On February 8, 2017, the Committee also granted 50,075 time-based restricted stock units granted to certain employees with a grant date fair value of $65.75 per unit.

2013 Stock Plan for Non-employee Directors

Effective August 8, 2013, Murphy USA adopted the 2013 Murphy USA Stock Plan for Non-employee Directors (the "Directors Plan"). The directors for Murphy USA are compensated with a mixture of cash payments and equity-based awards. Awards under the Directors Plan may be in the form of restricted stock, restricted stock units, stock options, or a combination thereof. An aggregate of 500,000 shares of common stock shall be available for issuance of grants under the Directors Plan.

During the first quarter of 2017, the Company issued 15,948 restricted stock units to its non-employee directors at a weighted average grant date fair value of $66.01 per share. These shares vest in three years from the grant date.

For the six months ended June 30, 2017 and 2016, share based compensation was $2.5 million and $4.8 million, respectively. The income tax benefit realized for the tax deductions from options exercised for the six months ended June 30, 2017 and 2016 was $0.2 million and $1.4 million, respectively.

Adoption of ASU 2016-09

On January 1, 2017, the Company adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which amended the current stock compensation guidance. As part of the adoption of this standard, the Company determined to leave its policy related to accounting for forfeitures based on estimates rather than changing to actual forfeitures. See Note 1 "Description of Business and Basis of Presentation" for information regarding the impact of adopting this standard for the Company.

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7— Financial Instruments and Risk Management

DERIVATIVE INSTRUMENTS — The Company makes limited use of derivative instruments to manage certain risks related to commodity prices. The use of derivative instruments for risk management is covered by operating policies and is closely monitored by the Company's senior management. The Company does not hold any derivatives for speculative purposes and it does not use derivatives with leveraged or complex features. Derivative instruments are traded primarily with creditworthy major financial institutions or over national exchanges such as the New York Mercantile Exchange ("NYMEX"). As of June 30, 2017, all current derivative activity is immaterial.

At June 30, 2017 and December 31, 2016, cash deposits of $2.5 million and $1.8 million related to commodity derivative contracts were reported in Prepaid expenses and other current assets in the Consolidated Balance Sheets, respectively. These cash deposits have not been used to increase the reported net assets or reduce the reported net liabilities on the derivative contracts at June 30, 2017 or December 31, 2016, respectively.

Note 8 – Earnings Per Share

Basic earnings per common share is computed by dividing net income available to common stockholders by the weighted average of common shares outstanding during the period. Diluted earnings per common share adjusts basic earnings per common share for the effects of stock options and restricted stock in the periods where such items are dilutive.

On January 25, 2016, the Company announced that it would proceed with an independent growth plan in which we will concentrate on acquiring land from third parties rather than acquiring land directly from Walmart. In conjunction with this announcement, the Board of Directors approved a strategic allocation of capital for the Company to pursue new additional growth opportunities and to undertake a share repurchase program of the Company's common stock. The Board authorized up to $500 million in total for this activity through December 31, 2017. For the six months ended June 30, 2017, the Company acquired 994,231 shares of common stock for an average price of $66.72 per share including brokerage fees. The Company has remaining authority of $110.4 million under our current program.

The following table provides a reconciliation of basic and diluted earnings per share computations for the three and six months ended June 30, 2017 and 2016 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Earnings per common share:				
Net income per share - basic				
Net income attributable to common stockholders	$55,563	$46,310	$52,537	$132,184
Weighted average common shares outstanding (in thousands)	36,525	39,360	36,700	40,134
Earnings per common share	$1.52	$1.18	$1.43	$3.29

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Earnings per common share - assuming dilution:				
Net income (loss) per share - diluted				
Net income (loss) attributable to common stockholders	$55,563	$46,310	$52,537	$132,184
Weighted average common shares outstanding (in thousands)	36,525	39,360	36,700	40,134
Common equivalent shares:				
Dilutive options	336	360	318	371
Weighted average common shares outstanding - assuming dilution (in thousands)	36,861	39,720	37,018	40,505
Earnings per common share assuming dilution	$1.51	$1.17	$1.42	$3.26

We have excluded from the earnings-per-share calculation certain stock options and shares that are considered to be anti-dilutive under the treasury stock method. For the reported periods, the number of time-based restricted stock units, performance based units and non-qualified stock options that are excluded due to their anti-dilutive nature is immaterial.

Note 9 — Other Financial Information

OTHER OPERATING REVENUES – Other operating revenues in the Consolidated Statements of Income include the following items:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars)	2017	2016	2017	2016
Renewable Identification Numbers (RINs) sales	$36,618	$43,868	$65,646	$82,643
Other	1,025	702	3,571	2,168
Other operating revenues	$37,643	$44,570	$69,217	$84,811

CASH FLOW DISCLOSURES — Cash income taxes paid (collected), net of refunds, were $13.1 million and $15.1 million for the six month periods ended June 30, 2017 and 2016, respectively. Interest paid, net of amounts capitalized, was $17.1 million and $18.1 million for the six month periods ended June 30, 2017 and 2016, respectively.

	Six Months Ended June 30,	
(Thousands of dollars)	2017	2016
Accounts receivable	$19,192	$(11,921)
Inventories	(25,712)	3,412
Prepaid expenses and other current assets	(362)	23,978
Accounts payable and accrued liabilities	(77,242)	17,955
Income taxes payable	(594)	24,003
Net decrease (increase) in noncash operating working capital	$(84,718)	$57,427

Note 10 — Assets and Liabilities Measured at Fair Value

The Company carries certain assets and liabilities at fair value in its Consolidated Balance Sheets. The fair value hierarchy is based on the quality of inputs used to measure fair value, with Level 1 being the highest quality and Level

3 being the lowest quality. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1. Level 3 inputs are unobservable inputs which reflect assumptions about pricing by market participants.

Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At the balance sheet date, the fair value of derivative contracts were determined using NYMEX quoted values but were immaterial.

The following table presents the carrying amounts and estimated fair values of financial instruments held by the Company at June 30, 2017 and December 31, 2016. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The table excludes Cash and cash equivalents, Accounts receivable-trade, Trade accounts payable and accrued liabilities, all of which had fair values approximating carrying amounts. The fair value of Current and Long-term debt was estimated based on rates offered to the Company at that time for debt of the same maturities. The Company has off-balance sheet exposures relating to certain financial guarantees and letters of credit. The fair value of these, which represents fees associated with obtaining the instruments, was nominal.

	At June 30, 2017		At December 31, 2016	
(Thousands of dollars)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Current and long-term debt	$(884,044)	$(916,128)	$(670,218)	$(690,114)

Note 11 — Contingencies

The Company’s operations and earnings have been and may be affected by various forms of governmental action. Examples of such governmental action include, but are by no means limited to: tax increases and retroactive tax claims; import and export controls; price controls; allocation of supplies of crude oil and petroleum products and other goods; laws and regulations intended for the promotion of safety and the protection and/or remediation of the environment; governmental support for other forms of energy; and laws and regulations affecting the Company’s relationships with employees, suppliers, customers, stockholders and others. Because governmental actions are often motivated by political considerations, may be taken without full consideration of their consequences, and may be taken in response to actions of other governments, it is not practical to attempt to predict the likelihood of such actions, the form the actions may take or the effect such actions may have on the Company.

ENVIRONMENTAL MATTERS AND LEGAL MATTERS — Murphy USA is subject to numerous federal, state and local laws and regulations dealing with the environment. Violation of such environmental laws, regulations and permits can result in the imposition of significant civil and criminal penalties, injunctions and other sanctions. A discharge of hazardous substances into the environment could, to the extent such event is not insured, subject the Company to substantial expense, including both the cost to comply with applicable regulations and claims by neighboring landowners and other third parties for any personal injury, property damage and other losses that might result.

The Company currently owns or leases, and has in the past owned or leased, properties at which hazardous substances have been or are being handled. Although the Company believes it has used operating and disposal practices that were standard in the industry at the time, hazardous substances may have been disposed of or released on or under the properties owned or leased by the Company or on or under other locations where they have been taken for disposal. In addition, many of these properties have been operated by third parties whose management of hazardous substances was not under the Company’s control. Under existing laws the Company could be required to remediate contaminated property (including contaminated groundwater) or to perform remedial actions to prevent future contamination. Certain of these contaminated properties are in various stages of negotiation, investigation, and/or cleanup, and the Company is investigating the extent of any related liability and the availability of applicable defenses. With the sale of the U.S. refineries in 2011, Murphy Oil retained certain liabilities related to environmental matters. Murphy Oil also obtained insurance covering certain levels of environmental exposures. The Company believes costs related to these sites will not have a material adverse effect on Murphy USA’s net income, financial condition or liquidity in a future period.

Certain environmental expenditures are likely to be recovered by the Company from other sources, primarily environmental funds maintained by certain states. Since no assurance can be given that future recoveries from other sources will occur, the Company has not recorded a benefit for likely recoveries at June 30, 2017, however certain jurisdictions provide reimbursement for these expenses which have been considered in recording the net exposure.

The U.S. Environmental Protection Agency (EPA) currently considers the Company a Potentially Responsible Party (PRP) at one Superfund site. The potential total cost to all parties to perform necessary remedial work at this site may be substantial. However, based on current negotiations and available information, the Company believes that it is a de minimis party as to ultimate responsibility at the Superfund site. Accordingly, the Company has not recorded a liability for remedial costs at the Superfund site at June 30, 2017. The Company could be required to bear a pro rata share of costs attributable to nonparticipating PRPs or could be assigned additional responsibility for remediation at this site or other Superfund sites. The Company believes that its share of the ultimate costs to clean-up this site will be immaterial and will not have a material adverse effect on its net income, financial condition or liquidity in a future period.

Based on information currently available to the Company, the amount of future remediation costs to be incurred to address known contamination sites is not expected to have a material adverse effect on the Company’s future net income, cash flows or liquidity. However, there is the possibility that additional environmental expenditures could be required to address contamination, including as a result of discovering additional contamination or the imposition of new or revised requirements applicable to known contamination.

Other than as noted above, Murphy USA is engaged in a number of other legal proceedings, all of which the Company considers routine and incidental to its business. Based on information currently available to the Company, the ultimate resolution of those other legal matters is not expected to have a material adverse effect on the Company’s net income, financial condition or liquidity in a future period.

INSURANCE — The Company maintains insurance coverage at levels that are customary and consistent with industry standards for companies of similar size. Murphy USA maintains statutory workers compensation insurance with a deductible of $1.0 million per occurrence, general liability insurance with a deductible of $3.0 million per occurrence, and auto liability insurance with a deductible of $0.3 million per occurrence. As of June 30, 2017, there were a number of outstanding claims that are of a routine nature. The estimated incurred but unpaid liabilities relating to these claims are included in Trade account payables and accrued liabilities on the Consolidated Balance Sheets. While the ultimate outcome of these claims cannot presently be determined, management believes that the accrued liability of $19.5 million will be sufficient to cover the related liability for all insurance claims and that the ultimate disposition of these claims will have no material effect on the Company’s financial position and results of operations.

The Company has obtained insurance coverage as appropriate for the business in which it is engaged, but may incur losses that are not covered by insurance or reserves, in whole or in part, and such losses could adversely affect our results of operations and financial position.

TAX MATTERS — Murphy USA is subject to extensive tax liabilities imposed by multiple jurisdictions, including income taxes, indirect taxes (excise/duty, sales/use and gross receipts taxes), payroll taxes, franchise taxes, withholding taxes and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted or proposed that could result in increased expenditures for tax liabilities in the future. Many of these liabilities are subject to periodic audits by the respective taxing authority. Subsequent changes to our tax liabilities because of these audits may subject us to interest and penalties.

OTHER MATTERS — In the normal course of its business, the Company is required under certain contracts with various governmental authorities and others to provide financial guarantees or letters of credit that may be drawn upon if the Company fails to perform under those contracts. At June 30, 2017, the Company had contingent liabilities of

$16.9 million on outstanding letters of credit. The Company has not accrued a liability in its balance sheet related to these financial guarantees and letters of credit because it is believed that the likelihood of having these drawn is remote.

Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 — Business Segment

The Company's operations have one operating segment which is Marketing. The operations include the sale of retail motor fuel products and convenience merchandise along with the wholesale and bulk sale capabilities of our Product Supply and Wholesale ("PS&W") group. As the primary purpose of the PS&W group is to support our retail operations and provide fuel for their daily operation, the bulk and wholesale fuel sales are secondary to the support functions played by these groups. As such, they are all treated as one segment for reporting purposes as they sell the same products. This Marketing segment contains essentially all of the revenue generating functions of the Company. Results not included in the reportable segment include Corporate and Other Assets. The reportable segment was determined based on information reviewed by the Chief Operating Decision Maker (CODM).

		Three Months Ended			
		June 30, 2017		June 30, 2016	
(Thousands of dollars)	Total Assets at June 30,	External Revenues	Income (Loss)	External Revenues	Income (Loss)
Marketing	1,914,740	$3,211,038	$63,714	$3,005,750	$53,442
Corporate and other assets	308,446	22	(8,151)	12	(7,132)
Total	2,223,186	$3,211,060	$55,563	$3,005,762	$46,310

	Six Months Ended			
	June 30, 2017		June 30, 2016	
(Thousands of dollars)	External Revenues	Income (Loss)	External Revenues	Income (Loss)
Marketing	6,210,444	64,314	$5,495,808	$145,867
Corporate and other assets	234	(11,777)	216	(13,683)
Total	$6,210,678	$52,537	$5,496,024	$132,184

Note 13 – Guarantor Subsidiaries
Certain of the Company’s 100% owned, domestic subsidiaries (the “Guarantor Subsidiaries”) fully and unconditionally guarantee, on a joint and several basis, certain of the outstanding indebtedness of the Company, including the 6.00% senior notes due 2023 and the 5.625% senior notes due 2027. The following consolidating schedules present financial information on a consolidated basis in conformity with the SEC’s Regulation S-X Rule 3-10(d):

Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATING BALANCE SHEET
(unaudited)

(Thousands of dollars)	June 30, 2017					
Assets	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets						
Cash and cash equivalents	—	197,090	5	—	—	197,095
Accounts receivable—trade, less allowance for doubtful accounts of $1,921 in 2017	—	164,372	—	—	—	164,372
Inventories, at lower of cost or market	—	179,044	—	—	—	179,044
Prepaid expenses and other current assets	—	25,230	3	—	—	25,233
Total current assets	—	565,736	8	—	—	565,744
Property, plant and equipment, at cost less accumulated depreciation and amortization of $818,409 in 2017	—	1,612,436	798	—	—	1,613,234
Investments in subsidiaries	2,030,647	144,911	—	—	(2,175,558)	—
Other assets	—	44,208	—	—	—	44,208
Total assets	2,030,647	2,367,291	806	—	(2,175,558)	2,223,186
Liabilities and Stockholders' Equity						
Current liabilities						
Current maturities of long-term debt	—	14,958	—	—	—	14,958
Inter-company accounts payable	689,653	(484,066)	(51,249)	(154,338)	—	—
Trade accounts payable and accrued liabilities	—	394,303	—	—	—	394,303
Total current liabilities	689,653	(74,805)	(51,249)	(154,338)	—	409,261
Long-term debt, including capitalized lease obligations	—	869,086	—	—	—	869,086
Deferred income taxes	—	217,670	—	—		217,670
Asset retirement obligations	—	26,978	—	—	—	26,978
Deferred credits and other liabilities	—	19,550	—	—	—	19,550
Total liabilities	689,653	1,058,479	(51,249)	(154,338)	—	1,542,545
Stockholders' Equity						
Preferred Stock, par $0.01 (authorized 20,000,000 shares, none outstanding)	—	—	—	—	—	—
Common Stock, par $0.01 (authorized 200,000,000 shares, 46,767,164 shares issued at June 30, 2017)	468	1	60	—	(61)	468
Treasury Stock (10,715,229 shares held at June 30, 2017)	(667,522)	—	—	—	—	(667,522)
Additional paid in capital (APIC)	1,206,240	568,482	52,004	87,543	(1,368,382)	545,887
Retained earnings	801,808	740,329	(9)	66,795	(807,115)	801,808
Total stockholders' equity	1,340,994	1,308,812	52,055	154,338	(2,175,558)	680,641
Total liabilities and stockholders' equity	2,030,647	2,367,291	806	—	(2,175,558)	2,223,186

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATING BALANCE SHEET

(Thousands of dollars)	December 31, 2016					
Assets	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Current assets						
Cash and cash equivalents	$—	$153,813	$ —	$ —	$—	$153,813
Accounts receivable—trade, less allowance for doubtful accounts of $1,891 in 2016	—	183,519	—	—	—	183,519
Inventories, at lower of cost or market	—	153,351	—	—	—	153,351
Prepaid expenses and other current assets	—	24,871	—	—	—	24,871
Total current assets	—	515,554	—	—	—	515,554
Property, plant and equipment, at cost less accumulated depreciation and amortization of $780,426 in 2016	—	1,532,655	—	—	—	1,532,655
Investments in subsidiaries	1,978,110	144,917	—	—	(2,123,027)	—
Other assets	—	40,531	—	—	—	40,531
Total assets	$1,978,110	$2,233,657	$ —	$ —	$(2,123,027)	$2,088,740
Liabilities and Stockholders' Equity						
Current liabilities						
Current maturities of long-term debt	$—	$40,596	$ —	$ —	$—	$40,596
Inter-company accounts payable	623,316	(416,914)	(52,064)	(154,338)	—	—
Trade accounts payable and accrued liabilities	—	473,370	—	—	—	473,370
Income taxes payable	—	591	3	—	—	594
Total current liabilities	623,316	97,643	(52,061)	(154,338)	—	514,560
Long-term debt, including capitalized lease obligations	—	629,622	—	—	—	629,622
Deferred income taxes	—	204,656	—	—	—	204,656
Asset retirement obligations	—	26,200	—	—	—	26,200
Deferred credits and other liabilities	—	16,626	—	—	—	16,626
Total liabilities	623,316	974,747	(52,061)	(154,338)	—	1,391,664
Stockholders' Equity						
Preferred Stock, par $0.01 (authorized 20,000,000 shares, none outstanding)	—	—	—	—	—	—
Common Stock, par $0.01 (authorized 200,000,000 shares, 46,767,164 shares issued at December 31, 2016)	468	1	60	—	(61)	468
Treasury Stock (9,831,196 shares held at December 31, 2016)	(608,001)	—	—	—	—	(608,001)
Additional paid in capital (APIC)	1,213,056	571,117	52,004	87,543	(1,368,382)	555,338
Retained earnings	749,271	687,792	(3)	66,795	(754,584)	749,271
Total stockholders' equity	1,354,794	1,258,910	52,061	154,338	(2,123,027)	697,076
Total liabilities and stockholders' equity	$1,978,110	$2,233,657	$ —	$ —	$(2,123,027)	$2,088,740

Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATING INCOME STATEMENT
(unaudited)

(Thousands of dollars)	Three Months Ended June 30, 2017					
Operating Revenues	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Petroleum product sales	—	2,567,719	—	—	—	2,567,719
Merchandise sales	—	605,698	—	—	—	605,698
Other operating revenues	—	37,641	2	—	—	37,643
Total operating revenues	—	3,211,058	2	—	—	3,211,060
Operating Expenses						
Petroleum product cost of goods sold	—	2,413,175	—	—	—	2,413,175
Merchandise cost of goods sold	—	507,979	—	—	—	507,979
Station and other operating expenses	—	129,432	1	—	—	129,433
Depreciation and amortization	—	27,507	6	—	—	27,513
Selling, general and administrative	—	31,347	—	—	—	31,347
Accretion of asset retirement obligations	—	446	—	—	—	446
Total operating expenses	—	3,109,886	7	—	—	3,109,893
Gain (loss) on sale of assets	—	130	—	—	—	130
Income (loss) from operations	—	101,302	(5)	—	—	101,297
Other income (expense)						
Interest income	—	318	—	—	—	318
Interest expense	—	(11,644)	—	—	—	(11,644)
Other nonoperating income	—	3	—	—	—	3
Total other income (expense)	—	(11,323)	—	—	—	(11,323)
Income (loss) before income taxes	—	89,979	(5)	—	—	89,974
Income tax expense	—	34,411	—	—	—	34,411
Income (loss)	—	55,568	(5)	—	—	55,563
Equity earnings in affiliates, net of tax	(55,563)	—	—	—	55,563	—
Net Income (Loss)	(55,563)	55,568	(5)	—	55,563	55,563

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATING INCOME STATEMENT
(unaudited)

(Thousands of dollars)	Three Months Ended June 30, 2016					
Operating Revenues	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Petroleum product sales	$—	$2,371,735	$ —	$ —	$ —	$2,371,735
Merchandise sales	—	589,457	—	—	—	589,457
Other operating revenues	—	44,570	—	—	—	44,570
Total operating revenues	$—	$3,005,762	$ —	$ —	$ —	$3,005,762
Operating Expenses						
Petroleum product cost of goods sold	—	2,242,936	—	—	—	2,242,936
Merchandise cost of goods sold	—	496,801	—	—	—	496,801
Station and other operating expenses	—	125,145	—	—	—	125,145
Depreciation and amortization	—	23,685	—	—	—	23,685
Selling, general and administrative	—	32,320	—	—	—	32,320
Accretion of asset retirement obligations	—	412	—	—	—	412
Total operating expenses	—	2,921,299	—	—	—	2,921,299
Gain (loss) on sale of assets	$—	$(490)	$ —	$ —	$ —	$(490)
Income from operations	$—	$83,973	$ —	$ —	$ —	$83,973
Other income (expense)						
Interest income	—	250	—	—	—	250
Interest expense	—	(10,210)	—	—	—	(10,210)
Other nonoperating income	—	85	—	—	—	85
Total other income (expense)	$—	$(9,875)	$ —	$ —	$ —	$(9,875)
Income before income taxes	—	74,098	—	—	—	74,098
Income tax expense	—	27,788	—	—	—	27,788
Income	—	46,310	—	—	—	46,310
Equity earnings in affiliates, net of tax	46,310	—	—	—	(46,310)	—
Net Income (Loss)	$46,310	$46,310	$ —	$ —	$ (46,310)	$46,310

Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATING INCOME STATEMENT
(unaudited)

(Thousands of dollars)	Six Months Ended June 30, 2017					
Operating Revenues	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Petroleum product sales	—	4,969,973	—	—	—	4,969,973
Merchandise sales	—	1,171,488	—	—	—	1,171,488
Other operating revenues	—	69,215	2	—	—	69,217
Total operating revenues	—	6,210,676	2	—	—	6,210,678
Operating Expenses						
Petroleum product cost of goods sold	—	4,742,508	—	—	—	4,742,508
Merchandise cost of goods sold	—	984,940	—	—	—	984,940
Station and other operating expenses	—	254,176	1	—	—	254,177
Depreciation and amortization	—	54,519	6	—	—	54,525
Selling, general and administrative	—	69,592	1	—	—	69,593
Accretion of asset retirement obligations	—	888	—	—	—	888
Total operating expenses	—	6,106,623	8	—	—	6,106,631
Gain (loss) on sale of assets	—	(3,368)	—	—	—	(3,368)
Income (loss) from operations	—	100,685	(6)	—	—	100,679
Other income (expense)						
Interest income	—	365	—	—	—	365
Interest expense	—	(21,142)	—	—	—	(21,142)
Other nonoperating income	—	235	—	—	—	235
Total other income (expense)	—	(20,542)	—	—	—	(20,542)
Income (loss) before income taxes	—	80,143	(6)	—	—	80,137
Income tax expense	—	27,600	—	—	—	27,600
Income (loss)	—	52,543	(6)	—	—	52,537
Equity earnings in affiliates, net of tax	52,537	(6)	—	—	(52,531)	—
Net Income (Loss)	52,537	52,537	(6)	—	(52,531)	52,537

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATING INCOME STATEMENT
(unaudited)

(Thousands of dollars)	Six Months Ended June 30, 2016					
Operating Revenues	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Petroleum product sales	$—	$4,260,019	$ —	$ —	$—	$4,260,019
Merchandise sales	—	1,151,194	—	—	—	1,151,194
Other operating revenues	—	84,811	—	—	—	84,811
Total operating revenues	$—	$5,496,024	$ —	$ —	$—	$5,496,024
Operating Expenses						
Petroleum product cost of goods sold	—	4,026,065	—	—	—	4,026,065
Merchandise cost of goods sold	—	972,603	—	—	—	972,603
Station and other operating expenses	—	241,919	—	—	—	241,919
Depreciation and amortization	—	47,171	—	—	—	47,171
Selling, general and administrative	—	63,822	1	—	—	63,823
Accretion of asset retirement obligations	—	825	—	—	—	825
Total operating expenses	—	5,352,405	1	—	—	5,352,406
Gain (loss) on sale of assets	$—	$88,975	$ —	$ —	$—	$88,975
Income from operations	$—	$232,594	$ (1)	$ —	$—	$232,593
Other income (expense)						
Interest income	—	330	—	—	—	330
Interest expense	—	(19,598)	—	—	—	(19,598)
Other nonoperating income	—	118	—	—	—	118
Total other income (expense)	$—	$(19,150)	$ —	$ —	$—	$(19,150)
Income before income taxes	—	213,444	(1)	—	—	213,443
Income tax expense (benefit)	—	81,259	—	—	—	81,259
Income	—	132,185	(1)	—	—	132,184
Equity earnings in affiliates, net of tax	132,184	(1)	—	—	(132,183)	—
Net Income (Loss)	$132,184	$132,184	$ (1)	$ —	$(132,183)	$132,184

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATING STATEMENT OF CASH FLOW
(unaudited)

(Thousands of dollars)	Six Months Ended June 30, 2017					
Operating Activities	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$52,537	$52,537	$ (6)	$ —	$ (52,531)	$ 52,537
Adjustments to reconcile net income (loss) to net cash provided by (required by) operating activities						
Depreciation and amortization	—	54,519	6	—	—	54,525
Deferred and noncurrent income tax charges (credits)	—	13,014	—	—	—	13,014
Accretion of asset retirement obligations	—	888	—	—	—	888
(Gain) loss on sale of assets	—	3,368	—	—	—	3,368
Net increase in noncash operating working capital	—	(84,715)	(3)	—	—	(84,718)
Equity in earnings of affiliates	(52,537)	6	—	—	52,531	—
Other operating activities - net	—	828	—	—	—	828
Net cash provided by (required by) operating activities	—	40,445	(3)	—	—	40,442
Investing Activities						
Property additions	—	(133,346)	(804)	—	—	(134,150)
Proceeds from sale of assets	—	715	—	—	—	715
Changes in restricted cash	—	—	—	—	—	—
Other investing activities - net	—	(4,143)	—	—	—	(4,143)
Net cash required by investing activities	—	(136,774)	(804)	—	—	(137,578)
Financing Activities						
Purchase of treasury stock	(66,337)	—	—	—	—	(66,337)
Borrowings of debt	—	338,750	—	—	—	338,750
Repayments of debt	—	(125,901)	—	—	—	(125,901)
Debt issuance costs	—	(935)	—	—	—	(935)
Amounts related to share-based compensation	—	(5,159)	—	—	—	(5,159)
Net distributions to parent	66,337	(67,149)	812	—	—	—
Net cash provided by financing activities	—	139,606	812	—	—	140,418
Net increase in cash and cash equivalents	—	43,277	5	—	—	43,282
Cash and cash equivalents at January 1	—	153,813	—	—	—	153,813
Cash and cash equivalents at June 30	$—	$197,090	$ 5	$ —	$ —	$ 197,095

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATING STATEMENT OF CASH FLOW
(unaudited)

(Thousands of dollars)	Six Months Ended June 30, 2016					
Operating Activities	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$132,184	$132,184	$ (1)	$ —	$(132,183)	$ 132,184
Adjustments to reconcile net income (loss) to net cash provided by (required by)operating activities						
Depreciation and amortization	—	47,171	—	—	—	47,171
Deferred and noncurrent income tax charges (credits)	—	14,605	—	—	—	14,605
Accretion of asset retirement obligations	—	825	—	—	—	825
Pretax (gains) losses from sale of assets	—	(88,975)	—	—	—	(88,975)
Net decrease in noncash operating working capital	—	57,427	—	—	—	57,427
Equity in earnings of affiliates	(132,184)	1	—	—	132,183	—
Other operating activities - net	—	5,365	—	—	—	5,365
Net cash provided by (required by) operating activities	—	168,603	(1)	—	—	168,602
Investing Activities						
Property additions	—	(116,569)	—	—	—	(116,569)
Proceeds from sale of assets	—	86,298	—	—	—	86,298
Changes in restricted cash	—	13,429	—	—	—	13,429
Other investing activities - net	—	(15,138)	—	—	—	(15,138)
Net cash required by investing activities	—	(31,980)	—	—	—	(31,980)
Financing Activities						
Purchase of treasury stock	(167,105)	—	—	—	—	(167,105)
Borrowings of debt	—	200,000	—	—	—	200,000
Repayments of debt	—	(10,165)	—	—	—	(10,165)
Debt issuance costs	—	(3,240)	—	—	—	(3,240)
Amounts related to share-based compensation	—	(4,237)	—	—	—	(4,237)
Net distributions to parent	167,105	(167,106)	1	—	—	—
Net cash provided by financing activities	—	15,252	1	—	—	15,253
Net increase in cash and cash equivalents	—	151,875	—	—	—	151,875
Cash and cash equivalents at January 1	—	102,335	—	—	—	102,335
Cash and cash equivalents at June 30	$—	$254,210	$ —	$ —	$—	$ 254,210

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Murphy USA Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATING STATEMENT OF CHANGES IN EQUITY
(unaudited)

(Thousands of dollars)	Six Months Ended June 30, 2017					
Statement of Stockholders' Equity	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Common Stock						
Balance as of December 31, 2016	$468	$1	$ 60	$ —	$(61)	$468
Issuance of common stock	—	—	—	—	—	—
Balance as of June 30, 2017	$468	$1	$ 60	$ —	$(61)	$468
Treasury Stock						
Balance as of December 31, 2016	$(608,001)	$—	$ —	$ —	$—	$(608,001)
Issuance of common stock	6,816	—	—	—	—	6,816
Repurchase of common stock	(66,337)	—	—	—	—	(66,337)
Balance as of June 30, 2017	$(667,522)	$—	$ —	$ —	$—	$(667,522)
APIC						
Balance as of December 31, 2016	$1,213,056	$571,117	$ 52,004	$ 87,543	$(1,368,382)	$555,338
Issuance of common stock	(6,816)	—	—	—	—	(6,816)
Amounts related to share-based compensation	—	(5,159)	—	—	—	(5,159)
Share-based compensation expense	—	2,524	—	—	—	2,524
Balance as of June 30, 2017	$1,206,240	$568,482	$ 52,004	$ 87,543	$(1,368,382)	$545,887
Retained Earnings						
Balance as of December 31, 2016	$749,271	$687,792	$ (3)	$ 66,795	$(754,584)	$749,271
Net income (loss)	52,537	52,537	(6)	—	(52,531)	52,537
Balance as of June 30, 2017	$801,808	$740,329	$ (9)	$ 66,795	$(807,115)	$801,808

CONSOLIDATING STATEMENT OF CHANGES IN EQUITY
(unaudited)

(Thousands of dollars)	Six Months Ended June 30, 2016					
Statement of Stockholders' Equity	Parent Company	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Common Stock						
Balance as of December 31, 2015	$468	$1	$ 60	$ —	$(61)	$468
Issuance of common stock	—	—	—	—	—	—
Balance as of June 30, 2016	$468	$1	$ 60	$ —	$(61)	$468
Treasury Stock						
Balance as of December 31, 2015	$(294,139)	$—	$ —	$ —	$—	$(294,139)
Issuance of common stock	6,748	—	—	—	—	6,748
Repurchase of common stock	(167,105)	—	—	—	—	(167,105)
Balance as of June 30, 2016	$(454,496)	$—	$ —	$ —	$—	$(454,496)
APIC						
Balance as of December 31, 2015	$1,222,465	$564,554	$ 52,004	$ 87,543	$(1,368,384)	$558,182
Issuance of common stock	(6,748)	—	—	—	—	(6,748)
Amounts related to share-based compensation	—	(4,237)	—	—	—	(4,237)
Share-based compensation expense	—	4,780	—	—	—	4,780
Balance as of June 30, 2016	$1,215,717	$565,097	$ 52,004	$ 87,543	$(1,368,384)	$551,977
Retained Earnings						
Balance as of December 31, 2015	$527,779	$466,300	$ (2)	$ 66,795	$(533,093)	$527,779

Net income (loss)	132,184	132,184	(1)	—	(132,183)	132,184
Balance as of June 30, 2016	$659,963	$598,484	$ (3)	$ 66,795	$(665,276)	$659,963

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("Management's Discussion and Analysis" or "MD&A") is the Company's analysis of its financial performance and of significant trends that may affect future performance. It should be read in conjunction with the consolidated financial statements and notes included in this Quarterly Report on Form 10-Q. It contains forward-looking statements including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations and intentions. The words "anticipate," "estimate," "believe," "budget," "continue," "could," "intend," "may," "plan," "potential," "predict," "seek," "should," "will," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and similar expressions identify forward statements. The Company does not undertake to update, revise or correct any of the forward-looking information unless required to do so under the federal securities laws. Readers are cautioned that such forward-looking statements should be read in conjunction with the Company's disclosures under "Forward-Looking Statements" and "Risk Factors" included elsewhere in this Quarterly Report on Form 10-Q.

For purposes of this Management's Discussion and Analysis, references to "Murphy USA", the "Company", "we", "us" and "o refer to Murphy USA Inc. and its subsidiaries on a consolidated basis.

Management's Discussion and Analysis is organized as follows:

- Executive Overview—This section provides an overview of our business and the results of operations and financial condition for the periods presented. It includes information on the basis of presentation with respect to the amounts presented in the Management's Discussion and Analysis and a discussion of the trends affecting our business.

- Results of Operations—This section provides an analysis of our results of operations, including the results of our operating segment for the three and six months ended June 30, 2017 and 2016.

- Capital Resources and Liquidity—This section provides a discussion of our financial condition and cash flows as of and for the three and six months ended June 30, 2017 and 2016. It also includes a discussion of our capital structure and available sources of liquidity.

- Critical Accounting Policies—This section describes the accounting policies and estimates that we consider most important for our business and that require significant judgment.

Executive Overview

The following MD&A is intended to help the reader understand our results of operations and financial condition. This section is provided to supplement, and should be read in conjunction with, our consolidated financial statements and the accompanying notes to these financial statements contained elsewhere in this Quarterly Report on Form 10-Q, this MD&A section and the consolidated financial statements in our Annual Report on Form 10-K. Our Form 10-K contains a discussion of matters not included within this document, such as disclosures regarding critical accounting policies and estimates, and contractual obligations.

Our Business

We market refined products through a network of retail gasoline stations and to unbranded wholesale customers. Our owned retail stations are almost all located in close proximity to Walmart stores and use the brand name Murphy USA®. We also market gasoline and other products at standalone stations under the Murphy Express brand. At

June 30, 2017, we had a total of 1,411 Company stations in 26 states, principally in the Southeast, Southwest and Midwest United States.

Basis of Presentation

Murphy USA was incorporated in March 2013, and until the separation from Murphy Oil was completed on August 30, 2013, it had not commenced operations and had no material assets, liabilities or commitments. The financial information presented in this Management's Discussion and Analysis is derived from the consolidated financial statements of Murphy USA Inc. and its subsidiaries for all periods presented.

Trends Affecting Our Business

Our operations are significantly impacted by the gross margins we receive on our fuel sales. These gross margins are commodity-based, change daily and are volatile. While we expect our total fuel sales volumes to grow and the gross margins we realize on those sales to remain strong, these gross margins can change rapidly due to many factors. These factors include, but are not limited to, the price of refined products, interruptions in supply caused by severe weather, severe refinery mechanical failures for an extended period of time, and competition in the local markets in which we operate.

The cost of our main sales products, gasoline and diesel, is greatly impacted by the cost of crude oil in the United States. Generally, rising prices for crude oil increase the Company's cost for wholesale fuel products purchased. When wholesale fuel costs rise, the Company is not always able to immediately pass these cost increases on to its retail customers at the pump, which in turn reduces the Company's sales margin. Also, rising prices tend to cause our customers to reduce discretionary fuel consumption, which generally reduces our fuel sales volumes. Retail fuel margins were stronger in the current year quarter due to more favorable market conditions. PS&W results were weaker due to elements beyond normal seasonality. These external market factors included record-high gasoline inventories, subdued retail demand and discounted pipeline space values.

In addition, our revenues are impacted by our ability to leverage our diverse supply infrastructure in pursuit of obtaining the lowest cost fuel supply available; for example, activities such as blending bulk fuel with ethanol and bio-diesel to capture and subsequently sell Renewable Identification Numbers ("RINs"). Under the Energy Policy Act of 2005, the Environmental Protection Agency ("EPA") is authorized to set annual quotas establishing the percentage of motor fuels consumed in the United States that must be attributable to renewable fuels. Obligated parties are required to demonstrate that they have met any applicable quotas by submitting a certain amount of RINs to the EPA. RINs in excess of the set quota can be sold in a market for RINs at then-prevailing prices. The market price for RINs fluctuates based on a variety of factors, including but not limited to governmental and regulatory action. There are other market related factors that can affect the net impact we receive from RINs on a company-wide basis either favorably or unfavorably. Our business model does not depend on our ability to generate revenues from RINs. Revenue from the sales of RINs is included in "Other operating revenues" in the Consolidated Statements of Income.

As of June 30, 2017, we have $800 million of Senior Notes and $97 million of term loan outstanding. We believe that we will generate sufficient cash from operations to fund our ongoing operating requirements. We expect to use the credit facilities to provide us with available financing intended to meet any ongoing cash needs in excess of internally generated cash flows. To the extent necessary, we will borrow under these facilities to fund our ongoing operating requirements. At June 30, 2017, we have additional available capacity under the committed $450 million credit facilities (subject to the borrowing base), together with capacity under a $150 million incremental uncommitted facility. There can be no assurances, however, that we will generate sufficient cash from operations or be able to draw on the credit facilities, obtain commitments for our incremental facility and/or obtain and draw upon other credit facilities.

On December 21, 2012, we signed an agreement with Walmart providing for the potential purchase of land to develop new Company stations located adjacent to existing Walmart stores in Walmart's core market area covering the Southeast, Southwest and Midwest United States. The construction program is expected to be completed in 2017 relative to the 2012 sites. In connection with this agreement, we expect to incur additional station operating and depreciation expenses due to the addition of new stores. The Company currently anticipates total capital expenditures (including purchases of Walmart properties and other land for future developments) for the full year 2017 to range from approximately $250 million to $300 million depending on how many new sites are developed. We intend to fund the remainder of our capital program in 2017 primarily using operating cash flow but will supplement funding where necessary using borrowings under available credit facilities.

We believe that our business will continue to grow in the future as we expect to build additional locations chosen by our real estate development team that have the characteristics we look for in a strong site. The pace of this growth is continually monitored by our management, and these plans can be altered based on operating cash flows generated and the availability of debt facilities.

We currently estimate our ongoing effective tax rate to be approximately 38.0% for the remainder of the year.

Seasonality

Our business has inherent seasonality due to the concentration of our retail sites in certain geographic areas, as well as customer activity behaviors during different seasons. In general, sales volumes and operating incomes are typically highest in the second and third quarters during the summer activity months and lowest during the winter months. As a result, operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

Business Segment

The Company has one operating segment which is Marketing. This segment includes our retail marketing sites and product supply and wholesale assets.

For additional operating segment information, see Note 20 “Business Segments” in the audited combined financial statements for the three year period ended December 31, 2016 included with our Annual Report on Form 10-K and Note 12 “Business Segment” in the accompanying unaudited consolidated financial statements for the three and six months ended June 30, 2017.

Results of Operations

Consolidated Results

For the three month period ended June 30, 2017, the Company reported net income of $55.6 million, or $1.51 per diluted share, on revenue of $3.21 billion. Net income was $46.3 million for the same period in 2016, or $1.17 per diluted share, on $3.01 billion in revenue. The increase in quarterly net income was primarily driven by higher total fuel margins, higher network fuel volumes and more favorable merchandise margins.

For the six month period ended June 30, 2017, the Company reported net income of $52.5 million, or $1.42 per diluted share, on revenue of $6.21 billion. Net income was $132.2 million for the same period in 2016, or $3.26 per diluted share, on $5.50 billion in revenue. The decrease in year-to-date net income is primarily due to the inclusion of the gain on the disposition of the CAM pipeline in first quarter 2016 along with lower all in fuel contribution for the current period.

Three Months Ended June 30, 2017 versus Three Months Ended June 30, 2016

Quarterly revenues for 2017 increased $205.3 million, or 6.8%, compared to the same quarter in 2016. The higher revenues were caused by higher retail prices and volumes and merchandise margins and increased store count in 2017, partially offset by a decrease in RIN sales.

Total cost of sales increased $181.4 million, or 6.6%, compared to 2016. This increase is primarily due to higher fuel purchase costs in all areas in the 2017 quarter and increased store count in 2017.

Station and other operating expenses increased $4.3 million, or 3.4%, from 2016. This increase was driven by increased total payment fees, maintenance costs and promotional costs during the 2017 period partially due to higher store count compared to the prior year quarter.

Selling, general and administrative (SG&A) expenses for 2017 decreased $1.0 million, or 3.0%, from 2016. The decline in SG&A costs is primarily due to timing of spending on enterprise wide initiatives on a quarter-over-quarter basis.

The effective tax rate was 38.2% for the 2017 quarter and 37.5% for the 2016 quarter. The effective tax rate for the current quarter is higher than the U.S. Federal tax rate of 35% but is in line with our estimated effective tax rate of 38%.

Six Months Ended June 30, 2017 versus Six Months Ended June 30, 2016

Year-to-date revenues for 2017 increased $714.7 million, or 13.0%, compared to the same six month period in 2016. The higher revenues were caused by higher retail prices and volumes and merchandise margins and increased store count in 2017, partially offset by a decrease in RIN sales.

Total cost of sales increased $728.8 million, or 14.6%, compared to 2016. This increase is primarily due to higher fuel purchase costs in all areas in the 2017 period and increased store count in 2017.

Station and other operating expenses increased $12.3 million, or 5.1%, from 2016. This increase was driven by increased payment fees, maintenance costs and promotional costs during the 2017 period partially due to higher store count compared to the prior period.

Selling, general and administrative (SG&A) expenses for 2017 increased $5.8 million, or 9.0%, from 2016. The increase in SG&A costs is primarily due to higher labor and employee benefit costs related to a previously announced restructuring charge combined with slightly increased headcount, as well as spending for technology projects.

The effective tax rate was 34.4% for the first six months of 2017 and 38.1% for the 2016 period. The effective year-to-date tax rate is lower than the U.S. Federal tax rate of 35% due to tax benefits realized in the first quarter of 2017.

Segment Results

A summary of the Company’s earnings by business segment follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars)	2017	2016	2017	2016
Marketing	$63,714	$53,442	$64,314	$145,867
Corporate and other assets	(8,151)	(7,132)	(11,777)	(13,683)
Net income (loss)	$55,563	$46,310	$52,537	$132,184

Three Months Ended June 30, 2017 versus Three Months Ended June 30, 2016

Net income for the three months ended June 30, 2017 increased compared to the same period in 2016 primarily due to:

- Higher retail fuel margin per gallon
- Higher merchandise margin

The items below partially offset the increase in earnings in the current period:

- Higher station and other operating expense
- Higher interest expense due to the issuance of the 2027 Senior Notes in the current period
- Lower PS&W contribution including RINs

Six Months Ended June 30, 2017 versus Six Months Ended June 30, 2016

Net income for the six months ended June 30, 2017 decreased compared to the same period in 2016 primarily due to:

- No repeat of the gain from the disposition of CAM pipeline
- Slightly higher total station and other operating expenses
- Increased G&A expense related to higher labor and benefits

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The items below partially offset the decrease in earnings in the current period:

- Higher merchandise gross margin dollars from higher sales and improved rebates
- Improved retail fuel margins in the current year due to higher margins and total volumes

(Thousands of dollars, except volume per store month and margins)	Three Months Ended June 30,		Six Months Ended June 30,	
Marketing Segment	2017	2016	2017	2016
Operating Revenues				
Petroleum product sales	$2,567,719	$2,371,735	$4,969,973	$4,260,019
Merchandise sales	605,698	589,457	1,171,488	1,151,194
Other operating revenues	37,621	44,558	68,983	84,595
Total operating revenues	3,211,038	3,005,750	6,210,444	5,495,808
Operating expenses				
Petroleum products cost of goods sold	2,413,176	2,242,936	4,742,508	4,026,065
Merchandise cost of goods sold	507,979	496,801	984,940	972,603
Station and other operating expenses	129,433	125,145	254,177	241,919
Depreciation and amortization	25,888	22,118	51,308	44,033
Selling, general and administrative	31,346	32,319	69,593	63,822
Accretion of asset retirement obligations	446	412	888	825
Total operating expenses	3,108,268	2,919,731	6,103,414	5,349,267
Gain (loss) on sale of assets	129	(489)	(3,368)	88,976
Income from operations	102,899	85,530	103,662	235,517
Other income				
Interest expense	(20)	(12)	(39)	(21)
Other nonoperating income (expense)	4	13	230	41
Total other income (expense)	(16)	1	191	20
Income before income taxes	102,883	85,531	103,853	235,537
Income tax expense	39,169	32,089	39,539	89,670
Net Income	$63,714	$53,442	$64,314	$145,867
Gallons sold per store month	253,333	258,587	248,219	255,327
Fuel margin (cpg)	16.6	10.8	13.4	11.0
Fuel margin $ per store month	$42,091	$28,019	$33,306	$28,029
Total tobacco sales revenue per store month	$105,840	$110,309	$102,958	$108,173
Total non-tobacco sales revenue per store month	$38,981	$37,203	$37,317	$35,874
Total merchandise sales revenue per store month	$144,821	$147,512	$140,275	$144,047
Merchandise margin $ per store month	$23,366	$23,187	$22,338	$22,347
Merchandise margin as a percentage of merchandise sales	16.1%	15.7%	15.9%	15.5%
Store count at end of period	1,411	1,344	1,411	1,344
Total store months during the period	4,182	3,996	8,351	7,992

Three Months Ended June 30, 2017 versus Three Months Ended June 30, 2016

Net income in the Marketing segment for 2017 increased $10.3 million compared to the 2016 period. The primary driver was the 7.7% increase in total fuel contribution to 18.1 cpg in 2017. Additionally, merchandise gross margin increased 5.5% to $97.7 million.
Total revenues for the Marketing segment were approximately $3.2 billion for 2017 and $3.0 billion for 2016. Revenues included excise taxes collected and remitted to government authorities of $505 million in 2017 and $488 million in 2016. The primary cause of the uplift in revenues was an $0.11 per gallon increase in retail fuel price in the 2017 quarter.
Total fuel sales volumes per station were down 2.0% to 253,333 gallons per store month in the 2017 period from 258,587 gallons per store month in 2016. This decline is due to subdued retail demand combined with the temporary closure of five high-performing stores for raze and rebuild activity. Retail fuel margin increased 53.7% in the 2017 quarter to 16.6 cpg, compared to 10.8 cpg in the prior year quarter. Retail fuel margins increased in second quarter 2017 as falling product prices created a more favorable market structure and environment versus the consistently rising wholesale prices in second quarter 2016.
Total PS&W margin dollars, excluding RINs, were negative $20.8 million in the 2017 period compared to $17.4 million in 2016. The decrease in the current period was largely caused by record-high gasoline inventories, subdued retail demand, and discounted pipeline space values.
The 2017 period includes the sale of RINs of $36.6 million compared to $43.9 million in 2016. During the 2017 quarter, 61 million RINs were sold at an average selling price of $0.60 per RIN while the prior year quarter had sales of 57 million RINs at an average price of $0.77 per RIN.
Merchandise total sales increased 2.8% to $605.7 million in 2017 from $589.5 million in 2016 and was primarily due to an increase in non-tobacco sales of 4.8% average per store month ("APSM"), offset by a decrease in tobacco products revenue of 4.1% APSM. Quarterly merchandise margins in 2017 were higher than 2016. The increase in gross margin dollars of 5.5% in the current period was due primarily to continual turnover to new, high-demand products, in addition to per store improvements and improved promotional effectiveness. As a result, total unit margins were up by 40 basis points from 15.7% in the prior period to a new quarterly record of 16.1% in the current year.
Station and other operating expenses increased $4.3 million in the current period compared to 2016 levels. Total operating expenses in 2017 were higher, reflecting increased payment fees and new store additions. On an APSM basis, expenses applicable to retail declined 2.4%, primarily because of lower labor costs in the period combined with lower maintenance per store due to timing of work performed.
Depreciation expense increased $3.8 million in the 2017 period, an increase of 17.0% over the prior period. This increase was primarily caused by more stores operating in the 2017 period compared to the prior year period.
Selling, general and administrative (SG&A) expenses decreased $1.0 million, or 3.0%, in 2017. This decrease was due to timing of spending for enterprise wide initiatives quarter-over-quarter.

Six Months Ended June 30, 2017 versus Six Months Ended June 30, 2016

Net income in the Marketing segment for 2017 decreased $81.6 million compared to the 2016 period. The primary reason for this decline was no repeat of the gain from the disposition of the CAM pipeline in the prior year combined with a reduction in total fuel contribution and higher total operating expenses. This decline was partially offset by higher total retail fuel sales volumes and higher merchandise margins. Chain wide retail fuel sales volumes increased 1.6% to 2.1 billion gallons sold in 2017.
Total revenues for the Marketing segment were approximately $6.2 billion for 2017 and $5.5 billion for 2016. Revenues included excise taxes collected and remitted to government authorities of $985 million in 2017 and $961 million in 2016. The primary cause of the significant increase in revenues was a $0.28 per gallon increase in retail

fuel price in the 2017 period.

Total fuel sales volumes per station were down 2.8% to 248,219 gallons per store month in the 2017 period from 255,327 gallons per store month in 2016. This decline is due to subdued retail demand combined with the temporary closure of 17 high-performing stores for a significant part of the period for raze and rebuild activity. Retail fuel margin increased 21.8% in the 2017 period to 13.4 cpg, compared to 11.0 cpg in the prior year. Retail fuel margins increased in 2017 as volatility was more pronounced in the 2017 period compared to the same period in 2016.
Total PS&W margin dollars, excluding RINs, were negative $49.3 million in the 2017 period compared to $8.2 million in 2016. The decrease in the current period was largely caused by record-high gasoline inventories, subdued retail demand, and discounted pipeline space values.

The 2017 period includes the sale of RINs of $65.6 million compared to $82.6 million in 2016. During the period, 114 million RINs were sold at an average selling price of $0.58 per RIN while the prior year had sales of 111 million RINs at an average price of $0.74 per RIN.
Merchandise total sales increased 1.8% to $1.17 billion in 2017 from $1.15 billion in 2016 and was primarily due to an increase in non-tobacco sales of 4.0% APSM, offset by a decrease in tobacco products revenue of 4.8% APSM. Year-to-date merchandise margins in 2017 were higher than 2016. The increase in gross margin dollars of 4.5% in the period was due primarily to more favorable pricing, in addition to per store improvements and improved promotional effectiveness. As a result, total unit margins were up by 40 basis points from 15.5% in the prior period to 15.9% in the current year.
Station and other operating expenses increased $12.3 million in the current period compared to 2016 levels. Total station and other operating expenses in 2017 were higher, reflecting increased payment fees and new store additions. On an APSM basis, expenses applicable to retail declined 2.4%, primarily because of lower labor costs in the period.
Depreciation expense increased $7.3 million in the 2017 period, an increase of 16.5% over the prior period. This increase was primarily caused by more stores operating in the 2017 period compared to the prior year period.
Selling, general and administrative (SG&A) expenses increased $5.8 million, or 9.0%, in 2017. This increase was due to higher labor and employee benefit costs related to a previously announced restructuring charge combined with slightly increased headcount, as well as certain technology related costs.

Same store sales ("SSS") comparison

	Variance from prior year			
	Three months ended June 30, 2017		Six months ended June 30, 2017	
	SSS	APSM	SSS	APSM
Fuel gallons per month	(1.6)%	(2.0)%	(2.3)%	(2.8)%
Merchandise sales	(0.4)%	(1.8)%	(1.0)%	(2.6)%
Tobacco sales	(1.6)%	(4.1)%	(2.2)%	(4.8)%
Non-tobacco sales	3.0 %	4.8 %	2.6 %	4.0 %
Merchandise margin	1.9 %	0.8 %	1.1 %	— %
Tobacco margin	2.6 %	(0.3)%	2.0 %	(0.8)%
Non-tobacco margin	0.9 %	2.3 %	(0.2)%	1.0 %

Historically, the Company has used the APSM metric to represent certain data on a per site basis. The APSM metric includes all stores open through the date of the calculation. Other retailers have used same store sales (SSS) as their metric. The table above shows the comparison of APSM to SSS for 3 specific items. In most cases, the SSS metric is more favorable than the APSM metric. The primary reason for this is that SSS does not include new stores that have been opened a short time and are still developing their customer base. The difference between the APSM and SSS results highlights the impact of our growing mix of small store formats (e.g. 1200 sq. ft.) which have a higher mix of non-tobacco sales and a ramp up period on tobacco sales.
The same store sales comparison includes aggregated individual store results for all stores open throughout both periods presented. For all periods presented, the store must have been open for the entire calendar year to be included in the comparison. Remodeled stores that remained open or were closed for just a very brief time (less than a month) during the period being compared remain in the same store sales calculation. If a store is replaced, either at the same location (raze and rebuild) or relocated to a new location, it will typically be excluded from the calculation. Newly constructed sites, including raze-and-rebuilds do not enter the calculation until they are open for each full calendar year for the periods being compared (open by January 1, 2016 for the sites being compared in the 2017 versus 2016 calculations).

Corporate and other assets

Three Months Ended June 30, 2017 versus Three Months Ended June 30, 2016
After-tax results for Corporate and other assets decreased in the recently completed quarter, experiencing a loss of $8.2 million compared to a loss of $7.1 million in the second quarter of 2016. Interest expense was higher in the current quarter by $1.4 million due to the addition of the $300 million senior notes in the current quarter.

Six Months Ended June 30, 2017 versus Six Months Ended June 30, 2016
After-tax results for Corporate and other assets improved in the recently completed quarter, experiencing a loss of $11.8 million compared to a loss of $13.7 million in 2016. This improvement was due to the 2017 period containing certain income tax benefits related to the adoption of ASU 2016-09 and discrete state tax refunds received. Interest expense was slightly higher in the current quarter by $1.5 million due to the addition of the $300 million senior notes in the second quarter 2017.

Non-GAAP Measures

The following table sets forth the Company's Adjusted EBITDA for the three and six months ended June 30, 2017 and 2016. EBITDA means net income (loss) plus net interest expense, plus income tax expense, depreciation and amortization, and Adjusted EBITDA adds back (i) other non-cash items (e.g., impairment of properties and accretion of asset retirement obligations) and (ii) other items that management does not consider to be meaningful in assessing our operating performance (e.g., (income) from discontinued operations, gain (loss) on sale of assets and other non-operating expense (income). EBITDA and Adjusted EBITDA are not measures that are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

We use this Adjusted EBITDA in our operational and financial decision-making, believing that such measure is useful to eliminate certain items in order to focus on what we deem to be a more reliable indicator of ongoing operating performance and our ability to generate cash flow from operations. Adjusted EBITDA is also used by many of our investors, research analysts, investment bankers, and lenders to assess our operating performance. We believe that the presentation of Adjusted EBITDA provides useful information to investors because it allows understanding of a key measure that we evaluate internally when making operating and strategic decisions, preparing our annual plan, and evaluating our overall performance. However, non-GAAP measures are not a substitute for GAAP disclosures, and

Adjusted EBITDA may be prepared differently by us than by other companies using similarly titled non-GAAP measures.

The reconciliation of net income (loss) to EBITDA and Adjusted EBITDA follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars)	2017	2016	2017	2016
Net income (loss)	$55,563	$46,310	$52,537	$132,184
Income tax expense (benefit)	34,411	27,788	27,600	81,259
Interest expense, net of interest income	11,326	9,960	20,777	19,268
Depreciation and amortization	27,513	23,685	54,525	47,171
EBITDA	128,813	107,743	155,439	279,882
Accretion of asset retirement obligations	446	412	888	825
(Gain) loss on sale of assets	(130)	490	3,368	(88,975)
Other nonoperating (income) expense	(3)	(85)	(235)	(118)
Adjusted EBITDA	$129,126	$108,560	$159,460	$191,614

Capital Resources and Liquidity

Significant Sources of Capital

We continue to have a committed $450 million asset based loan facility (the "ABL facility"), which is subject to the remaining borrowing capacity of $208 million at June 30, 2017 (which can be utilized for working capital and other general corporate purposes, including supporting our operating model as described herein) and a $200 million term loan facility, as well as a $150 million incremental uncommitted facility. As of June 30, 2017, we had $97 million outstanding under our term loan and no amounts outstanding under our ABL. See "Debt – Credit Facilities" below for the calculation of our borrowing base.
We believe our short-term and long-term liquidity is adequate to fund not only our operations, but also our anticipated near-term and long-term funding requirements, including capital spending programs, execution of announced share repurchase programs, potential dividend payments, repayment of debt maturities and other amounts that may ultimately be paid in connection with contingencies.

Operating Activities

Net cash provided by operating activities was $40 million for the six months ended June 30, 2017 and $169 million for the comparable period in 2016. The decrease was due primarily to a decrease in accounts payable, which was partially offset by an increase in inventories. Net income decreased $79.6 million in 2017 compared to the corresponding period in 2016 due to no repeat of the gain on disposition of the CAM pipeline in 2016.

Investing Activities

For the six months ended June 30, 2017, cash required by investing activities was $138 million compared to $32 million in 2016. The higher investing cash use in the current period was primarily due to higher capital expenditure spending in the current period to raze and rebuild retail locations while the prior year period also contained sales proceeds and changes in restricted cash.

Financing Activities

Financing activities in the six months ended June 30, 2017 provided cash of $140 million compared to cash provided of $15 million in the six months ended June 30, 2016. Current period activity included issuing $300 million of our 2027 Senior Notes compared to the 2016 period when cash was generated from the borrowing of a $200 million term loan. The current period also included the repurchase of common shares of $66 million, as well as the repayment of $126 million of debt.

Share Repurchase Program

On January 25, 2016, the Company announced that its Board of Directors authorized up to $500 million for a share repurchase program of the Company's common stock along with funding for new additional growth opportunities. Through the second quarter of 2017, the Company had purchased approximately $390 million of its common shares under this current repurchase authorization with $66 million of this amount being acquired during the first six months of 2017. The timing and number of shares repurchased under the program was determined by management at its discretion, and depended on a number of factors, including compliance with the terms of our outstanding indebtedness, results of our internal shareholder valuation model, general market and business conditions and applicable legal requirements. All purchases under this share repurchase program were funded through existing cash balances, operating cash flows, and borrowings under our term loan and ABL facility. We do not expect this repurchase program to negatively impact our ability to fund future development projects such as building new stores.

Debt

Our long-term debt at June 30, 2017 and December 31, 2016 are as set forth below:

(Thousands of dollars)	June 30, 2017	December 31, 2016
6% senior notes due 2023 (net of unamortized discount of $5,392 at June 30, 2017 and $5,826 at December 2016)	$494,608	$ 494,174
5.625% senior notes due 2027 (net of unamortized discount of $3,682 at June 30, 2017)	296,318	—
Term loan due 2020 (effective rate of 3.78% at June 30, 2017)	97,000	180,000
Capitalized lease obligations, vehicles, due through 2021	1,909	1,451
Less unamortized debt issuance costs	(5,791)	(5,407)
Total notes payable, net	884,044	670,218
Less current maturities	14,958	40,596
Total long-term debt	$869,086	$ 629,622

Senior Notes

On August 14, 2013, Murphy Oil USA, Inc., our primary operating subsidiary, issued 6.00% Senior Notes due 2023 (the "2023 Senior Notes") in an aggregate principal amount of $500 million. The 2023 Senior Notes are fully and unconditionally guaranteed by Murphy USA, and are guaranteed by certain 100% owned subsidiaries that guarantee our credit facilities. The indenture governing the 2023 Senior Notes contains restrictive covenants that limit, among other things, the ability of Murphy USA, Murphy Oil USA, Inc. and the restricted subsidiaries to incur additional indebtedness or liens, dispose of assets, make certain restricted payments or investments, enter into transactions with affiliates or merge with or into other entities.

On April 25, 2017, Murphy Oil USA, Inc., our primary operating subsidiary, issued $300 million of 5.625% Senior Notes due 2027 (the "2027 Senior Notes") under its existing shelf registration statement. The 2027 Senior Notes are fully and unconditionally guaranteed by Murphy USA, and are guaranteed by certain 100% owned subsidiaries that guarantee our credit facilities. The indenture governing the 2027 Senior Notes contains restrictive covenants that are essentially identical to the covenants for the 2023 Senior Notes.

The 2023 and 2027 Senior Notes and the guarantees rank equally with all of our and the guarantors' existing and future senior unsecured indebtedness and effectively junior to our and the guarantors' existing and future secured indebtedness (including indebtedness with respect to the credit facilities) to the extent of the value of the assets securing such indebtedness. The 2023 and 2027 Senior Notes are structurally subordinated to all of the existing and future third-party liabilities, including trade payables, of our existing and future subsidiaries that do not guarantee the notes.

Credit Facilities and Term Loan

In March 2016, we amended and extended our existing credit agreement. The credit agreement provides for a committed $450 million asset-based loan (ABL) facility (with availability subject to the borrowing base described below) and a $200 million term loan facility. It also provides for a $150 million uncommitted incremental facility. On March 10, 2016, Murphy Oil USA, Inc. borrowed $200 million under the term loan facility that has a four-year term. As of June 30, 2017, we have zero outstanding under our ABL facility.

The borrowing base is, at any time of determination, the amount (net of reserves) equal to the sum of:

- 100% of eligible cash at such time, plus
- 90% of eligible credit card receivables at such time, plus
- 90% of eligible investment grade accounts, plus
- 85% of eligible other accounts, plus
- 80% of eligible product supply/wholesale refined products inventory at such time, plus
- 75% of eligible retail refined products inventory at such time, plus

the lesser of (i) 70% of the average cost of eligible retail merchandise inventory at such time and (ii) 85% of the net orderly liquidation value of eligible retail merchandise inventory at such time.

The ABL facility includes a $200 million sublimit for the issuance of letters of credit. Letters of credit issued under the ABL facility reduce availability under the ABL facility.

Interest payable on the credit facilities is based on either:

- the London interbank offered rate, adjusted for statutory reserve requirements (the "Adjusted LIBO Rate"); or
- the Alternate Base Rate, which is defined as the highest of (a) the prime rate, (b) the federal funds effective rate from time to time plus 0.50% per annum and (c) the one-month Adjusted LIBO Rate plus 1.00% per annum,

plus, (A) in the case of Adjusted LIBO Rate borrowings, (i) with respect to the ABL facility, spreads ranging from 1.50% to 2.00% per annum depending on a total debt to EBITDA ratio under the ABL facility or (ii) with respect to the term loan facility, spreads ranging from 2.50% to 2.75% per annum depending on a total debt to EBITDA ratio and (B) in the case of Alternate Base Rate borrowings, (i) with respect to the ABL facility, spreads ranging from 0.50% to 1.00% per annum depending on total debt to EBITDA ratio or (ii) with respect to the term loan facility, spreads ranging from 1.50% to 1.75% per annum depending on a total debt to EBITDA ratio.

The interest rate period with respect to the Adjusted LIBO Rate interest rate option can be set at one, two, three, or six months as selected by us in accordance with the terms of the credit agreement.

We are obligated to make quarterly amortization payments on the outstanding principal amount of the term loan facility equal to 5% of the aggregate principal amount of term loans made on March 10, 2016, with the remaining balance payable on the scheduled maturity date of the term loan facility. Borrowings under the credit facilities are prepayable at our option without premium or penalty. We are also required to prepay the term loan facility with the net cash proceeds of certain asset sales or casualty events, subject to certain exceptions. The credit agreement also includes certain customary mandatory prepayment provisions with respect to the ABL facility.

The credit agreement contains certain covenants that limit, among other things, the ability of us and our subsidiaries to incur additional indebtedness or liens, to make certain investments, to enter into sale-leaseback transactions, to make certain restricted payments, to enter into consolidations, mergers or sales of material assets and other fundamental changes, to transact with affiliates, to enter into agreements restricting the ability of subsidiaries to incur liens or pay dividends, or to make certain accounting changes. In addition, the credit agreement requires us to maintain a minimum fixed charge coverage ratio of a minimum of 1.0 to 1.0 when availability for at least three consecutive business days is less than the greater of (a) 17.5% of the lesser of the aggregate ABL facility commitments and the borrowing base and (b) $70,000,000 (including as of the most recent fiscal quarter end on the first date when availability is less than such amount), as well as a maximum secured total debt to EBITDA ratio of 4.5 to 1.0 at any time when the term loans are outstanding. As of June 30, 2017, our fixed charge coverage ratio was 0.57; however, we had more than $100 million of availability under the ABL facility at that date so the fixed charge coverage ratio currently has no impact on our operations or liquidity. Our secured debt to EBITDA ratio as of June 30, 2017 was 0.26 to 1.0.

The Senior Credit Agreement contains restrictions on certain payments, including dividends, when availability under the credit agreement is less than or equal to the greater of $100 million and 25% of the lesser of the revolving commitments and the borrowing base and our fixed charge coverage ratio is less than 1.0 to 1.0 (unless availability under the credit agreement is greater than $100 million and 40% of the lesser of the revolving commitments and the borrowing base). As of June 30, 2017, our ability to make restricted payments was not limited as our availability under the borrowing base was more than $100 million, while our fixed charge coverage ratio under our Senior Credit Agreement was less than 1.0 to 1.0. As of December 31, 2016, we had a shortfall of approximately $304.1 million of our net income and retained earnings subject to such restrictions before the fixed charge coverage ratio under our Senior Credit Agreement would exceed 1.0 to 1.0.

All obligations under the credit agreement are guaranteed by Murphy USA and the subsidiary guarantors party thereto, and all obligations under the credit agreement, including the guarantees of those obligations, are secured by certain assets of Murphy USA, Murphy Oil USA, Inc. and the guarantors party thereto.

Capital Spending

Capital spending and investments in our Marketing segment relate primarily to the acquisition of land and the construction of new Company stations. Our Marketing capital is also deployed to improve our existing sites, which we refer to as sustaining capital. We also use sustaining capital in this business as needed to ensure reliability and continued performance of our sites. We also invest in our Corporate and other assets segment. The following table outlines our capital spending and investments by segment for the three and six month periods ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars)	2017	2016	2017	2016
Marketing:				
Company stores	$50,816	$53,663	$98,683	$86,996
Terminals	383	374	668	409
Sustaining capital	12,458	10,008	19,925	14,926
Corporate and other assets	11,335	5,502	18,793	8,872
Total	$74,992	$69,547	$138,069	$111,203

We currently expect capital expenditures for the full year 2017 to range from approximately $250 million to $300 million, including $205 million to $255 million for the retail marketing business, $10 million for PS&W operations and $35 million for Corporate and other assets including our Corporate initiatives which are intended to improve certain key systems and processes for the Company and the completion of the remodel of our Corporate headquarters. Also included in this total is approximately $26 million of maintenance capital for a continuation of our refresh program at 300 sites, along with increasing our supercooler installations to over 200 locations this year. See Note 17 “Commitments” in the audited consolidated financial statements for the year ended December 31, 2016 included in our Annual Report on Form 10-K.

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Critical Accounting Policies

There has been no material update to our critical accounting policies since our Annual Report on Form 10-K for the year ended December 31, 2016. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies” in the Form 10-K.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements express management’s current views concerning future events or results, including without limitation our anticipated growth strategy, particularly with respect to our Walmart relationship and plans to build additional sites, and our ability to generate revenues, including the sale of RINs, which are subject to inherent risks and uncertainties. Factors that could cause one or more of these forecasted events not to occur include, but are not limited to, a deterioration in the business or prospects of the U.S. retail marketing business, adverse developments in the U.S. retail marketing business’s markets or adverse developments in the U.S. or global capital markets, credit markets or economies generally, the volatility and level of crude oil, corn and other commodity prices, the volatility and level of gasoline prices, customer demand for our products, disruptions in our relationship with Walmart, political and regulatory developments that may be adverse to us, and uncontrollable natural hazards or any of the other factors set forth under the caption “Risk Factors” in this Quarterly Report and in our Form 10-K. As a result you should not place undue reliance on forward-looking statements. If any of the forecasted events does not occur for any reason, our business, results of operation, cash flows and/or financial condition may be materially adversely affected.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

We are exposed to market risks related to the volatility in the price of crude oil and refined products (primarily gasoline and diesel) used in our operations. These fluctuations can affect our revenues and purchases, as well as the cost of operating, investing and financing activities. We make limited use of derivative instruments to manage certain risks related to commodity prices. The use of derivative instruments for risk management is covered by operating policies and is closely monitored by our middle-office function and the Company's senior management. As described in Note 7 "Financial Instruments and Risk Management" in the accompanying unaudited consolidated financial statements, there were short-term commodity derivative contracts in place at June 30, 2017 to hedge the purchase price of refined products. A 10% increase or decrease in the respective benchmark price of the commodities underlying these derivative contracts would have been immaterial to the Company. Changes in the fair value of these derivative contracts generally offset the changes in the value for an equivalent volume of these products.
For additional information about our use of derivative instruments, see Note 13 "Financial Instruments and Risk Management" in our audited combined financial statements for the three year period ended December 31, 2016 included in the Form 10-K and Note 7 "Financial Instruments and Risk Management" in the accompanying unaudited consolidated financial statements for the six months ended June 30, 2017.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.
Our management has evaluated, with the participation of our principal executive and financial officers, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934) as of the end of the period covered by this report, and has concluded that our disclosure controls and procedures were effective as of June 30, 2017.
Internal Control over Financial Reporting
There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of June 30, 2017, the Company was engaged in a number of legal proceedings, all of which the Company considers routine and incidental to its business. See Note 11 "Contingencies" in the accompanying consolidated financial statements. Based on information currently available to the Company, the ultimate resolution of environmental and legal matters referred to in this Item is not expected to have a material adverse effect on the Company's net income, financial condition or liquidity in a future period.

ITEM 1A. RISK FACTORS

Our business, results of operations, cash flows and financial condition involve various risks and uncertainties. These risk factors are discussed under the caption "Risk Factors" in our Annual Report on Form 10-K. We have not identified any additional risk factors not previously disclosed in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Below is detail of the Company's purchases of its own equity securities during the period:

Issuer Purchases of Equity Securities

Period Duration	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs 1
April 1, 2017 to April 30, 2017	—	$ —	—	$ 159,316,872
May 1, 2017 to May 31, 2017	598,141	66.95	598,141	119,273,272
June 1, 2017 to June 30, 2017	127,600	69.61	127,600	110,390,996
Three Months Ended June 30, 2017	725,741	$ 67.42	725,741	$ 110,390,996

[1] Terms of the repurchase plan authorized by the Murphy USA Inc. Board of Directors and announced on January 25, 2016 include authorization for the Company to acquire up to $500 million of its Common shares by December 31, 2017.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The Exhibit Index on page 42 of this Form 10-Q report lists the exhibits that are filed herewith or incorporated herein by reference.

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SIGNATURE

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

MURPHY USA INC.
(Registrant)

By /s/ Donald R. Smith Jr. ___________
Donald R. Smith Jr., Vice President
and Controller (Chief Accounting Officer
and Duly Authorized Officer)
August 3, 2017

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EXHIBIT INDEX

Exhibit Number	Description
4.1	Indenture dated as of April 25, 2017 among Murphy Oil USA, Inc., Murphy USA Inc., as a guarantor, the other guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to Form 8-K as filed April 25, 2017)
10.1	Murphy USA Inc. 2013 Long-Term Incentive Plan, as amended and restated as of February 9, 2017 (incorporated by reference to Exhibit 10.8 to Form 10-K as filed February 22, 2017)
10.2*	Consulting Agreement with former officer Marn Cheng
12*	Computation of Ratio of Earnings to Fixed Charges
31.1*	Certification required by Rule 13a-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Principal Executive Officer
31.2*	Certification required by Rule 13a-14(a) pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Principal Financial Officer
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Principal Executive Officer
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Principal Financial Officer
101. INS*	XBRL Instance Document
101. SCH*	XBRL Taxonomy Extension Schema Document
101. CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101. DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101. LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101. PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

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