ALLTEL CORP
Form 10-Q
November 04, 2008

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

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2008
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-4996
Alltel Corporation
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	34-0868285 (I.R.S. Employer Identification No.)
One Allied Drive, Little Rock, Arkansas (Address of principal executive offices)	72202 (Zip Code)

Registrant's telephone number, including area code (501) 905-8000

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
x YES ¨ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x Smaller reporting company ¨

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

¨ YES x NO

The Registrant is a privately-held corporation, and accordingly, none of its voting stock is held by non-affiliates. As of September 30, 2008, the number of shares of the Registrant's common stock, par value $0.01 per share, outstanding were 454,000,122.

The Exhibit Index is located on page 39.

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* No reportable information under this item.

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ALLTEL CORPORATION
FORM 10-Q

Forward-Looking Statements

This Report on Form 10-Q includes, and future filings by the Company on Form 10-K, Form 10-Q and Form 8-K and future oral and written statements by Alltel Corporation ("Alltel" or the "Company") and its management may include, certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. These forward-looking statements are based on estimates, projections, beliefs, and assumptions and are not guarantees of future events and results. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", and "should", and variations of these words ar expressions, are intended to identify these forward-looking statements. Alltel disclaims any obligation to update or revise any forward-looking statement based on the occurrence of future events, the receipt of new information, or otherwise.

Actual future events and results may differ materially from those expressed in these forward-looking statements as a result of a number of important factors. Representative examples of these factors include (without limitation) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement with Cellco Partnership and AirTouch Cellular (both doing business as Verizon Wireless); the inability to complete the merger due to the failure to satisfy conditions to the completion of the merger, including the receipt of all regulatory approvals related to the merger; risks that the proposed transaction disrupts current plans and operations; adverse changes in economic conditions in the markets served by Alltel; the extent, timing, and overall effects of competition in the communications business; material changes in the communications industry generally that could adversely affect vendor relationships with equipment and network suppliers and customer relationships with wholesale customers; failure of our suppliers, contractors and third-party retailers to provide the agreed upon services; changes in communications technology; the effects of a high rate of customer churn; adverse changes in the terms and conditions of the wireless roaming agreements of Alltel; our withdrawal from the bidding for licenses in the 700 MHz spectrum auction; potential increased costs due to perceived health risks from radio frequency emissions; the effects of declines in operating performance, including impairment of certain assets; risks relating to the renewal and potential revocation of our wireless licenses; potential higher than anticipated inter-carrier costs; potential increased credit risk from first-time wireless customers; the potential for adverse changes in the ratings given to Alltel's debt securities by nationally accredited ratings organizations; risks relating to our substantially increased indebtedness following the Merger (as defined herein) and related transactions, including a potential inability to generate sufficient cash to service our debt obligations, and potential restrictions on the Company's operations contained in its debt agreements; potential conflicts of interest and other risks relating to the Sponsors (as defined herein) having control of the Company; loss of the Company's key management and other personnel or inability to attract such management and other personnel; the effects of litigation, including relating to telecommunications technology patents and other intellectual property; the effects of federal and state legislation, rules, and regulations governing the communications industry; and potential unforeseen failure of the Company's technical infrastructure and system.

In addition to these factors, actual future performance, outcomes and results may differ materially because of more general factors including (without limitation) general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes.

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ALLTEL CORPORATION
FORM 10-Q
PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in millions, except per share amounts)	September 30, 2008	December 31, 2007
Assets		
Current Assets:		
Cash and short-term investments	$ 1,297.6	$ 833.3
Accounts receivable (less allowance for doubtful accounts of $52.6 and $32.6, respectively)	852.8	831.1
Inventories	206.8	196.0
Prepaid expenses and other	86.1	142.8
Assets related to discontinued operations	-	0.3
Total current assets	2,443.3	2,003.5
Investments	540.0	536.1
Goodwill	16,941.2	16,917.4
Other intangibles	6,227.3	6,784.6
Property, Plant and Equipment:		
Land and improvements	264.7	251.1
Buildings and improvements	895.0	836.4
Operating plant and equipment	4,158.6	3,650.3
Information processing	456.7	368.8
Furniture and fixtures	110.5	99.8
Under construction	316.0	360.1
Total property, plant and equipment	6,201.5	5,566.5
Less accumulated depreciation	1,211.5	164.9
Net property, plant and equipment	4,990.0	5,401.6
Other assets	410.4	485.3
Assets related to discontinued operations	-	7.0
Total Assets	$ 31,552.2	$ 32,135.5
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	$ 140.1	$ 140.1
Accounts payable	544.7	603.6
Advance payments and customer deposits	226.9	195.9
Accrued taxes	157.4	120.4
Accrued interest	168.8	187.1
Other current liabilities	275.6	271.9
Liabilities related to discontinued operations	-	0.2
Total current liabilities	1,513.5	1,519.2
Long-term debt	23,292.2	23,374.7
Deferred income taxes	2,286.0	2,542.7
Other liabilities	277.2	266.4
Total liabilities	27,368.9	27,703.0
Shareholders' Equity:		
Common stock, par value $.01 per share, 550.0 million shares authorized,		

454,000,122 shares issued and outstanding		4.5		4.5
Additional paid-in capital		4,543.8		4,536.7
Accumulated other comprehensive loss		(11.6)		(5.3)
Retained deficit		(353.4)		(103.4)
Total shareholders' equity		4,183.3		4,432.5
Total Liabilities and Shareholders' Equity	$	31,552.2	$	32,135.5

See the accompanying notes to the unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Millions)	2008	2007	2008	2007
	Successor	Predecessor	Successor	Predecessor
Revenues and sales:				
Service revenues	$ 2,279.9	$ 2,071.5	$ 6,543.7	$ 5,923.2
Product sales	227.6	210.0	672.8	611.9
Total revenues and sales	2,507.5	2,281.5	7,216.5	6,535.1
Costs and expenses:				
Cost of services (excluding depreciation of $234.2, $225.7, $718.0 and $680.8, respectively, included below)	715.9	682.2	2,052.0	1,933.4
Cost of products sold	343.4	300.0	1,006.7	876.1
Selling, general, administrative and other	557.6	496.1	1,573.5	1,445.5
Depreciation and amortization	535.4	358.2	1,594.5	1,060.0
Integration expenses, restructuring and other charges	2.1	11.0	24.7	53.3
Total costs and expenses	2,154.4	1,847.5	6,251.4	5,368.3
Operating income	353.1	434.0	965.1	1,166.8
Equity earnings in unconsolidated partnerships	19.6	17.1	53.9	48.5
Minority interest in consolidated partnerships	(14.5)	(8.8)	(37.5)	(27.4)
Other income, net	7.2	5.9	29.3	19.2
Interest expense	(449.1)	(46.2)	(1,399.1)	(140.3)
Gain on disposal of assets	-	-	-	56.5
Income (loss) from continuing operations before income taxes	(83.7)	402.0	(388.3)	1,123.3
Income tax expense (benefit)	(28.5)	123.3	(138.7)	415.8
Income (loss) from continuing operations	(55.2)	278.7	(249.6)	707.5
Income (loss) from discontinued operations (net of income tax benefit of $(4.2), $(0.2) and $(2.5), respectively)	-	3.9	(0.4)	0.9
Net income (loss)	$ (55.2)	$ 282.6	$ (250.0)	$ 708.4

See the accompanying notes to the unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Millions)	Nine Months Ended September 30, 2008 Successor	2007 Predecessor
Cash Flows from Operating Activities:		
Net income (loss)	$ (250.0)	$ 708.4
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Loss (income) from discontinued operations	0.4	(0.9)
Depreciation and amortization	1,594.5	1,060.0
Provision for doubtful accounts	93.0	140.9
Amortization of deferred financing costs	136.6	2.1
Non-cash portion of gain on disposal of assets	-	(56.5)
Adjustment to income tax liabilities, including contingency reserves	-	(33.8)
Change in deferred income taxes	(186.6)	30.4
Other, net	1.7	(26.8)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable	(112.9)	(207.5)
Inventories	(10.9)	51.8
Accounts payable	(58.9)	(54.4)
Other current liabilities	(30.1)	235.6
Other, net	(2.9)	(10.5)
Net cash provided from operating activities	1,173.9	1,838.8
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(629.6)	(720.3)
Additions to capitalized software development costs	(23.8)	(24.3)
Purchases of property, net of cash acquired	-	(6.2)
Proceeds from the sale of assets	18.0	-
Proceeds from the sale of investments	-	188.7
Proceeds from the return on investments	49.2	40.2
Other, net	12.3	0.9
Net cash used in investing activities	(573.9)	(521.0)
Cash Flows from Financing Activities:		
Dividends paid on common and preferred stock	-	(133.5)
Repayments of long-term debt	(255.0)	(36.9)
Repurchases of common stock	-	(1,360.3)
Distributions to minority investors	(37.4)	(31.8)
Long-term debt issued	150.0	-
Excess tax benefits from stock option exercises	-	25.7
Common stock issued	-	59.0

Net cash used in financing activities		(142.4)		(1,477.8)
Cash Flows from Discontinued Operations:				
Cash provided from (used in) operating activities		(0.2)		2.8
Cash provided from investing activities		6.9		47.6
Cash provided from financing activities		-		-
Net cash provided from discontinued operations		6.7		50.4
Increase (decrease) in cash and short-term investments		464.3		(109.6)
Cash and Short-term Investments:				
Beginning of the period		833.3		934.2
End of the period	$	1,297.6	$	824.6

See the accompanying notes to the unaudited interim consolidated financial statements.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General:

Basis of Presentation – The consolidated financial statements as of September 30, 2008 and December 31, 2007 and for the three and nine month periods ended September 30, 2008 and 2007 of Alltel Corporation ("Alltel" or the "Company") are unaudited. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission ("SEC") rules and regulations. Certain information and footnote disclosures have been condensed or omitted in accordance with those rules and regulations. The consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods presented.

Alltel provides wireless voice and data communications services to nearly 14 million customers in 34 states. Through roaming arrangements with other carriers, Alltel is able to offer its customers wireless services covering more than 95 percent of the U.S. population. Alltel manages its wireless business as a single operating segment, wireless communications services.

As further discussed in Note 2, on November 16, 2007, Alltel was acquired by Atlantis Holdings LLC, a Delaware limited liability company ("Atlantis Holdings" or "Parent") and an affiliate of private investment funds TPG Partners V, L.P. and GS Capital Partners VI Fund, L.P. (together the "Sponsors"). The acquisition was completed through the merger of Atlantis Merger Sub, Inc. ("Merger Sub"), a Delaware corporation and wholly-owned subsidiary of Parent, with and into Alltel (the "Merger"), with Alltel surviving the Merger as a privately-held, majority-owned subsidiary of Parent. Although Alltel continues as the same legal entity after the Merger, Atlantis Holdings' cost of acquiring Alltel has been pushed-down to establish a new accounting basis for Alltel. Accordingly, the accompanying interim consolidated financial statements are presented for two periods, Predecessor and Successor, which relate to the accounting periods preceding and succeeding the consummation of the Merger. The Predecessor and Successor periods have been separated by a vertical line on the face of the consolidated financial statements to highlight the fact that the financial information for such periods has been prepared under two different historical-cost bases of accounting. Certain prior year amounts have been reclassified to conform to the 2008 financial statement presentation. Earnings per share data has not been presented because the Successor Company has not issued publicly held common stock as defined by Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share".

2. Acquisition of Alltel by Two Private Investment Firms and Related Financing Transactions:

As discussed in Note 1 above, on November 16, 2007, Alltel was acquired by Atlantis Holdings pursuant to the Agreement and Plan of Merger (the "Agreement") dated May 20, 2007. The acquisition was completed through the merger of Merger Sub with and into Alltel, with Alltel surviving the Merger as a privately-held, majority-owned subsidiary of Atlantis Holdings. Pursuant to the Agreement, at the effective time of the Merger, each outstanding share of $1.00 par value common stock of Alltel was cancelled and converted into the right to receive $71.50 in cash. Similarly, pursuant to the Agreement, at the effective time of the Merger, each outstanding share of Series C $2.06 no par cumulative convertible preferred stock of Alltel and each outstanding share of Series D $2.25 no par cumulative convertible preferred stock of Alltel were cancelled and converted into the right to receive $523.22 and $481.37 in cash, respectively. Immediately prior to the effective time of the Merger, all shares of Alltel restricted stock vested and were converted into the right to receive in cash the merger consideration of $71.50 per share. In addition, all options to acquire shares of Alltel common stock vested immediately prior to the effective time of the Merger. Holders of such options, unless otherwise agreed to by the holder and Parent, received in cash an amount equal to the excess, if any, of the merger consideration of $71.50 per share over the exercise price for each share of Alltel common stock subject to the option. Concurrent with the consummation of the Merger, the Sponsors and their co-investors made equity contributions in cash of approximately $4.5 billion to fund a portion of the merger consideration paid to Alltel shareholders and holders of stock options and other equity awards. Certain members of management also invested approximately $60.4 million in the common equity of Alltel consisting of cash contributions of $27.3 million and the rollover of a portion of the Alltel common shares held by them prior to the Merger valued at $33.1 million based on the merger consideration of $71.50 per share. In addition, vested stock options with an intrinsic value of approximately $60.0 million at the date of the Merger were also rolled over by certain management employees.

Concurrent with the consummation of the Merger, Alltel Communications, Inc. (“ACI”), a wholly-owned subsidiary of Alltel, entered into a senior secured term loan facility in an aggregate principal amount of $14.0 billion maturing 7.5 years from the closing date of the Merger, a six-year, senior secured revolving credit facility of $1.5 billion, and a delayed draw term loan facility with an additional borrowing capacity of $750.0 million maturing 7.5 years from the closing date of the Merger, available on a delayed-draw basis until the one-year anniversary of the closing date of the Merger for amounts paid,

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

2. Acquisition of Alltel by Two Private Investment Firms and Related Financing Transactions, Continued:
or committed to be paid, to purchase or otherwise acquire licenses and rights in the 700 MHz spectrum auction conducted by the Federal Communications Commission ("FCC"). In addition, ACI and Alltel Communications Finance, Inc., a wholly-owned subsidiary of Alltel, entered into a senior unsecured cash-pay term loan facility in an aggregate principal amount of $5.2 billion and a senior unsecured Pay In-Kind ("PIK") term loan facility in an aggregate principal amount of $2.5 billion that represented bridge financing (the "bridge facilities"). At the closing of the Merger, ACI utilized all $21.7 billion available under the senior secured term loan and bridge facilities. In December 2007, $1.0 billion of the senior unsecured PIK term loan facility was repaid upon issuance of 10.375/11.125 percent senior unsecured PIK toggle notes due 2017. Currently, Alltel expects that the remaining $6.7 billion outstanding under the bridge facilities will be converted into term loans following the one year anniversary of the Merger. In connection with the Merger, Alltel terminated its $1.5 billion unsecured revolving credit agreement and related commercial paper program. Pursuant to a cash tender offer and notice of redemption, the Company repurchased for $422.8 million in cash certain of its long-term debt, consisting of $39.0 million of 6.65 percent unsecured notes due 2008 issued by ACI, $53.0 million of 7.60 percent unsecured notes due 2009 issued by ACI and $297.3 million of 8.00 percent notes due 2010 issued by Alltel Ohio Limited Partnership. The consummation of the Merger, the equity investments by the Sponsors, co-investors and management and the completion of the financing transactions described above are referred to collectively herein as the "Merger and Financing Transactions".

The following unaudited pro forma consolidated results of operations of Alltel for the three and nine months ended September 30, 2007 assume that the Merger and Financing Transactions had occurred as of January 1, 2007:

(Millions)	Three Months Ended 2007	Nine Months Ended 2007
Revenues and sales	$ 2,272.7	$ 6,508.5
Operating income	$ 266.2	$ 701.1
Loss from continuing operations	$ (120.5)	$ (456.0)
Net loss	$ (116.6)	$ (455.1)

The pro forma amounts represent the historical operating results of Alltel with appropriate adjustments that give effect to the significant increases in finite-lived intangible assets and long-term debt levels of the Company following completion of the Merger and Financing Transactions and the corresponding effects on depreciation and amortization and interest expense. The pro forma amounts also include the effects of the non-merger-related special charges and unusual items, as more fully discussed in Notes 6 and 7 below. The unaudited pro forma information should not be relied upon as necessarily being indicative of the operating results that would have been obtained if the Merger and Financing Transactions had been completed on January 1, 2007, nor the operating results that may be obtained in the future.

Upon completion of the Merger and Financing Transactions, Alltel and Parent entered into a management agreement with affiliates of each of the Sponsors, pursuant to which such entities or their affiliates will provide on-going consulting and management advisory services. In exchange for these services, affiliates of certain of the Sponsors will receive an aggregate annual management fee equal to one percent of Alltel's Consolidated EBITDA, as that term is defined within ACI's senior credit facilities, and reimbursement for out-of-pocket expenses incurred by them or their affiliates in connection with services provided pursuant to the agreement. The fees are payable semi-annually in arrears. For the three and nine months ended September 30, 2008, Alltel recorded management fees of $9.1 million and $27.1 million, respectively, which are included in selling, general, administrative and other expenses in the consolidated statement of operations for that period.

The management agreement also provides that affiliates of the Sponsors will be entitled to receive a fee in connection with certain subsequent financing, acquisition, disposition and change of control transactions based on a percentage of the gross transaction value of any such transaction, as well as a termination fee based on the net present value of future payment obligations under the management agreement, under certain circumstances. The management agreement includes customary exculpation and indemnification provisions in favor of the Sponsors and their affiliates. At September 30, 2008, amounts payable to the Sponsors or their affiliates totaled $9.3 million, consisting primarily of the accrued management fees for the period July 1, 2008 to September 30, 2008.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

3. Goodwill and Other Intangible Assets:

Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired in a business combination. The cost of acquired entities at the date of the acquisition is allocated to identifiable assets, and the excess of the total purchase price over the amounts assigned to identifiable tangible and intangible assets is recorded as goodwill. As a result of the Merger, Alltel recorded goodwill of approximately $16.9 billion in its consolidated financial statements. The changes in the carrying amount of goodwill for the nine months ended September 30, 2008 were as follows:

(Millions)		
Balance at December 31, 2007	$	16,917.4
Adjustments		23.8
Balance at September 30, 2008	$	16,941.2

Identifiable intangible assets include cellular and Personal Communications Services (“PCS”) licenses (the “wireless licenses”) issued by the FCC. Alltel determined that the wireless licenses met the indefinite life criteria outlined in SFAS No. 142, “Goodwill and Other Intangible Assets”, because the Company expects both the renewal by the granting authorities and the cash flows generated from these intangible assets to continue indefinitely. As a result of the Merger, Alltel recorded wireless licenses of approximately $3.2 billion in its consolidated financial statements.

The carrying values of indefinite-lived intangible assets other than goodwill were as follows:

(Millions)		September 30, 2008		December 31, 2008
Cellular and PCS licenses	$	3,224.5	$	3,224.5

In connection with the Merger, Alltel changed its measurement date for performing its annual impairment review of goodwill and indefinite-lived intangible assets from January 1st to October 1st of each year.

In connection with the Merger, Alltel recorded other finite-lived, intangible assets consisting of customer list of $2,819.6 million, trademark and tradenames of $800.0 million, non-compete agreement of $30.0 million and roaming agreement of $4.0 million in its consolidated financial statements. The customer list intangible asset is amortized using the sum-of-the-years digits method over its estimated useful life of 8 years. The trademarks and tradenames, non-compete agreement and roaming agreement are amortized on a straight-line basis over their estimated useful lives, which are 8 years, 24 months and 49 months, respectively. Intangible assets subject to amortization were as follows:

	September 30, 2008					
(Millions)		Gross Cost		Accumulated Amortization		Net Carrying Value
Customer list	$	2,819.6	$	(549.3)	$	2,270.3
Trademarks and tradenames		800.0		(87.5)		712.5

Non-compete agreement		30.0		(13.1)		16.9
Roaming agreement		4.0		(0.9)		3.1
	$	3,653.6	$	(650.8)	$	3,002.8

	December 31, 2007					
(Millions)		Gross Cost		Accumulated Amortization		Net Carrying Value
Customer list	$	2,819.6	$	(79.0)	$	2,740.6
Trademarks and tradenames		800.0		(12.5)		787.5
Non-compete agreement		30.0		(1.9)		28.1
Roaming agreement		4.0		(0.1)		3.9
	$	3,653.6	$	(93.5)	$	3,560.1

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

3. Goodwill and Other Intangible Assets, Continued:

Amortization expense for intangible assets subject to amortization was $186.9 million and $557.3 million, respectively, for the three and nine month periods ended September 30, 2008, compared to $41.3 million and $132.4 million, respectively, for the same periods of 2007. Amortization expense for intangible assets subject to amortization is estimated to be $732.7 million in 2008, $652.5 million in 2009, $561.0 million in 2010, $482.7 million in 2011 and $404.4 million in 2012.

4. Stock-Based Compensation:

Stock-based compensation expense was as follows for the three and nine months ended September 30:

(Millions)	Three Months Ended 2008 Successor	2007 Predecessor	Nine Months Ended 2008 Successor	2007 Predecessor
Compensation expense related to stock options issued by Alltel	$ 2.4	$ 4.9	$ 7.1	$ 13.7
Compensation expense related to stock options converted to Alltel stock options in connection with acquisitions	-	0.5	-	1.0
Compensation expense related to restricted stock awards	-	3.7	-	9.8
Compensation expense before income taxes	2.4	9.1	7.1	24.5
Income tax benefit	(0.9)	(3.0)	(2.7)	(7.9)
Compensation expense, net of tax	$ 1.5	$ 6.1	$ 4.4	$ 16.6

Under the provisions of SFAS No. 123(R), "Share-Based Payment", stock-based compensation expense recognized during the period is based on the portion of the share-based payment awards that is ultimately expected to vest. Accordingly, stock-based compensation expense has been reduced for estimated forfeitures. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Pre-vesting forfeitures were based on Alltel's historical experience and were estimated to be 1.8 percent for the period January 1, 2008 to September 30, 2008. Prior to the effects of accelerated vesting of stock-based awards in connection with the Merger as further discussed below, pre-vesting forfeitures were estimated to be 4.7 percent for the period January 1, 2007 to September 30, 2007. Compensation expense for all stock option awards is expensed using a straight-line single option method.

Upon consummation of the Merger, all outstanding stock options became fully vested, and other than certain options held by select management employees, were cancelled and converted into the right to receive a cash payment equal to the number of shares underlying the options multiplied by the amount, if any, by which the merger consideration of $71.50 per share exceeded the option exercise price. Similarly, all unvested restricted stock awards became fully vested and converted into the right to receive in cash the merger consideration. The acceleration of vesting of the stock options and restricted stock awards resulted in the recognition of $63.8 million of additional stock-based compensation expense in the Predecessor period October 1 to November 15, 2007. Certain management employees holding vested stock options were permitted to retain a portion of their vested stock options (referred to as the "rollover options") in lieu of receiving the merger consideration. The rollover options remain outstanding in accordance with the terms of the governing stock incentive plans and grant agreements pursuant to which the holder originally received the stock option grants. In conjunction with the Merger, the exercise price and the number of shares subject to the rollover option agreement were adjusted so that the aggregate intrinsic value for each option holder was maintained and the exercise price for all of the rollover options was adjusted to $2.50 per option. As a result of the repricing, approximately 2.9 million pre-merger Alltel stock options were converted into approximately 8.0 million rollover options.

In connection with the Merger, the Alltel Corporation 2007 Stock Option Plan ("2007 Option Plan") was established. Under the 2007 Option Plan, the Company may grant fixed and performance-based non-qualified stock options to officers and other key management employees. The maximum number of shares of the Company's common stock that may be issued under the 2007 Option Plan, including the rollover options, is 40.1 million shares. On November 16, 2007, the Company granted approximately 17.7 million time-based and approximately 7.9 million performance-based stock options to officers and other key management employees. During the period January 1, 2008 to September 30, 2008, the Company granted 284,540 time-based and 126,460 performance-based stock options. As of September 30, 2008, there were approximately 6.2 million shares available for future grants under the 2007 Option Plan. Each time-based option and performance-based option granted had an exercise price of $10.00 per share and a term of 10 years from the date of grant. Under provisions of the 2007 Option Plan, upon termination of employment of an option holder, all unvested stock options held by such employee will immediately terminate and be cancelled. The time-based options vest and become exercisable ratably over a five-year

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

4. Stock-Based Compensation, Continued:

period beginning one year from the date of grant subject to the participant's continued employment with Alltel through the vesting date. Activity under the 2007 Option Plan for the nine months ended September 30, 2008 was as follows:

	(Thousands) Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2007	33,590.0	$ 8.21	9.2 years
Granted	411.0	10.00	9.6 years
Forfeited	(90.0)	10.00	9.2 years
Outstanding at September 30, 2008	33,911.0	$ 8.23	8.4 years
Exercisable at September 30, 2008	8,000.0	$ 2.50	6.2 years

Non-vested stock options as of September 30, 2008 and changes during the nine months ended September 30, 2008 were as follows:

	(Thousands) Number of Shares	Weighted Average Price Per Share
Non-vested at December 31, 2007	25,590.0	$10.00
Granted	411.0	10.00
Forfeited	(90.0)	10.00
Non-vested at September 30, 2008	25,911.0	$10.00

At September 30, 2008, the total unamortized compensation cost for non-vested time-based stock option awards, net of estimated forfeitures, was $40.0 million and is expected to be recognized over a weighted average period of 4.1 years.

The weighted-average fair value of each time-based stock option award granted during the nine-month period January 1, 2008 to September 30, 2008 was estimated on the grant date to be $2.72 per share using the Black-Scholes option-pricing model and the following assumptions:

Expected life	5.0 years
Expected volatility	23.5%
Dividend yield	0.0%
Risk-free interest rate	3.1%

The expected term for the options granted was derived from management's view of the likelihood of a change in control occurring in that time frame. The expected volatility assumption was based on a combination of Alltel's historical common stock volatility for the periods when the Company was publicly traded and historical volatility of Alltel's competitor peer group. The risk-free interest rate was determined using the implied yield currently available for zero-coupon U.S. government issues with a remaining term equal to the expected life of the stock options. As a privately-held company, Alltel does not expect to pay any cash dividends.

The performance-based options vest and become exercisable upon (1) the Sponsors attaining a return of at least half of the Sponsor Price in cash; (2) the Sponsors attaining a minimum MoM (or the quotient obtained by dividing (x) the amount received by the Sponsors in cash or liquid securities in exchange for the initial Sponsor shares by (y) the Sponsor Price) and (3) the participant's continued employment with Alltel through the date the conditions described above are achieved. One-half of the performance-based options issued are subject to a vesting condition of a MoM quotient of 1.5 and the remaining one-half are subject to a vesting condition of a MoM quotient of 2.0. For purposes of this calculation, the "initial Sponsor shares" refers to the number of shares of Alltel $.01 par value common stock acquired by the Sponsors on the effective date of the Merger, and "Sponsor Price" refers to the aggregate price paid by the Sponsors for the initial Sponsor shares, based on a per share acquisition price of $10.00. The "return in cash" specified in the first vesting condition would require the occurrence of a liquidating event or change in control. Accordingly, the performance-based options issued by Alltel following the Merger would be considered to be subject to both a "performance condition" and a "market condition" under the provisions of SFAS No. 123(R), because vesting of the awards are contingent upon both the occurrence of a liquidating

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

4. Stock-Based Compensation, Continued:

event or change in control (performance condition) and achieving a specified amount of value indexed solely to the underlying shares of the Company (market condition). Under SFAS No. 123(R), compensation cost for awards with performance conditions is recognized only when it is probable that the performance condition will be achieved. Until such time that a liquidating event or change in control becomes probable (i.e., event occurs), the Company will not recognize any compensation expense related to the performance awards. At September 30, 2008, the total amount of unrecognized compensation cost, net of estimated forfeitures, for the performance-based stock option awards was $13.4 million.

5. Employee Benefit Plans:

The Company maintains a qualified defined benefit pension plan, which covers substantially all employees. In December 2005, the qualified defined benefit pension plan was amended such that future benefit accruals for all eligible non-bargaining employees ceased as of December 31, 2005 (December 31, 2010 for employees who had attained age 40 with two years of service as of December 31, 2005). Prior to the Merger, the Company also maintained a supplemental executive retirement plan that provided unfunded, non-qualified supplemental retirement benefits to a select group of management employees. In conjunction with the Merger, on November 15, 2007, the Company amended its supplemental executive retirement plan to provide for the termination of the plan and the lump-sum payout of the accrued retirement benefits to all participants on January 2, 2008. In addition, Alltel has entered into individual retirement agreements with certain retired executives providing for unfunded supplemental pension benefits. Alltel funds the accrued costs of these plans as benefits are paid.

The components of pension expense, including provision for executive retirement agreements, were as follows for the three and nine months ended September 30:

	Three Months Ended		Nine Months Ended	
(Millions)	2008 Successor	2007 Predecessor	2008 Successor	2007 Predecessor
Benefits earned during the year	$ 1.8	$ 2.7	$ 5.3	$ 8.2
Interest cost on benefit obligation	2.5	3.2	7.7	9.6
Amortization of prior service cost	-	0.3	-	0.8
Amortization of net actuarial loss	-	1.2	-	3.6
Expected return on plan assets	(3.7)	(3.6)	(11.3)	(10.8)
Net periodic benefit expense	$ 0.6	$ 3.8	$ 1.7	$ 11.4

Alltel expects to contribute $145.7 million for retirement benefits in 2008 consisting solely of amounts necessary to fund the expected benefit payments related to the unfunded supplemental retirement plans and includes the payment of $145.0 million in accrued benefits paid to participants on January 2, 2008 in connection with the termination of the supplemental executive retirement plan, as discussed above. Through September 30, 2008, Alltel had contributed $145.5 million to fund the supplemental retirement plans. Alltel does not expect that any contribution to the qualified defined pension plan calculated in accordance with the minimum funding requirements of the Employee Retirement Income Security Act of 1974 will be required in 2008. Future discretionary contributions to the plan will depend on various factors, including future investment performance, changes in future discount rates and changes in the demographics of the population participating in Alltel's qualified pension plan.

6. Integration Expenses, Restructuring and Other Charges:

A summary of the integration expenses, restructuring and other charges recorded by Alltel were as follows for the three and nine months ended September 30:

(Millions)	Three Months Ended 2008 Successor	Three Months Ended 2007 Predecessor	Nine Months Ended 2008 Successor	Nine Months Ended 2007 Predecessor
FCC spectrum auction-related costs	$ (0.1)	$ -	$ 12.9	$ -
Merger-related expenses	0.5	2.5	6.6	35.6
Computer system conversion and other integration expenses	-	1.7	-	6.1
Severance and employee benefit costs	-	0.3	2.1	4.7
Lease termination costs	-	2.6	-	2.6
Rebranding and signage costs	-	3.9	-	4.3
Costs associated with pending acquisition of Alltel	1.7	-	3.1	-
Total integration expenses, restructuring and other charges	$ 2.1	$ 11.0	$ 24.7	$ 53.3

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

6. Integration Expenses, Restructuring and Other Charges, Continued:

During the first nine months of 2008, Alltel incurred $12.9 million of incremental expenses related to its participation in the 700 MHz spectrum auction conducted by the FCC that was completed on March 18, 2008. Alltel did not obtain any licenses in the 700 MHz spectrum auction. The auction-related expenses primarily consisted of consulting fees and estimated bid withdrawal payments to be remitted to the FCC as a result of the Company withdrawing certain bids made during the course of its participation in the auction. In connection with the Merger, Alltel incurred $6.6 million of incremental costs, primarily consisting of $3.8 million in employee retention bonuses and additional legal and accounting fees of $2.4 million. Alltel also recorded severance and employee benefit costs of $2.1 million related to various planned workforce reductions.

As further discussed in Note 13, on June 5, 2008, Alltel entered into an agreement to be acquired by Verizon Wireless. In connection with this pending transaction, Alltel incurred $3.1 million of incremental costs, principally consisting of financial advisory, legal and regulatory filing fees. The integration expenses, restructuring and other charges increased the reported net loss $2.1 million and $16.5 million for the three and nine months ended September 30, 2008, respectively.

During the first nine months of 2007, Alltel incurred $10.4 million of integration expenses related to its 2006 acquisitions of Midwest Wireless Holdings (“Midwest Wireless”) and properties in Illinois, Texas and Virginia. The system conversion and other integration expenses primarily consisted of internal payroll, contracted services and other programming costs incurred in converting the acquired properties to Alltel’s customer billing and operational support systems, a process that the Company completed during the fourth quarter of 2007. In the connection with the closing of two call centers, Alltel also recorded severance and employee benefit costs of $4.7 million and lease termination costs of $2.6 million. In connection with the Merger, Alltel incurred $35.6 million of incremental costs, principally consisting of financial advisory, legal and regulatory filing fees. Included in this amount are attorneys’ fees and expenses incurred in connection with the settlement of certain shareholder lawsuits as further discussed in Note 12. The integration expenses, restructuring and other charges decreased net income $7.6 million and $46.4 million for the three and nine months ended September 30, 2007, respectively.

The following is a summary of activity related to the liabilities associated with the Company’s integration expenses, restructuring, FCC spectrum auction, and merger-related charges for the nine months ended September 30, 2008:

(Millions)		
Balance, beginning of period	$	182.3
Integration expenses, restructuring and other charges recorded during the period		24.7
Cash outlays during the period		(183.8)
Balance, end of period	$	23.2

At September 30, 2008, the remaining unpaid liability related to the Company’s integration, restructuring and other activities consisted of fees and expenses associated with the Merger of $15.9 million, fees and expenses related to the FCC spectrum auction of $7.0 million and fees and expenses associated with the pending acquisition of Alltel of $0.3 million and is included in other current liabilities in the accompanying consolidated balance sheet.

7. Gain on Disposal of Assets:

Through its merger with Western Wireless Corporation completed on August 1, 2005, Alltel acquired marketable equity securities. On January 24, 2007, Alltel completed the sale of these securities for $188.7 million in cash and recorded a pretax gain from the sale of $56.5 million. This transaction increased net income $36.8 million in the nine month period ended September 30, 2007.

8. Reversal of Income Tax Contingency Reserves:

During the third quarter of 2007, Alltel recorded a reduction in its income tax contingency reserves to reflect the expiration of certain state statutes of limitations, the effects of which resulted in a decrease in income tax expense associated with continuing operations of $33.8 million in both the three and nine month periods ended September 30, 2007.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

9. Discontinued Operations:

On November 7, 2007, Alltel signed a definitive agreement to sell one of its wireless markets, including licenses, customers and network assets. On May 30, 2008, Alltel completed the sale of these markets for $6.9 million in cash. As a condition of receiving approval from the U.S. Department of Justice ("DOJ") and the FCC for its October 3, 2006 acquisition of Midwest Wireless, on September 7, 2006, Alltel agreed to divest certain wireless operations in four rural markets in Minnesota. On April 3, 2007, Alltel completed the sale of these markets to Rural Cellular Corporation for $48.5 million in cash.

As a result of the above transactions, the domestic markets to be divested by Alltel have been classified as discontinued operations in the Company's interim consolidated financial statements for all periods presented. Depreciation of long-lived assets and amortization of finite-lived intangible assets related to the properties identified for disposition in 2007 was not recorded subsequent to November 7, 2007, the date of Alltel's agreement to sell these properties. Depreciation of long-lived assets and amortization of finite-lived intangible assets related to the four markets in Minnesota to be divested was not recorded subsequent to September 7, 2006, the date of Alltel's agreement with the DOJ and FCC to divest these markets.

The following table includes certain summary income statement information related to the domestic markets to be divested reflected as discontinued operations for the three and nine months ended September 30:

	Three Months Ended		Nine Months Ended	
(Millions)	2008 Successor	2007 Predecessor	2008 Successor	2007 Predecessor
Revenues and sales	$ -	$ -	$ 1.2	$ 7.8
Operating expenses (a)	-	-	1.8	10.6
Operating loss	-	-	(0.6)	(2.8)
Loss on disposal of discontinued operations	-	(0.3)	-	(0.1)
Other income, net	-	-	-	1.3
Interest expense (b)	-	-	-	-
Pretax loss from discontinued operations	-	(0.3)	(0.6)	(1.6)
Income tax benefit (c)	-	(4.2)	(0.2)	(2.5)
Income (loss) from discontinued operations	$ -	$ 3.9	$ (0.4)	$ 0.9

Notes:

(a) Operating expenses for 2007 included an impairment charge of $1.7 million to reflect the fair value less cost to sell of the four rural markets in Minnesota required to be divested, and resulted in the write-down in the carrying values of goodwill ($1.4 million) and customer list ($0.3 million) allocated to these markets.

(b) Alltel had no outstanding indebtedness directly related to the domestic markets to be divested, and accordingly, no additional interest expense was allocated to discontinued operations for the periods presented.

(c)

Income taxes in both periods of 2007 reflected a change in the estimate of tax benefits associated with transaction costs incurred in connection with the wireline spin-off completed in 2006 and the reversal of income tax contingency reserves applicable to the sold financial services division due to the expiration of certain state statutes of limitation.

The net assets of the domestic markets classified as assets held for sale as of December 31, 2007 were as follows:

(Millions)		
Current assets	$	0.3
Property, plant and equipment, net		2.9
Goodwill and other intangible assets (a)		4.1
Non-current assets		7.0
Total assets related to discontinued operations	$	7.3
Current liabilities	$	0.2
Total liabilities related to discontinued operations	$	0.2

Notes:
(a) Amount consisted of cellular licenses ($3.0 million) and customer list ($1.1 million).

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

10. Comprehensive Income (Loss):

Comprehensive income (loss) was as follows for the three and nine months ended September 30:

	Three Months Ended		Nine Months Ended	
(Millions)	2008	2007	2008	2007
	Successor	Predecessor	Successor	Predecessor
Net income (loss)	$ (55.2)	$ 282.6	$ (250.0)	$ 708.4
Other comprehensive income (loss):				
Unrealized losses on hedging activities:				
Unrealized losses arising in the period	(63.3)	-	(10.4)	-
Income tax benefit	(24.6)	-	(4.1)	-
	(38.7)	-	(6.3)	-
Unrealized holding losses on investments:				
Unrealized holding losses arising in the period	-	-	-	(1.1)
Income tax benefit	-	-	-	(0.4)
	-	-	-	(0.7)
Less reclassification adjustments for gains included in net income for the period	-	-	-	(56.5)
Income tax expense	-	-	-	19.7
	-	-	-	(36.8)
Net unrealized losses in the period	-	-	-	(57.6)
Income tax benefit	-	-	-	(20.1)
	-	-	-	(37.5)
Defined benefit pension plans:				
Amounts included in net periodic benefit cost for the period:				
Amortization of prior service cost	-	0.3	-	0.8
Amortization of net actuarial loss	-	1.2	-	3.6
	-	1.5	-	4.4
Income tax expense	-	0.6	-	1.7
	-	0.9	-	2.7
Other postretirement benefit plan:				
Amounts included in net periodic benefit cost for the period:				
Amortization of net actuarial loss	-	0.1	-	0.3
Income tax expense	-	-	-	0.1
	-	0.1	-	0.2
Other comprehensive income (loss) before tax	(63.3)	1.6	(10.4)	(52.9)

Income tax expense (benefit)		(24.6)		0.6		(4.1)		(18.3)
Other comprehensive income (loss)		(38.7)		1.0		(6.3)		(34.6)
Comprehensive income (loss)	$	(93.9)	$	283.6	$	(256.3)	$	673.8

The components of accumulated other comprehensive loss were as follows:

(Millions)		September 30, 2008		December 31, 2007
Unrealized losses on hedging activities	$	(12.0)	$	(5.7)
Defined benefit pension plans		0.5		0.5
Other postretirement benefit plan		(0.1)		(0.1)
Accumulated other comprehensive loss	$	(11.6)	$	(5.3)

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

11. Fair Value Measurements:

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures related to fair value measurements that are included in a company's financial statements. SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

For calendar year companies like Alltel, SFAS No. 157 was to be effective beginning January 1, 2008. In February 2008, the FASB issued FASB Staff Position No. 157-2 which partially deferred for one year the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. Alltel is continuing to evaluate the impact of SFAS No. 157 as it relates to certain nonrecurring fair value measurements, such as the Company's annual impairment reviews of goodwill and wireless licenses. In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115". SFAS No. 159 provides entities the option to measure many financial instruments and certain other items at fair value. Entities that choose the fair value option will recognize unrealized gains and losses on items for which the fair value option was elected in earnings at each subsequent reporting date. The Company has chosen not to elect the fair value option for any items that are not already required to be measured at fair value in accordance with accounting principles generally accepted in the United States.

As of September 30, 2008, the only significant financial assets and liabilities of Alltel measured at fair value on a recurring basis are derivative financial instruments. These derivative instruments include seven, pay fixed/receive variable, interest rate swap agreements designated as cash flow hedges on notional amounts totaling $9.5 billion of the Company's senior secured term loan. The maturities of the interest rate swap agreements range from December 17, 2009 to February 17, 2013. Alltel has also entered into two, pay variable/receive variable, interest rate basis swap agreements that do not qualify for hedge accounting on notional amounts totaling $4.0 billion of the senior secured term loan, both maturing on December 17, 2008. At September 30, 2008, the fair value of the Company's derivatives-based assets (amounts due from counterparties and included in other assets in the accompanying consolidated balance sheet) was $43.9 million. At September 30, 2008, the fair value of the Company's derivatives-based liabilities (amounts due to counterparties and included in other current liabilities in the accompanying consolidated balance sheet) was $57.6 million. The fair values of the interest rate swap agreements were based on prices obtained from financial institutions who develop values based on inputs observable in active markets, including interest rates. Accordingly, Alltel's fair value measurements of its derivative instruments are classified as Level 2 inputs. Changes in the fair value of the derivative contracts to the extent they are effective as cash flow hedges are reported in other comprehensive income (loss), net of tax. (See Note 10). If the contract does not qualify for hedge accounting, changes in the fair value of the contract are recorded in interest expense.

12. Commitments and Contingencies – Legal Proceedings:

Subsequent to the announcement of the private equity merger agreement, Alltel, its directors, and in certain cases the Sponsors (or entities purported to be affiliates thereof), were named in sixteen putative class actions alleging claims for breach of fiduciary duty and aiding and abetting such alleged breaches arising out of the proposed sale of Alltel. Eight of the complaints were filed in the Circuit Court of Pulaski County, Arkansas, the other eight complaints were filed in the Delaware Court of Chancery, and all were consolidated in Pulaski County for purposes of settlement. Among other things, the complaints in the Arkansas and Delaware actions alleged that (1) Alltel conducted an inadequate process for extracting maximum value for its shareholders and prematurely terminated an auction process by entering into a merger agreement with Parent on May 20, 2007, despite previously setting June 6, 2007, as the outside date for submitting bids; (2) the Alltel directors were in possession of material non-public information about Alltel; (3) the Alltel directors had material conflicts of interest and were acting to better their own interests at the expense of Alltel's shareholders, including through the vesting of

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

12. Commitments and Contingencies – Legal Proceedings, Continued:

certain options for Scott Ford, the retention of an equity interest in Alltel after the merger by certain of Alltel's directors and executive officers, and the employment of certain Alltel executives, including Scott Ford, by Alltel (or its successors) after the merger was completed; (4) taking into account the current value of Alltel stock, the strength of its business, revenues, cash flow and earnings power, the intrinsic value of Alltel's equity, the consideration offered in connection with the proposed merger was inadequate; (5) the merger agreement contained provisions that deterred higher bids, including a $625.0 million termination fee payable to the Sponsors and restrictions on Alltel's ability to solicit higher bids; (6) that Alltel's financial advisors, J P Morgan Securities Inc. ("J P Morgan"), Merrill Lynch, Pierce, Fenner & Smith Inc. ("Merrill Lynch") and Stephens Inc. had conflicts resulting from their relationships with the Sponsors; and (7) that the preliminary proxy statement filed by Alltel with the SEC on June 13, 2007 failed to disclose material information concerning the merger. The complaints sought, among other things, certification of class action status, a court order enjoining Alltel and its directors from consummating the merger, and the payment of attorneys' fees and expenses.

On June 10, 2008, the Stipulation of Settlement dated May 23, 2008, was approved by the Circuit Court in Pulaski County, Arkansas. The settlement provides for the following: (a) the Company provided additional information ("additional disclosures") to Alltel shareholders, which was contained in the definitive proxy statement that was distributed to Alltel shareholders on or about July 24, 2007 prior to the special meeting to vote on the Merger; (b) the buyers agreed to reduce the termination fee payable by Alltel under certain conditions pursuant to the Agreement by $75 million, from $625 million to $550 million; (c) the Alltel shares personally owned by Scott Ford and Warren Stephens were voted at the meeting to consider the Merger in the same proportion, in favor, against and abstaining, as all votes were cast other than with respect to such shares at such meeting; and (d) on July 19, 2007, J P Morgan and Merrill Lynch provided updated advice to the Alltel Board of Directors that, taking into consideration the types of factors and analyses considered in rendering their May 20, 2007 fairness opinions, they were aware of no matter, during the period since May 20, 2007, that would cause them to withdraw or modify their fairness opinions. The plaintiffs believed the additional disclosures were necessary in order to allow Alltel's shareholders to be able to make an informed vote on the proposed acquisition of Alltel by an affiliate of the buyers. The additional disclosures contained in the definitive proxy statement included, among other things, additional information about the decision process undertaken by Alltel's Board of Directors in evaluating the Company's business combination and strategic alternative opportunities, details about the indications of interest received from potential third-party buyers, and details about the valuation analyses performed by the Company's financial advisors on behalf of the Board of Directors. In connection with the settlement, Alltel agreed to pay $9.0 million in plaintiffs' attorneys' fees and the expenses of administration of the settlement. On August 28, 2008, the Stipulation of Settlement was approved by the Circuit Court.

On June 25, 2007, T-Mobile Austria Holding GmbH ("TMA Holding") provided to the Company notice of warranty claims against Western Wireless International Austria Corporation ("WWI"), a wholly-owned subsidiary of Alltel, related to an August 10, 2005 purchase agreement, between T-Mobile Global Holding Nr.3 GmbH, T-Mobile Austria GmbH and WWI. Alltel completed the sale of WWI's operations in Austria to T-Mobile Austria GmbH on April 28, 2006. On December 19, 2007, T-Mobile formally filed for arbitration with the International Court of Arbitration of the International Chamber of Commerce, Zurich, Switzerland. T-Mobile initiated arbitration of certain warranty claims arising under the agreement whereby it purchased the shares of the WWI company, "tele.ring," that conducted business in Austria. The claims relate to the valuation of the "Backbone Rights of Use" and non-compliance with local Austrian regulations for antennae sites. T-Mobile requests damages of €120.9 million (approximately $174.7 million at the September 30, 2008 exchange rate). Alltel, on behalf of itself and its affiliates WWI and Western Wireless, is vigorously defending the claims and believes they are without merit. Accordingly, as of September 30, 2008, Alltel has not recorded a reserve for any loss that could result from the ultimate resolution of this matter.

13. Pending Acquisition of Alltel:

On June 5, 2008, Verizon Wireless, a joint venture of Verizon Communications and Vodafone, entered into an agreement with Alltel and Atlantis Holdings to acquire Alltel in a cash merger. The aggregate value of the transaction is approximately $28.1 billion. Under terms of the merger agreement, Verizon Wireless will acquire the equity of Alltel for approximately $5.9 billion in cash and assume Alltel's outstanding long-term debt. Consummation of the merger is subject to certain conditions, including the receipt of regulatory approvals. The transaction is currently expected to close by the end of 2008, subject to obtaining the required regulatory approvals. The merger agreement contains certain termination rights for each of Verizon Wireless and Alltel and further provides that, upon termination of the merger agreement under specified circumstances, Verizon Wireless may be required to pay Alltel a termination fee of $500.0 million.

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ALLTEL CORPORATION
FORM 10-Q
PART I - FINANCIAL INFORMATION

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

The following is a discussion and analysis of the historical results of operations and financial condition of Alltel Corporation ("Alltel" or the "Company"). This discussion should be read in conjunction with the unaudited consolidated financial statements, including the notes thereto, for the interim periods ended September 30, 2008 and 2007, and Alltel's Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2007.

EXECUTIVE SUMMARY
Alltel provides wireless voice and advanced data services to nearly 14 million residential and business customers in 34 states. As further discussed below, on November 16, 2007, Alltel was acquired by Atlantis Holdings LLC, a Delaware limited liability company ("Atlantis Holdings" or "Parent") and an affiliate of private investment funds TPG Partners V, L.P. and GS Capital Partners VI Fund, L.P. (together the "Sponsors"). The acquisition was completed through the merger of Atlantis Merger Sub, Inc. ("Merger Sub"), a Delaware corporation and majority-owned subsidiary of Parent, with and into Alltel (the "Merger"), with Alltel surviving the merger as a privately-held, majority-owned subsidiary of Parent. As a result of the Merger, Alltel's outstanding common stock is owned by Atlantis Holdings, certain members of management and other key employees. Alltel's common stock is no longer registered with the Securities and Exchange Commission ("SEC") and is no longer traded on a national securities exchange.

Although Alltel continues as the same legal entity after the Merger, Atlantis Holdings' cost of acquiring Alltel has been pushed-down to establish a new accounting basis for Alltel. Accordingly, the accompanying consolidated financial statements are presented for two periods, Predecessor and Successor, which relate to the accounting periods preceding and succeeding the consummation of the Merger. The Predecessor and Successor periods have been separated by a vertical line on the face of the consolidated financial statements to highlight the fact that the financial information for such periods has been prepared under two different historical-cost bases of accounting.

As discussed in Note 13 to the interim unaudited consolidated financial statements, on June 5, 2008, Verizon Wireless, a joint venture of Verizon Communications and Vodafone, entered into an agreement with Alltel and Atlantis Holdings to acquire Alltel in a cash merger. Under terms of the merger agreement, Verizon Wireless will acquire the equity of Alltel for approximately $5.9 billion in cash and assume Alltel's outstanding long-term debt. Consummation of the merger is subject to certain conditions, including the receipt of regulatory approvals. The transaction is currently expected to close by the end of 2008, subject to obtaining the required regulatory approvals.

Among the highlights in the third quarter of 2008:

- Revenues and sales increased 10 percent from the third quarter of 2007 driven by Alltel's continued focus on quality customer growth and improvements in data revenues. Retail revenue per customer and average revenue per customer were relatively flat when compared to the same period a year ago. Growth rates in both revenue per customer metrics were impacted by the continuing decline in voice revenue per customer, partially offset by sustained growth in data revenues.

- Gross customer additions were 1.2 million in the quarter, a 28 percent increase from the same period a year ago. Driven by strong growth in both postpay and prepay service offerings, net customer additions were 335,200 in the quarter, a 63 percent increase from the third quarter of 2007.

- Consolidated earnings before interest, taxes and depreciation and amortization ("Consolidated EBITDA") increased $109.6 million in the quarter, a 13 percent increase from the same period a year ago, primarily driven by the growth in access and data revenues discussed above. (See "Covenant Compliance" below for the calculation of Consolidated EBITDA). The Company reported a net loss of $55.2 million in the third quarter of 2008 primarily due to the significant increases in interest costs and depreciation and amortization expense following the completion of the Merger, as further discussed below under "Consolidated Results of Operations".

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During the remainder of 2008, the Company will continue to face significant challenges resulting from competition in the wireless industry and changes in the regulatory environment, including the effects of potential changes to the rules governing universal service and inter-carrier compensation. In addressing these challenges, Alltel will continue to focus its efforts on improving customer service, enhancing the quality of its networks, expanding its product and service offerings, and conducting advocacy efforts in favor of governmental policies that will benefit Alltel's business and its customers.

ACQUISITION OF ALLTEL BY TWO PRIVATE INVESTMENT FIRMS

On November 16, 2007, Alltel was acquired by Atlantis Holdings pursuant to the Agreement and Plan of Merger (the "Agreement") dated May 20, 2007. The acquisition was completed through the merger of Alltel with Merger Sub, with Alltel surviving the merger as a privately-held, majority-owned subsidiary of Atlantis Holdings. Pursuant to the Agreement, at the effective time of the Merger, each outstanding share of $1.00 par value common stock of Alltel was cancelled and converted into the right to receive $71.50 in cash. Similarly, pursuant to the Agreement, at the effective time of the Merger, each outstanding share of Series C $2.06 no par cumulative convertible preferred stock of Alltel and each outstanding share of Series D $2.25 no par cumulative convertible preferred stock of Alltel were cancelled and converted into the right to receive $523.22 and $481.37 in cash, respectively. Immediately prior to the effective time of the Merger, all shares of Alltel restricted stock vested and were converted into the right to receive in cash the merger consideration of $71.50 per share. In addition, all options to acquire shares of Alltel common stock vested immediately prior to the effective time of the Merger. Holders of such options, unless otherwise agreed to by the holder and Parent, received in cash an amount equal to the excess, if any, of the merger consideration of $71.50 per share over the exercise price for each share of Alltel common stock subject to the option. Concurrent with the consummation of the Merger, the Sponsors and their co-investors made equity contributions in cash of approximately $4.5 billion to fund a portion of the merger consideration paid to Alltel shareholders and holders of stock options and other equity awards. Certain members of management also invested approximately $60.4 million in the common equity of Alltel either through the rollover of a portion of the Alltel common shares held by them prior to the Merger or through cash contributions made by them. In addition, vested stock options with an intrinsic value of approximately $60.0 million at the date of the Merger were also rolled over by certain management employees. (See Note 2 to the unaudited interim consolidated financial statements for additional information regarding the Merger.)

CUSTOMER AND OTHER OPERATING STATISTICS

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Thousands, except per customer amounts)	2008	2007	2008	2007
Customers	13,825.0	12,447.1	-	-
Average customers	13,663.1	12,338.4	13,319.6	12,140.3
Average retail customers (excludes reseller customers)	12,846.8	11,576.1	12,519.5	11,378.0
Gross customer additions (a)	1,161.5	904.8	3,337.1	2,562.2
Net customer additions (b)	335.2	205.0	1,039.8	623.1
Market penetration	17.4%	15.6%	-	-
Postpay customer churn	1.33%	1.31%	1.29%	1.27%
Total churn	2.02%	1.90%	1.92%	1.78%
Retail minutes of use per customer per month (c)	804	746	792	708
Retail revenue per customer per month (d)	$52.88	$52.66	$51.84	$51.30
Average revenue per customer per month (e)	$55.62	$55.96	$54.59	$54.21

Notes to Customer and Other Operating Statistics Table:

(a) A summary of gross customer additions is as follows for the three and nine months ended September 30:

	Three Months Ended		Nine Months Ended	
(Thousands)	2008	2007	2008	2007
Postpay customers	694.3	644.0	1,893.0	1,732.1
Prepay customers	367.5	260.8	1,156.5	830.1
Reseller customers	99.7	-	287.6	-
Total	1,161.5	904.8	3,337.1	2,562.2

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Notes to Customer and Other Operating Statistics Table, Continued:

(b) A summary of net customer additions (losses) is as follows for the three and nine months ended September 30:

	Three Months Ended		Nine Months Ended	
(Thousands)	2008	2007	2008	2007
Postpay customers	255.4	212.8	635.3	502.6
Prepay customers	52.7	(7.8)	335.0	120.5
Reseller customers	27.1	-	69.5	-
Total	335.2	205.0	1,039.8	623.1

(c) Represents the average monthly minutes that Alltel's customers use on both the Company's network and while roaming on other carriers' networks.

(d) Retail revenue per customer per month is calculated by dividing retail revenues by average retail customers for the period. A reconciliation of the revenues used in computing retail revenue per customer per month is as follows for the three and nine month periods ended September 30:

	Three Months Ended		Nine Months Ended	
(Millions)	2008	2007	2008	2007
Service revenues	$ 2,279.9	$ 2,071.5	$ 6,543.7	$ 5,923.2
Less wholesale roaming revenues	(204.0)	(196.5)	(581.0)	(520.8)
Less wholesale transport revenues	(32.9)	(38.1)	(107.4)	(127.4)
Less reseller revenues	(4.8)	(8.1)	(14.3)	(21.8)
Total retail revenues	$ 2,038.2	$ 1,828.8	$ 5,841.0	$ 5,253.2

(e) Average revenue per customer per month is calculated by dividing service revenues by average customers for the period.

Since January 1, 2002, the number of reseller customers included in the customer base has not changed and Alltel has not included the effects of reseller activity in its reported gross and net customer additions for any period subsequent to 2001. Revenues earned from resellers had been classified as retail revenues. Effective January 1, 2008, Alltel changed its classification of reseller activity from retail to wholesale operations and prospectively has included reseller customers in its reported gross and net customer additions, consistent with industry practice. Prior period retail revenue per unit statistics were adjusted to reflect the reclassification of the reseller operations. Prior period average and total customer counts were not adjusted for reseller customers because the effects were immaterial.

The total number of customers served by Alltel increased by nearly 1.4 million customers, or 11 percent, during the twelve month period ended September 30, 2008. During the third quarter of 2008, Alltel added approximately 335,200 net customers. The increase in net customer additions in the three months ended September 30, 2008 was driven by continued growth in the "My Circle" service offering and recent improvements in the Company's "U" prepaid service offerings. The Company's "My Circle" offering enables Alltel customers, on select rate plans, to make and receive unlimited free calls to five, ten or twenty phone numbers, connected to any wireless or wireline network. During the second half of 2007, the Company enhanced its "U" prepaid service offerings by adding new rate plans that include data services. Overall, the Company's wireless market penetration rate (number of customers as a percent of the total population in Alltel's service areas) increased to 17.4 percent as of September 30, 2008.

The level of customer growth for the remainder of 2008 will be dependent upon the Company's ability to attract new customers and retain existing customers in a highly competitive marketplace. Alltel will continue to focus its efforts on sustaining value-added customer growth by improving service quality and customer satisfaction, managing its distribution channels and customer segments, offering attractively priced rate plans, launching new or enhanced product offerings and selling additional services to existing customers.

Alltel continues to focus its efforts on maintaining low customer churn (average monthly rate of customer disconnects). As part of its customer retention efforts, Alltel continues to upgrade its telecommunications network in order to offer expanded network coverage and quality and to provide enhanced service offerings to its customers. The Company offers its retail services on a network that is entirely Code Division Multiple Access (“CDMA”) and in select service areas, Alltel has deployed a Global System for Mobile Communications (“GSM”) network to support its wholesale roaming business. Over the past three years, Alltel’s retention efforts have also included retail store

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upgrades, process improvements, branding, advertising and new service offerings such as "My Circle" that drove customer churn metrics to historic lows during each of the quarterly periods in 2006 and 2007 and helped Alltel maintain low customer churn levels in the first nine months of 2008. During the three and nine months ended September 30, 2008, postpay customer churn increased slightly to 1.33 percent and 1.29 percent, respectively, and total churn increased to 2.02 percent and 1.92 percent, respectively, when compared to the same periods of 2007. Both postpay and total churn were negatively impacted by the shutdown of analog services that began in certain markets in the first quarter of 2008 and is expected to have some negative impact on churn until the shutdown is completed in early 2009. Total churn was also negatively impacted by the reseller disconnects being included in this year's calculations for the first time.

Retail revenue per customer and average revenue per customer for the third quarter of 2008 were both relatively flat when compared to the same period a year ago. Primarily due to growth in data and access revenues, retail revenue per customer per month and average revenue per customer per month both increased 1 percent in the nine months ended September 30, 2008, compared to the same period a year ago. Growth in both retail and average revenue per customer per month in the three and nine month periods of 2008 continued to be affected by decreases in voice revenues per customer reflecting the effects of increased sales of family and prepay rate plans. Growth in service revenues and sustaining average revenue per customer per month for the balance of 2008 will depend upon Alltel's ability to maintain market share in a competitive marketplace by adding new customers, retaining existing customers, increasing customer usage, and continuing to sell data services.

CONSOLIDATED RESULTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Millions)	2008	2007	2008	2007
	Successor	Predecessor	Successor	Predecessor
Revenues and sales:				
Service revenues	$ 2,279.9	$ 2,071.5	$ 6,543.7	$ 5,923.2
Product sales	227.6	210.0	672.8	611.9
Total revenues and sales	2,507.5	2,281.5	7,216.5	6,535.1
Costs and expenses:				
Cost of services	715.9	682.2	2,052.0	1,933.4
Cost of products sold	343.4	300.0	1,006.7	876.1
Selling, general, administrative and other	557.6	496.1		

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item as to the Directors of the Company appearing under the caption “Election of Directors” in the Company’s 2016 Proxy Statement is incorporated herein by reference. Information required by this item as to the Executive Officers of the Company is included as Item 4A of this Annual Report on Form 10-K as permitted by Instruction 3 to Item 401(b) of Regulation S-K. Information required by Item 405 is set forth in the 2016 Proxy Statement under the heading “Section 16(a) Beneficial Ownership Reporting Compliance” which information is incorporated herein by reference. Information required by Items 406 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is set forth in the 2016 Proxy Statement under the headings “Information Regarding Meetings and Committees of the Board of Directors,” “Code of Ethical Business Conduct and Officer Code of Ethics” and “Stockholder Communications with the Board,” which information is incorporated herein by reference.

The Charters of the Audit Committee, Compensation Committee and Nominations and Corporate Governance Committee and the Corporate Governance Guidelines, Officer Code of Ethics and Code of Ethical Business Conduct are available free of charge on the Company’s website at www.chartindustries.com and in print to any stockholder who requests a copy. Requests for copies should be directed to Secretary, Chart Industries, Inc., One Infinity Corporate Centre Drive, Suite 300, Garfield Heights, Ohio 44125. The Company intends to disclose any amendments to the Code of Ethical Business Conduct or Officer Code of Ethics, and any waiver of the Code of Ethical Business Conduct or Officer Code of Ethics granted to any Director or Executive Officer of the Company, on the Company’s website.

Item 11. Executive Compensation

The information required by Item 402 of Regulation S-K is set forth in the 2016 Proxy Statement under the heading “Executive and Director Compensation,” which information is incorporated herein by reference. The information required by Items 407(e)(4) and 407(e)(5) of Regulation S-K is set forth in the 2016 Proxy Statement under the headings “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report,” respectively, which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is set forth in the 2016 Proxy Statement under the headings “Security Ownership of Certain Beneficial Owners” and “Equity Compensation Plan Information,” which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is set forth in the 2016 Proxy Statement under the headings “Related Party Transactions” and “Director Independence,” which information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item is set forth in the 2016 Proxy Statement under the heading “Principal Accounting Fees and Services,” which information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this 2015 Annual Report on Form 10-K:

1. Financial Statements. The following consolidated financial statements of the Company and its subsidiaries and the reports of the Company's independent registered public accounting firm are incorporated by reference in Item 8:

Management's Report on Internal Control over Financial Reporting

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2015 and 2014

Consolidated Statements of Operations for the Years Ended December 31, 2015, 2014 and 2013

Consolidated Statements of Comprehensive (Loss) Income for the Years Ended December 31, 2015, 2014 and 2013

Consolidated Statements of Cash Flows for the Years Ended December 31, 2015, 2014 and 2013

Consolidated Statements of Equity for the Years Ended December 31, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

2. Financial Statement Schedules. The following additional information should be read in conjunction with the consolidated financial statements:

Schedule II Valuation and Qualifying Accounts for the Years Ended December 31, 2015, 2014 and 2013

All other financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

3. Exhibits. See the Index to Exhibits at page E-1 of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

CHART INDUSTRIES, INC.

By:	/S/ SAMUEL F. THOMAS Samuel F. Thomas Chairman, Chief Executive Officer and President

Date: February 25, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature and Title

/S/ SAMUEL F. THOMAS Samuel F. Thomas	Chairman, Chief Executive Officer, President and a Director
/S/ MICHAEL F. BIEHL Michael F. Biehl	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/S/ KENNETH J. WEBSTER Kenneth J. Webster	Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)
/S/ W. DOUGLAS BROWN W. Douglas Brown	Director
/S/ RICHARD E. GOODRICH Richard E. Goodrich	Director
/S/ TERRENCE J. KEATING Terrence J. Keating	Director
/S/ STEVEN W. KRABLIN Steven W. Krablin	Director
/S/ MICHAEL W. PRESS Michael W. Press	Director
/S/ ELIZABETH G. SPOMER Elizabeth G. Spomer	Director
/S/ THOMAS L. WILLIAMS Thomas L. Williams	Director

Date: February 25, 2016

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements:

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Chart Industries, Inc. and its subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management has assessed the effectiveness of its internal control over financial reporting as of December 31, 2015 based on the framework established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the "COSO criteria").

Based on this assessment, management has determined that the Company's internal control over financial reporting is effective as of December 31, 2015. Management did not include an evaluation of the internal control over financial reporting of Thermax, Inc., which constituted $28.5 million and $25.2 million of total and net assets, respectively, as of December 31, 2015, and $6.2 million and $0.1 million of revenues and net loss, respectively, for the year then ended.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report appearing below, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2015.

/S/ SAMUEL F. THOMAS	/S/ MICHAEL F. BIEHL
Samuel F. Thomas	Michael F. Biehl
Chairman, Chief Executive Officer and President	Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of
Chart Industries, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Chart Industries, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive (loss) income, equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the index at Item 15(a) 2. These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chart Industries, Inc. and Subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Chart Industries, Inc. and Subsidiaries’ internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 25, 2016 expressed an unqualified opinion thereon.

/S/ ERNST & YOUNG LLP
Cleveland, Ohio
February 25, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of
Chart Industries, Inc. and Subsidiaries

We have audited Chart Industries, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2015 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). Chart Industries, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Thermax, Inc., which is included in the December 31, 2015 consolidated financial statements of Chart Industries, Inc. and Subsidiaries and constituted $28.5 million and $25.2 million of total and net assets, respectively, as of December 31, 2015, and $6.2 million and $0.1 million of revenues and net loss, respectively, for the year then ended. Our audit of internal control over financial reporting of Chart Industries, Inc. and Subsidiaries also did not include an evaluation of the internal control over financial reporting of Thermax, Inc.

In our opinion, Chart Industries, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Chart Industries, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive (loss) income, equity, and cash flows for each of the three years in the period ended December 31, 2015, and our report dated February 25, 2016 expressed an unqualified opinion thereon.

/S/ ERNST & YOUNG LLP

Cleveland, Ohio
February 25, 2016

CHART INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	December 31, 2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	$123,708	$103,656
Accounts receivable, less allowances of $6,965 and $6,475	183,514	189,115
Inventories, net	199,302	215,725
Unbilled contract revenue	59,283	58,645
Prepaid expenses	8,494	15,708
Deferred income taxes	—	17,248
Other current assets	12,929	15,009
Total Current Assets	587,230	615,106
Property, plant and equipment, net	266,277	257,645
Goodwill	218,390	405,522
Identifiable intangible assets, net	106,714	153,666
Other assets	23,365	30,124
TOTAL ASSETS	$1,201,976	$1,462,063
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$97,413	$114,252
Customer advances and billings in excess of contract revenue	71,030	82,158
Accrued salaries, wages and benefits	33,886	35,655
Current portion of warranty reserve	15,341	14,325
Short-term debt	6,160	4,903
Other current liabilities	38,209	36,466
Total Current Liabilities	262,039	287,759
Long-term debt	215,634	204,099
Long-term deferred tax liabilities	5,146	46,888
Long-term portion of warranty reserve	5,634	9,921
Accrued pension liabilities	17,283	16,920
Other long-term liabilities	20,504	9,396
Total Liabilities	526,240	574,983
Equity		
Common stock, par value $.01 per share — 150,000,000 shares authorized, 30,545,657 and 30,482,252 shares issued and outstanding at December 31, 2015 and 2014, respectively	305	305
Additional paid-in capital	387,100	377,209
Retained earnings	308,091	511,051
Accumulated other comprehensive loss	(24,904)	(8,686)
Total Chart Industries, Inc. Shareholders' Equity	670,592	879,879
Noncontrolling interests	5,144	7,201
Total Equity	675,736	887,080
TOTAL LIABILITIES AND EQUITY	$1,201,976	$1,462,063

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

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CHART INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars and shares in thousands, except per share amounts)

	Year Ended December 31,		
	2015	2014	2013
Sales	$1,040,160	$1,192,952	$1,177,438
Cost of sales	751,696	835,098	825,715
Gross profit	288,464	357,854	351,723
Selling, general and administrative expenses	200,794	201,752	196,496
Amortization expense	17,333	17,945	19,230
Asset impairments	253,560	—	—
Operating expenses, net	471,687	219,697	215,726
Operating (loss) income	(183,223)	138,157	135,997
Other expenses (income):			
Interest expense, net	15,971	16,631	16,275
Financing costs amortization	1,290	1,392	1,306
Foreign currency loss (gain)	1,348	970	(242)
Other expenses, net	18,609	18,993	17,339
(Loss) income before income taxes	(201,832)	119,164	118,658
Income tax expense (benefit):			
Current	27,087	36,340	32,903
Deferred	(24,403)	(248)	(1,607)
Income tax expense, net	2,684	36,092	31,296
Net (loss) income	(204,516)	83,072	87,362
Noncontrolling interests, net of taxes	(1,556)	1,208	4,186
Net (loss) income attributable to Chart Industries, Inc.	$(202,960)	$81,864	$83,176
Net (loss) income attributable to Chart Industries, Inc. per common share:			
Basic	$(6.66)	$2.69	$2.75
Diluted	$(6.66)	$2.67	$2.60
Weighted-average number of common shares outstanding:			
Basic	30,493	30,384	30,209
Diluted	30,493	30,666	31,931

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

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CHART INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Dollars in thousands)

	Year Ended December 31,		
	2015	2014	2013
Net (loss) income	$(204,516)	$83,072	$87,362
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(16,709)	(14,653)	4,362
Defined benefit pension plan:			
Actuarial (loss) gain on remeasurement	(1,272)	(11,884)	10,380
Amortization of prior service cost included in net periodic pension expense	1,429	320	1,348
Defined benefit pension plan	157	(11,564)	11,728
Other comprehensive (loss) income, before tax	(16,552)	(26,217)	16,090
Income tax (expense) benefit related to defined benefit pension plan	(54)	4,173	(4,265)
Other comprehensive (loss) income, net of taxes	(16,606)	(22,044)	11,825
Comprehensive (loss) income	(221,122)	61,028	99,187
Less: comprehensive loss (income) attributable to noncontrolling interests, net of taxes	1,944	(1,172)	(4,330)
Comprehensive (loss) income attributable to Chart Industries, Inc.	$(219,178)	$59,856	$94,857

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

CHART INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended December 31,		
	2015	2014	2013
OPERATING ACTIVITIES			
Net (loss) income	$(204,516)	$83,072	$87,362
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	45,448	43,176	40,389
Asset impairments	255,116	—	—
Interest accretion of convertible notes discount	11,535	10,662	9,854
Financing costs amortization	1,290	1,392	1,306
Employee share-based compensation expense	11,325	9,420	9,989
Unrealized foreign currency transaction loss (gain)	78	(1,606)	(3,388)
Deferred income tax benefit	(24,403)	(248)	(1,607)
Other non-cash operating activities	737	(170)	4,514
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	7,195	43,079	(69,287)
Inventory	11,988	(8,150)	(12,679)
Unbilled contract revenues and other assets	12,250	(51,467)	(10,875)
Accounts payable and other liabilities	(16,293)	11,660	(5,259)
Deferred income taxes	(51)	(3,690)	(793)
Customer advances and billings in excess of contract revenue	(9,710)	(18,413)	10,137
Net Cash Provided By Operating Activities	101,989	118,717	59,663
INVESTING ACTIVITIES			
Capital expenditures	(47,039)	(62,135)	(72,585)
Payments for China land use rights	(11,043)	—	—
Government grants	8,650	—	—
Proceeds from sale of assets	425	1,593	569
Acquisition of businesses, net of cash acquired	(24,517)	(11,943)	(2,965)
Net Cash Used In Investing Activities	(73,524)	(72,485)	(74,981)
FINANCING ACTIVITIES			
Borrowings on revolving credit facilities	68,827	88,819	214,623
Repayments on revolving credit facilities	(67,196)	(87,162)	(211,403)
Payments on long-term debt	—	(68,437)	(3,750)
Payments for debt issuance costs	—	(1,321)	—
Payment of contingent consideration	(611)	(741)	—
Proceeds from exercise of stock options	486	763	5,335
Excess tax (deficiency) benefit from exercise of stock options	(890)	1,859	6,673
Common stock repurchases	(948)	(3,367)	(2,002)
Dividend distribution to noncontrolling interest	(120)	(1,206)	(1,369)
Other financing activities	(156)	—	—
Net Cash (Used In) Provided By Financing Activities	(608)	(70,793)	8,107
Effect of exchange rate changes on cash	(7,805)	(9,128)	3,058
Net increase (decrease) in cash and cash equivalents	20,052	(33,689)	(4,153)
Cash and cash equivalents at beginning of period	103,656	137,345	141,498
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$123,708	$103,656	$137,345

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

CHART INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(Dollars and shares in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
	Shares Outstanding	Amount					
Balance at January 1, 2013	30,042	$300	$348,526	$346,011	$1,641	$ 3,305	$699,783
Net income	—	—	—	83,176	—	4,186	87,362
Other comprehensive income	—	—	—	—	11,681	144	11,825
Share-based compensation expense	—	—	9,989	—	—	—	9,989
Common stock issued from share-based compensation plans	367	4	5,335	—	—	—	5,339
Excess tax benefit from exercise of stock options	—	—	6,673	—	—	—	6,673
Common stock repurchases	(30)	—	(2,002)	—	—	—	(2,002)
Convertible notes conversion feature	—	—	(56,563)	—	—	—	(56,563)
Acquisition of business, noncontrolling interest	—	—	—	—	—	969	969
Dividend distribution to noncontrolling interest	—	—	—	—	—	(1,369)	(1,369)
Other	—	—	14	—	—	—	14
Balance at December 31, 2013	30,379	304	311,972	429,187	13,322	7,235	762,020
Net income	—	—	—	81,864	—	1,208	83,072
Other comprehensive loss	—	—	—	—	(22,008)	(36)	(22,044)
Share-based compensation expense	—	—	9,420	—	—	—	9,420
Common stock issued from share-based compensation plans	141	1	762	—	—	—	763
Excess tax benefit from exercise of stock options	—	—	1,859	—	—	—	1,859
Common stock repurchases	(38)	—	(3,367)	—	—	—	(3,367)
Convertible notes conversion feature	—	—	56,563	—	—	—	56,563
Dividend distribution to noncontrolling interest	—	—	—	—	—	(1,206)	(1,206)
Balance at December 31, 2014	30,482	305	377,209	511,051	(8,686)	7,201	887,080
Net loss	—	—	—	(202,960)	—	(1,556)	(204,516)
Other comprehensive loss	—	—	—	—	(16,218)	(388)	(16,606)
	—	—	11,325	—	—	—	11,325

Share-based compensation expense							
Common stock issued from share-based compensation plans	94	—	486	—	—	—	486
Excess tax deficiency from exercise of stock options	—	—	(890)	—	—	—	(890)
Common stock repurchases	(31)	—	(948)	—	—	—	(948)
Dividend distribution to noncontrolling interest	—	—	—	—	—	(120)	(120)
Other	—	—	(82)	—	—	7	(75)
Balance at December 31, 2015	30,545	$305	$387,100	$308,091	$(24,904)	$ 5,144	$675,736

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

CHART INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars and shares in thousands, except per share amounts)

NOTE 1 — Nature of Operations and Principles of Consolidation

Nature of Operations: Chart Industries, Inc. and its consolidated subsidiaries (herein referred to as the "Company," "Chart" or "we"), is a leading diversified global manufacturer of highly engineered equipment for the industrial gas, energy, and biomedical industries. Chart's equipment and engineered systems are primarily used for low-temperature and cryogenic applications utilizing our expertise in cryogenic systems and equipment, which operate at low temperatures sometimes approaching absolute zero (0 kelvin; -273° Centigrade; -459° Fahrenheit). The Company has domestic operations located across the United States, including principal executive offices located in Ohio, and an international presence in Asia, Australia, Europe and South America.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

Reclassifications: Certain reclassifications have been made to the 2014 consolidated balance sheet and the Goodwill and Intangible Assets note (Note 6) to conform to the 2015 presentation. Also, certain product sales information as reported in 2013 was reclassified to conform to the 2014 presentation within Note 19.

NOTE 2 — Significant Accounting Policies

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. These estimates may also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents: The Company considers all investments with an initial maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable, Net of Allowances: The Company evaluates the collectibility of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filings, or substantial downgrading of credit scores), a specific reserve is recorded to reduce the receivable to the amount the Company believes will be collected. The Company also records allowances for doubtful accounts based on historical experience. When collection of a specific amount due is deemed not probable, the account is written off against the allowance.

Inventories: Inventories are stated at the lower of cost or market with cost being determined by the first-in, first-out ("FIFO") method. The Company determines inventory valuation reserves based on a combination of factors. In circumstances where the Company is aware of a specific problem in the valuation of a certain item, a specific reserve is recorded to reduce the item to its net realizable value. The Company also recognizes reserves based on the actual usage in recent history and projected usage in the near-term.

Property, Plant and Equipment: Capital expenditures for property, plant and equipment are recorded at cost. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major improvements are capitalized. The cost of applicable assets is depreciated over their estimated useful lives. Depreciation is computed using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes.

Long-lived Assets: The Company monitors its property, plant and equipment, and finite-lived intangible assets for impairment indicators on an ongoing basis. If impairment indicators exist, assets are grouped and tested at the lowest level for which identifiable cash flows are available and the Company performs the required analysis and records impairment charges if applicable. In conducting its analysis, the Company compares the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. If the undiscounted cash flows exceed the net book value, the long-lived assets are considered not to be impaired. If the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized. An impairment loss is measured as the difference between the net book value and the fair value of the long-lived assets. Fair value is estimated from discounted future net cash flows (for assets held and used) or net realizable value (for assets held for sale). Changes in economic or operating conditions impacting these estimates and assumptions could result in the impairment of long-lived assets. The Company amortizes intangible assets that have finite lives over their estimated useful lives.

See Note 3, Asset Impairments, for more information relating to finite-lived intangible asset impairment losses recorded during 2015.

Goodwill and Indefinite-Lived Intangible Assets: Goodwill is recognized as the excess cost of an acquired entity over the net amount assigned to assets acquired and liabilities assumed. The Company does not amortize goodwill or indefinite-lived intangible assets, but reviews them for impairment annually in the fourth quarter or whenever events or changes in circumstances indicate that an evaluation should be completed.

Goodwill is analyzed on a reporting unit basis. The reporting units are the same as the operating and reportable segments: E&C, D&S and BioMedical. In 2015, the Company utilized the quantitative goodwill impairment test which consists of two steps to determine potential impairment. In the first step ("Step 1"), management estimates the fair value of the reporting units by using income and market approaches to develop fair value estimates, which are weighted to arrive at a fair value estimate for each reporting unit. With respect to the income approach, a model has been developed to estimate the fair value of each reporting unit. This fair value model incorporates estimates of future cash flows, estimates of allocations of certain assets and cash flows among reporting units, estimates of future growth rates and management's judgment regarding the applicable discount rates to use to discount such estimates of cash flows. With respect to the market approach, a guideline company method is employed whereby pricing multiples are derived from companies with similar assets or businesses to estimate fair value of each reporting unit. If the fair value of the reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, then goodwill is not impaired and no further testing is required. However, if the fair value of the reporting unit is less than its carrying amount, the Company performs the second step ("Step 2") of the goodwill impairment test to measure the amount of impairment loss, if any, to recognize.

In Step 2, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to the assets and liabilities, other than goodwill, in a hypothetical purchase price allocation. The resulting implied fair value is then compared to the carrying amount of the goodwill and if the carrying amount exceeds the implied fair value, an impairment charge is recorded for the difference.

With respect to indefinite-lived intangible assets, the Company first evaluates relevant events and circumstances to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If, in weighing all relevant events and circumstances in totality, the Company determines that it is not more likely than not that an indefinite-lived intangible asset is impaired, no further action is necessary. Otherwise, management determines the fair value of indefinite-lived intangible assets by performing a quantitative impairment assessment comparing the indefinite-lived intangible asset's fair value to its carrying amount. The Company may bypass such a qualitative assessment and proceed directly to the quantitative assessment. Management estimates the fair value of indefinite-lived assets using the income approach. This may include the relief from royalty method or use of a model similar to the one described above related to goodwill which estimates the future cash flows attributed to the indefinite-lived intangible asset and then discounting these cash flows back to a present value. Under the relief from royalty method, fair value is estimated by discounting the royalty savings as well as any tax benefits related to ownership to a present value. The fair value from either approach is compared to the carrying value and an impairment is recorded if the fair value is determined to be less than the carrying value.

See Note 3, Asset Impairments, and Note 6, Goodwill and Intangible Assets, for more information relating to goodwill and indefinite-lived intangible assets and the asset impairment charges recorded during 2015.

Convertible Debt: The Company determined that the embedded conversion feature within the Company's 2.0% Convertible Senior Subordinated Notes due 2018 (the "Convertible Notes") was clearly and closely related to the Company's common stock and therefore exempt from separate accounting treatment. Convertible Notes exempt from derivative accounting are recognized by bifurcating the principal balance into a liability component and an equity component where the fair value of the liability component is estimated by calculating the present value of its cash flows discounted at an interest rate that the Company would have received for similar debt instruments that have no conversion rights (the “straight-debt rate”), and the equity component is the residual amount, net of tax, which creates a discount on the Convertible Notes. The Company recognizes non-cash interest accretion expense related to the carrying amount of the Convertible Notes which is accreted back to its principal amount over the expected life of the debt, which is also the stated life of the debt.

CHART INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars and shares in thousands, except per share amounts)

Financial Instruments: The fair values of cash equivalents, accounts receivable, accounts payable and short-term bank debt approximate their carrying amount because of the short maturity of these instruments.
To minimize credit risk from trade receivables, the Company reviews the financial condition of potential customers in relation to established credit requirements before sales credit is extended and monitors the financial condition of customers to help ensure timely collections and to minimize losses. Additionally, for certain domestic and foreign customers, particularly in the E&C segment, the Company requires advance payments, letters of credit, bankers' acceptances and other such guarantees of payment. Certain customers also require the Company to issue letters of credit or performance bonds, particularly in instances where advance payments are involved, as a condition of placing the order.
Derivative Financial Instruments: The Company utilizes certain derivative financial instruments to enhance its ability to manage foreign currency risk that exists as part of ongoing business operations. Derivative instruments are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into contracts for speculative purposes, nor is it a party to any leveraged derivative instrument. The Company is exposed to foreign currency exchange risk as a result of transactions in currencies other than the functional currency of certain subsidiaries. The Company utilizes foreign currency forward purchase and sale contracts to manage the volatility associated with foreign currency purchases and certain intercompany transactions in the normal course of business. Contracts typically have maturities of less than one year. Principal currencies include the U.S. dollar, the euro, the Japanese yen, the Czech koruna, the Australian dollar, the Norwegian krone, the Canadian dollar and the Chinese yuan. The Company's foreign currency forward contracts do not qualify as hedges as defined by accounting guidance. Foreign currency forward contracts are measured at fair value and recorded on the consolidated balance sheets as other current liabilities or assets. Changes in their fair value are recorded in the consolidated statements of income as foreign currency gains or losses. The Company's foreign currency forward contracts are not exchange traded instruments and, accordingly, the valuation is performed using Level 2 inputs as defined in Note 11. Gains or losses on settled or expired contracts are recorded in the consolidated statements of income as foreign currency gains or losses.
Product Warranties: The Company provides product warranties with varying terms and durations for the majority of its products. The Company estimates product warranty costs and accrues for these costs as products are sold with a charge to cost of sales. Factors considered in estimating warranty costs include historical and projected warranty claims, historical and projected cost-per-claim and knowledge of specific product issues that are outside of typical experience. Warranty accruals are evaluated and adjusted as necessary based on actual claims experience and changes in future claim and cost estimates.
Revenue Recognition: For the majority of the Company's products, revenue is recognized when products are shipped, title has transferred and collection is reasonably assured. For these products, there is also persuasive evidence of an arrangement and the selling price to the buyer is fixed or determinable. For brazed aluminum heat exchangers, cold boxes, liquefied natural gas fueling stations, engineered tanks and commercial oxygen generation systems, the Company primarily uses the percentage of completion method of accounting. Earned revenue is based on the percentage of incurred costs to date compared to total estimated costs at completion after giving effect to the most current estimates. Timing of amounts billed on contracts varies from contract to contract and could cause significant variation in working capital needs. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known. Earned revenue reflects the original contract price adjusted for agreed upon claims and change orders, if any. Losses expected to be incurred on contracts in process, after consideration of estimated minimum recoveries from claims and change orders, are charged to operations as soon as such losses are known. Pre-contract costs relate primarily to salaries and benefits incurred to support the selling effort and are expensed as incurred. Change orders resulting in additional revenue and profit are recognized upon approval by the customer based on the percentage of incurred costs to date compared to total estimated costs at completion. Certain contracts include incentive-fee arrangements. The incentive fees in such

contracts can be based on a variety of factors, but the most common are the achievement of target completion dates, target costs, and/or other performance criteria. Incentive-fee revenue is not recognized until it is earned.

The Company reports sales net of tax assessed by governmental authorities.

Cost of Sales: Manufacturing expenses associated with sales are included in cost of sales. Cost of sales includes all materials, direct and indirect labor, inbound freight, purchasing and receiving, inspection, internal transfers and distribution and warehousing of inventory. In addition, shop supplies, facility maintenance costs, manufacturing engineering, project management and depreciation expense for assets used in the manufacturing process are included in cost of sales on the consolidated statements of operations.

CHART INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars and shares in thousands, except per share amounts)

Selling, General and Administrative (“SG&A”) Expenses: SG&A expenses include selling, marketing, customer service, product management, design engineering, and other administrative expenses not directly supporting the manufacturing process as well as depreciation and amortization expense associated with non-manufacturing assets. In addition, SG&A expenses include corporate operating expenses for executive management, accounting, tax, treasury, corporate development, human resources, information technology, investor relations, legal, internal audit, risk management and share-based compensation expense.
Shipping and Handling Costs: Amounts billed to customers for shipping are classified as sales, and the related costs are classified as cost of sales on the consolidated statements of operations. Shipping revenue of $11,592, $8,855 and $12,213 for the years ended December 31, 2015, 2014 and 2013, respectively, are included in sales. Shipping costs of $15,245, $15,913, and $15,927 for the years ended December 31, 2015, 2014 and 2013, respectively, are included in cost of sales.
Advertising Costs: The Company incurred advertising costs of $5,074, $3,914 and $4,515 for the years ended December 31, 2015, 2014 and 2013, respectively. Such costs are expensed as incurred and included in SG&A expenses on the consolidated statements of operations.
Research and Development Costs: The Company incurred research and development costs of $15,842, $15,588 and $14,941 for the years ended December 31, 2015, 2014 and 2013, respectively. Such costs are expensed as incurred and included in SG&A expenses on the consolidated statements of operations.
Foreign Currency Translation: The functional currency for the majority of the Company’s foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for asset and liability accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted-average exchange rate during the period. The resulting translation adjustments are recorded as a component of other comprehensive (loss) income in the consolidated statements of comprehensive (loss) income. Remeasurement from local to functional currencies is included in cost of goods sold or foreign currency loss (gain) on the consolidated statements of income. Gains or losses resulting from foreign currency transactions are charged to operations as incurred.
Income Taxes: The Company and its U.S. subsidiaries file a consolidated federal income tax return. Deferred income taxes are provided for temporary differences between financial reporting and the consolidated tax return in accordance with the liability method. A valuation allowance is provided against net deferred tax assets when conditions indicate that it is more likely than not that the benefit related to such assets will not be realized. Significant judgment is required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, the Company considers all available evidence, including past operating results, estimates of future taxable income and the feasibility of tax planning strategies. In the event that the Company changes its determination as to the amount of deferred tax assets that can be realized, the valuation allowance will be adjusted with a corresponding impact to the provision for income taxes in the period in which such determination is made.
The Company utilizes a two-step approach for the recognition and measurement of uncertain tax positions. The first step is to evaluate the tax position and determine whether it is more likely than not that the position will be sustained upon examination by tax authorities. The second step is to measure the tax benefit as the largest amount that is more likely than not of being realized upon settlement.
Interest and penalties related to income taxes are accounted for as income tax expense on the consolidated statements of income.
Share-based Compensation: The Company measures share-based compensation expense for share-based payments to employees and directors, including grants of employee stock options, restricted stock and restricted stock units, performance units, and leveraged restricted share units based on the grant-date fair value. The fair value of stock options is calculated using the Black-Scholes pricing model and is recognized on an accelerated basis over the vesting period. The grant-date fair value calculation under the Black-Scholes pricing model requires the use of variables such as exercise term of the option, future volatility, dividend yield and risk-free interest rate. The fair value of restricted

stock and restricted stock units is based on the Company's market price on the date of grant and is generally recognized on an accelerated basis over the vesting period. The fair value of performance units is based on the Company's market price on the date of grant and pre-determined performance conditions as determined by the Compensation Committee of the Board of Directors and is recognized on straight-line basis over the performance measurement period based on the probability that the performance conditions will be achieved. The Company reassesses the vesting probability of performance units each reporting period and adjusts share-based compensation

CHART INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars and shares in thousands, except per share amounts)

expense based on the Company's probability assessment. The fair value of leveraged restricted share units is based on market conditions and calculated using a Monte Carlo simulation model and is recognized straight-line over the vesting period. Share-based compensation expense for all awards considers estimated forfeitures.

During the year, the Company may repurchase shares of common stock from equity plan participants to satisfy tax withholding obligations relating to the vesting or payment of equity awards. All such repurchased shares are subsequently retired during the period in which they occur.

Defined Benefit Pension Plan: The Company sponsors a defined benefit plan which is frozen, which covers certain U.S. employees. The funded status is measured as the difference between the fair value of the plan assets and the projected benefit obligation. The change in the funded status of the plan is recognized in the year in which the change occurs through accumulated other comprehensive loss. The Company's funding policy is to contribute at least the minimum funding amounts required by law. Management has chosen policies according to accounting guidance that allow the use of a calculated value of plan assets, which generally reduces the volatility of expense (income) from changes in pension liability discount rates and the performance of the pension plans' assets.

Recent Accounting Standards: In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU 2016-02, "Leases (Topic 842)." The FASB issued the update to require the recognition of lease assets and lease liabilities on the balance sheet of lessees. The standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within such fiscal years. The ASU requires a modified retrospective transition method with the option to elect a package of practical expedients. Early adoption is permitted. The Company is currently assessing the effect that the ASU will have on the Company's financial position, results of operations, cash flows and disclosures.

In January 2015, the FASB issued ASU 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within such fiscal years. Except for certain early application guidance provided in the ASU, early adoption is not permitted. The Company is currently assessing the effect that the ASU will have on the Company's financial position, results of operations, cash flows and disclosures.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." The amendments require an entity to classify deferred tax liabilities and assets as noncurrent in a classified statement of financial position. This ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within such fiscal years. The Company adopted this guidance prospectively as of December 31, 2015 as reflected in the consolidated balance sheet. Adoption had no impact on the Company's results of operations.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." The amendments require an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This ASU is effective for fiscal years beginning after December 15, 2015, including interim periods within such fiscal years. Early adoption is permitted. The Company early adopted this guidance, and its adoption did not have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." The amendments require an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amendments do not apply to inventory that is measured using the last-in, first-out cost method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out or average cost. This ASU is effective for fiscal years beginning after December 15, 2016. The Company is currently assessing the effect that the ASU will have on the Company's financial position, results of operations, cash flows and disclosures.

In April 2015, the FASB issued ASU 2015-03, "Interest–Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs." The amendments require an entity to present debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of debt issuance costs will continue to be reported as interest expense. In August 2015, the FASB issued ASU 2015-15, which states that the Securities and Exchange Commission ("SEC") staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the

CHART INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars and shares in thousands, except per share amounts)

deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. This ASU is effective for fiscal years beginning after December 15, 2015 and interim reporting periods within those fiscal years. The new guidance will be applied retrospectively to each prior period presented. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." The amendments require entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of the new standard by one year. As a result, the standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within such fiscal years. The ASU allows full retrospective or modified retrospective adoption. Early adoption is permitted as of fiscal years beginning after December 15, 2016, including interim periods within such fiscal years. The Company is currently assessing the transition method and effect that the ASU will have on the Company's financial position, results of operations, cash flows and disclosures.

NOTE 3 — Asset Impairments

The following table summarizes information about the impairment charges recorded in 2015. These charges relate to non-financial assets that were measured at fair value on a non-recurring basis using level 3 inputs according to the fair value hierarchy as described further in Note 11, Fair Value Measurements.

	Year ended December 31, 2015			
	Goodwill and Indefinite-lived Intangible Assets	Finite-lived Intangible Assets	Property, Plant & Equipment	Total
Energy & Chemicals	$65,023	$—	$3,773	$68,796
Distribution & Storage [1]	316	—	1,704	2,020
BioMedical	142,333	38,083	3,884	184,300
Consolidated	$207,672	$38,083	$9,361	$255,116

[1] Asset impairments of $1,556 were included in cost of sales on the consolidated statement of operations for the year ended December 31, 2015.

Goodwill and Indefinite-lived Intangible Assets

The Company recorded goodwill and indefinite-lived asset impairment charges in the fourth quarter of 2015 as management concluded that the goodwill and certain indefinite-lived intangible assets within certain reporting units were impaired. The total goodwill and indefinite-lived intangible asset impairment charges were $207,672.

Management prepares its annual forecast mid-November through December each year. As the 2016 forecast was developed, management considered several factors when assessing the outlook for 2016 and beyond. Because of those factors, management revised its forecasts down significantly which led to the impairment charges described below. In addition to the items considered for each reporting unit below, management also considered the sustained decline in the Company's market capitalization. The Company's stock price was $95.64 on December 31, 2013, $34.20 on December 31, 2014 and $17.96 on December 31, 2015.

Goodwill and indefinite-lived intangible assets within the E&C reporting unit were impaired $65,023 as a result of revised estimates developed during the Company's annual forecasting process. The revised estimates were the result of the following: 1) continued significant decline in energy prices during the fourth quarter which led to a significant reduction in expected order levels as Liquefied Natural Gas ("LNG") projects were cancelled or deferred, which impacts our longer-term forecasts; 2) in late 2015, the Company received notification of delays in major projects from several large customers; and 3) concerns with global growth, recent negative macroeconomic developments and highly competitive market conditions.

Indefinite-lived intangible assets within the D&S reporting unit were impaired $316 as a result of revised estimates developed during our annual forecasting process.

CHART INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars and shares in thousands, except per share amounts)

Goodwill and indefinite-lived intangible assets within the BioMedical reporting unit were impaired $142,333 as a result of revised estimates developed during our annual forecasting process. The revised estimates were the result of the following: 1) realization that the effects of Medicare competitive bidding, including the reduction of reimbursement rates and the subsequent consolidation of our customers, can no longer be considered temporary and will have lasting negative impacts on the growth of the homecare industry and their suppliers; 2) increased rivalry with competitive technology; and 3) concerns with global growth and recent negative macroeconomic developments.

Long-lived Asset Impairments

During the fourth quarter of 2015, the Company identified impairment indicators described above in the Goodwill and Indefinite-Lived Intangible Assets section that suggest the carrying values of certain asset groups within each reporting unit may not be recoverable. The primary indicators include projections of future cash flows and the associated impact on the long-range strategic plan forecasts, lower than expected cash flows attributed to certain asset groups, increased competition, the continued decline in energy prices, and the Company's lower market capitalization. As a result of the long-lived asset impairment assessments performed, we recorded long-lived asset impairments described further below.

The BioMedical long-lived asset impairment charges were due to declines in estimated fair value resulting from reductions in expected future cash flows associated with the respiratory product lines. The E&C long-lived asset impairment charges were due to reductions in expected future cash flows associated with certain assets in China.

Finite-lived Intangible Assets: The Company recorded impairment charges of $38,083 related to finite-lived intangible assets in its BioMedical reporting unit, attributed to customer relationships – $15,667 and unpatented technology – $22,417.

Property, Plant & Equipment: As a result of long-lived asset impairment assessments performed in the fourth quarter of 2015, the Company recorded long-lived asset impairment charges for certain tangible property, plant and equipment of $7,657; $3,773 attributed to E&C and $3,884 attributed to BioMedical. Additionally, as a result of restructuring activities earlier in the year within the D&S segment, the Company recorded $1,704 of asset impairment charges to record certain property, plant and equipment at fair value.

NOTE 4 — Inventories

The following table summarizes the components of inventory:

	December 31,	
	2015	2014
Raw materials and supplies	$76,680	$94,437
Work in process	33,721	35,631
Finished goods	88,901	85,657
Total inventories, net	$199,302	$215,725

The allowance for excess and obsolete inventory balance at December 31, 2015 and 2014 was $11,269 and $5,233, respectively. The increase in the allowance is due to certain inventories located in China.

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NOTE 5 — Property, Plant and Equipment

The following table summarizes the components of property, plant and equipment:

Classification	Estimated Useful Life	December 31, 2015	2014
Land and buildings	20-35 years	$164,181	$161,986
Machinery and equipment	3-12 years	163,200	165,379
Computer equipment, furniture and fixtures	3-7 years	33,993	34,866
Construction in process		52,815	23,626
Total property, plant and equipment, gross		414,189	385,857
Less: accumulated depreciation		(147,912)	(128,212)
Total property, plant and equipment, net		$266,277	$257,645

Depreciation expense was $28,115, $25,231 and $21,159 for the years ended December 31, 2015, 2014 and 2013, respectively. Included in construction in progress at December 31, 2015 is $45,900 related to the plant expansion in Changzhou, China.

Included in property, plant & equipment and accounts payable in the consolidated balance sheet at December 31, 2015 is $6,791 related to property purchases which were unpaid at December 31, 2015.

See Note 3, Asset Impairments, for information regarding property, plant and equipment impaired in 2015.

NOTE 6 — Goodwill and Intangible Assets

During the annual assessment of goodwill, management determined that it was more likely than not that the fair value was less than the carrying amount of certain reporting units and, therefore, the two-step goodwill impairment test was necessary. Additionally, management quantitatively evaluated indefinite-lived intangible assets as part of the impairment testing. Furthermore, management identified indicators of impairment on certain finite-lived intangible assets which were evaluated for impairment. As a result of these evaluations, the Company recorded goodwill, intangible asset and long-lived asset impairment charges in the fourth quarter of 2015 as management concluded that certain assets within each reporting unit were impaired. See Note 3 Asset Impairments for further information related to the impairment charges recorded.

Goodwill

The following table presents the changes in goodwill:

	December 31, 2015	2014
Beginning balance	$405,522	$398,905
Foreign currency translation adjustments and other	(1,887)	(2,676)
Goodwill acquired during the year	10,601	9,293
Impairment loss	(195,846)	—
Ending balance	$218,390	$405,522
Accumulated goodwill impairment loss	$195,846	$—

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Intangible Assets

The following table displays the gross carrying amount and accumulated amortization for finite-lived intangible assets and indefinite-lived intangible assets (exclusive of goodwill)[(1)]:

	December 31, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets:				
Unpatented technology	$8,530	$(2,660)	$35,933	$(6,979)
Patents	7,770	(6,753)	7,809	(6,213)
Trademarks and trade names	10,052	(6,886)	8,981	(6,206)
Non-compete agreements	—	—	421	(88)
Customer relationships	138,223	(90,180)	154,945	(84,776)
Land use rights	13,484	(567)	2,588	(411)
Total finite-lived intangible assets	$178,059	$(107,046)	$210,677	$(104,673)
Indefinite-lived intangible assets:				
Trademarks and trade names	$35,701		$47,662	

(1) Amounts include the impact of foreign currency translation. Fully amortized or impaired amounts are written off.

Amortization expense for intangible assets subject to amortization was $17,333, $17,945 and $19,230 for the years ended December 31, 2015, 2014 and 2013, respectively. After consideration for the impairment losses recorded into 2015, the Company estimates amortization expense to be recognized during the next five years as follows:

For the Year Ending December 31,	
2016	$12,000
2017	10,800
2018	9,800
2019	9,800
2020	8,500

Government Grants

The Company received $8,650 in government grants related to property, plant and equipment and land use rights related to the expansion in China. The grants are recorded in other current liabilities and other long-term liabilities in the consolidated balance sheets and recognized into income over the useful life of the associated assets (20 to 50 years).

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NOTE 7 — Debt and Credit Arrangements
Summary of Outstanding Borrowings
The following table represents the components of the Company's borrowings:

	December 31,	
	2015	2014
Convertible notes, due August 2018, effective interest rate of 7.9%	$215,634	$204,099
Foreign facilities	6,160	4,903
Total debt	221,794	209,002
Less: current maturities	(6,160)	(4,903)
Long-term debt	$215,634	$204,099

Convertible Notes
The outstanding aggregate principal amount of the Company's Convertible Notes is $250,000. The Convertible Notes bear interest at a fixed rate of 2.0% per year, payable semiannually in arrears on February 1 and August 1 of each year, and will mature on August 1, 2018. The effective interest rate at issuance was 7.9%.
The Convertible Notes are senior subordinated unsecured obligations of the Company and are not guaranteed by any of the Company's subsidiaries. The Convertible Notes are senior in right of payment to the Company's future subordinated debt, equal in right of payment with the Company's future senior subordinated debt and are subordinated in right of payment to the Company's existing and future senior indebtedness, including indebtedness under the Company's existing credit agreement.
In connection with the issuance of the Convertible Notes, the Company entered into privately-negotiated convertible note hedge and capped call transactions with affiliates of certain of the underwriters (the "Option Counterparties"). The convertible note hedge and capped call transactions relate to, collectively, 3,622 shares, which represents the number of shares of the Company's common stock underlying the Convertible Notes, subject to anti-dilution adjustments substantially similar to those applicable to the Convertible Notes. These convertible note hedge and capped call transactions are expected to reduce the potential dilution with respect to the Company's common stock upon conversion of the Convertible Notes and/or reduce the Company's exposure to potential cash or stock payments that may be required upon conversion of the Convertible Notes, except, in the case of the capped call transactions, to the extent that the market price per share of the Company's common stock exceeds the cap price of the capped call transactions. The Company also entered into separate warrant transactions with the Option Counterparties initially relating to the number of shares of the Company's common stock underlying the convertible note hedge transactions, subject to customary anti-dilution adjustments. The warrant transactions will have a dilutive effect with respect to the Company's common stock to the extent that the price per share of the Company common stock exceeds the strike price of the warrants unless the Company elects, subject to certain conditions, to settle the warrants in cash. These warrants were exercisable as of the issuance date of the Convertible Notes. The cap price of the capped call transactions and the strike price of the warrant transactions was initially $84.96 per share. Proceeds received from the issuance of the warrants totaled approximately $48,848 and were recorded as an addition to additional paid-in-capital. The net cost of the convertible note hedge and capped call transactions, taking into account the proceeds from the issuance of the warrants, was approximately $17,638.
In accordance with ASC 815, contracts are initially classified as equity if (1) the contract requires physical settlement or net-share settlement, or (2) the contract gives the entity a choice of net-cash settlement in its own shares (physical settlement or net-share settlement). The Company concluded that the settlement terms of the convertible note hedge, capped call and warrant transactions permit net-share settlement. As such, the convertible note hedge, capped call and warrant transactions were recorded in equity.

Upon issuance of the Convertible Notes, the Company bifurcated the $250,000 principal balance of the Convertible Notes into a liability component of $170,885, which was recorded as long-term debt, and an equity component of $79,115, which was initially recorded as additional paid-in-capital. The liability component was recognized at the present value of its associated cash flows using a 7.9% straight-debt rate which represented the Company's interest rate for similar debt instruments at that time without a conversion feature and is being accreted to interest expense over the term of the Convertible Notes. At

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December 31, 2015 and 2014, the carrying amount of the liability component was $215,634 and $204,099, respectively, and the unamortized debt discount of the Convertible Notes was $34,366 and $45,901, respectively.
For the years ended December 31, 2015, 2014 and 2013, interest expense for the Convertible Notes was $16,535, $15,662 and $14,854, respectively, which included $11,535, $10,662 and $9,854 of non-cash interest accretion expense related to the carrying amount of the Convertible Notes, respectively, and $5,000 of 2.0% cash interest in each year. In accordance with ASC 470-20, which requires issuers to separately account for the liability and equity components of convertible debt instruments that may be settled in cash upon conversion, the Company allocated debt issuance costs to the liability and equity components in proportion to their allocated value. Debt issuance costs were $7,277, with $2,303 recorded as a reduction in additional paid-in-capital. The remaining balance of $4,974 is being amortized over the term of the Convertible Notes. Total expense associated with the amortization of these debt issuance costs was $711 in each of the years ended December 31, 2015, 2014 and 2013.

Prior to May 1, 2018, the Convertible Notes will be convertible at the option of the holders thereof only under the following circumstances: (1) during any fiscal quarter commencing after September 30, 2011 (and only during such fiscal quarter), if the last reported sale price of the Company’s common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price (currently $69.03) for the Convertible Notes on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “Measurement Period”) in which, as determined following a request by a holder of Convertible Notes as provided in the bond indenture (the “Indenture”), the trading price per $1,000 principal amount of Convertible Notes for each trading day of such Measurement Period was less than 97% of the product of the last reported sale price of the Company’s common stock and the applicable conversion rate for the Convertible Notes on each such trading day; or (3) upon the occurrence of specified corporate events pursuant to the terms of the Indenture. On or after May 1, 2018, until the close of business on the second scheduled trading day immediately preceding the maturity date of the Convertible Notes, holders of the Convertible Notes may convert their Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the Company will pay cash up to the aggregate principal amount of the Convertible Notes to be converted and pay or deliver, as the case may be, cash, shares of the Company’s common stock or a combination of cash and shares of the Company’s common stock, at the Company’s election, in respect of the remainder, if any, of the Company’s conversion obligation in excess of the aggregate principal amount of the Convertible Notes being converted. It is the Company’s intention to settle any excess conversion value in shares of the Company’s common stock.

The conversion rate on the Convertible Notes will be subject to adjustment upon the occurrence of certain events, but will not be adjusted for any accrued and unpaid interest. In addition, following the occurrence of a make-whole fundamental change, the Company will, in certain circumstances, increase the conversion rate for a holder that converts its Convertible Notes in connection with such make-whole fundamental change. The Company may not redeem the Convertible Notes prior to maturity. If the Company undergoes a fundamental change, subject to certain conditions, holders may require the Company to purchase the Convertible Notes in whole or in part for cash at a fundamental change purchase price equal to 100% of the principal amount of the Convertible Notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date. For purposes of calculating earnings per share, if the average market price of the Company’s common stock exceeds the applicable conversion price during the periods reported, shares contingently issuable under the Convertible Notes will have a dilutive effect with respect to the Company’s common stock.

The Company reassesses the convertibility of the Convertible Notes and the related balance sheet classification on a quarterly basis. As of December 31, 2015 and December 31, 2014, events for early conversion were not met, and thus the Convertible Notes were not convertible as of and for the fiscal quarter beginning January 1, 2016 or January 1, 2015, respectively. There have been no conversions as of the date of this filing.

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Senior Secured Revolving Credit Facility

The Company has a five-year $450,000 senior secured revolving credit facility (the “SSRCF”) which matures on October 29, 2019. The SSRCF includes a $25,000 sub-limit for the issuance of swingline loans and a $100,000 sub-limit to be used for letters of credit. There is a foreign currency limit of $100,000 under the SSRCF which can be used for foreign currency denominated letters of credit and borrowings in a foreign currency, in each case in currencies agreed upon with the lenders. In addition, the facility permits borrowings up to $100,000 made by the Company’s wholly-owned subsidiaries, Chart Industries Luxembourg S.à r.l. (“Chart Luxembourg”) and Chart Asia Investment Company Limited (“Chart Asia”). The SSRCF also includes an expansion option permitting the Company to add up to an aggregate $200,000 in term loans or revolving credit commitments from its lenders.

The Company recorded $2,869 in deferred debt issuance costs associated with the SSRCF which are being amortized over the five-year term of the SSRCF. For the years ended December 31, 2015, 2014 and 2013, total expense associated with the amortization of theses debt issuance costs was $579, $586 and $595, respectively.

Revolving loans under the SSRCF bear interest, at the applicable Borrower’s election, at either LIBOR or the greatest of (a) the JPMorgan prime rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1% or (c) the Adjusted LIBOR Rate (as defined in the SSRCF) for the relative interest period on such day (or if such day is not a business day, the immediately preceding business day) plus 1% (the “Adjusted Base Rate”), plus a margin that varies with the Company’s leverage ratio. In addition, the Company is required to pay a commitment fee of between 0.25% and 0.40% of the unused revolver balance and a letter of credit participation fee equal to the daily aggregate letter of credit exposure at the rate per annum equal to the Applicable Margin for Eurocurrency Revolving Facility Borrowings (ranging from 1.5% to 2.75%, depending on the leverage ratio calculated at each fiscal quarter end). A fronting fee must be paid on each letter of credit that is issued equal to 0.125% per annum of the stated dollar amount of the letter of credit.

Significant financial covenants for the SSRCF include a minimum liquidity requirement equal to the principal amount of the Convertible Notes outstanding six months prior to the maturity date of the Convertible Notes and when holders of the Convertible Notes have the option to require the Company to repurchase the Convertible Notes, a maximum leverage ratio of 3.25 and a minimum interest coverage to EBITDA ratio of 3.0. The required leverage ratio can be relaxed on up to two occasions, upon notification to the lenders, to 3.75 for up to four consecutive fiscal quarters, for acquisitions and plant expansions of $100,000 or greater. The SSRCF contains a number of other customary covenants including, but not limited to, restrictions on the Company’s ability to incur additional indebtedness, create liens or other encumbrances, sell assets, enter into sale and lease-back transactions, make certain payments, investments, loans, advances or guarantees, make acquisitions and engage in mergers or consolidations and pay dividends or distributions. At December 31, 2015, the Company was in compliance with all covenants.

At December 31, 2015, there were no borrowings outstanding under the SSRCF. The Company had $28,683 in letters of credit issued and bank guarantees supported by the SSRCF, which had availability of $421,317 at December 31, 2015. The obligations under the SSRCF are guaranteed by the Company and substantially all of its U.S. subsidiaries and secured by substantially all of the assets of the Company and its U.S. subsidiaries and 65% of the capital stock of the Company’s material non-U.S. subsidiaries (as defined by the SSRCF) that are owned by U.S. subsidiaries.

Foreign Facilities – China

Chart Cryogenic Engineering Systems (Changzhou) Company Limited (“CCESC”), Chart Energy & Chemicals Wuxi Co., Ltd. (“Wuxi”) and Chart Biomedical (Chengdu) Co. Ltd. (“Chengdu”), wholly-owned subsidiaries of the Company, and Chart Cryogenic Distribution Equipment (Changzhou) Company Limited (“CCDEC”), a joint venture of the Company, maintain joint banking facilities (the “China Facilities”) which include a revolving line with 50.0 million Chinese yuan (equivalent to $7,700) in borrowing capacity which can be utilized for either revolving loans, bonds/guarantees, or bank draft acceptances. Any borrowings made by CCESC, CCDEC, Chengdu or Wuxi under the China Facilities are guaranteed by the Company. At December 31, 2015, there was 30.0 million Chinese yuan (equivalent to $4,620) outstanding under the revolving line, bearing interest at 5.4% on a weighted-average basis, and

CCESC, CCDEC and Wuxi had 4.7 million Chinese yuan (equivalent to $722), 5.3 million Chinese yuan (equivalent to $813) and 0.6 million Chinese yuan (equivalent to $86) in bank guarantees, respectively.
CCDEC maintains a credit facility whereby CCDEC may borrow up to 40.0 million Chinese yuan (equivalent to $6,160) for working capital purposes. This credit facility is effective until June 30, 2016. At December 31, 2015, there was 10.0 million Chinese yuan (equivalent to $1,540) outstanding under this facility, bearing interest at 5.7%.

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CCESC maintains a credit facility whereby CCESC may borrow up to 38.0 million Chinese yuan (equivalent to $5,852) for working capital purposes. This credit facility is effective until July 5, 2016. There were no borrowings under this facility as of December 31, 2015.

CCESC maintains an unsecured credit facility whereby CCESC may borrow up to 30.0 million Chinese yuan (equivalent to $4,620) for working capital and bank guarantee purposes. This credit facility is effective until June 30, 2016. There were no borrowings under this facility at December 31, 2015.

Foreign Facilities – Europe

Chart Ferox, a.s. (“Ferox”), a wholly-owned subsidiary of the Company, maintains two secured credit facilities with capacity of up to 175.0 million Czech koruna (equivalent to $7,050). Both of the facilities allow Ferox to request bank guarantees and letters of credit. Neither of the facilities allows revolving credit borrowings. Under both facilities, Ferox must pay letter of credit and guarantee fees equal to 0.70% per annum on the face amount of each guarantee or letter of credit. Ferox’s land and buildings secure the credit facilities. As of December 31, 2015, there were bank guarantees of 20.4 million Czech koruna (equivalent to $822) supported by the Ferox credit facilities.

Chart Luxembourg maintains an overdraft facility with $5,000 in borrowing capacity. There were no borrowings under the Chart Luxembourg facility as of December 31, 2015.

Scheduled Annual Maturities

The scheduled annual maturities of long-term debt at December 31, 2015, are as follows:

Year	Amount
2016	$6,160
2017	—
2018	250,000
Total	$256,160

Cash paid for interest during the years ended December 31, 2015, 2014 and 2013 was $5,113, $6,838 and $7,233, respectively.

Fair Value Disclosures

The fair value of the Convertible Notes was approximately 88% of their par value as of December 31, 2015 and approximately 95% of their par value as of December 31, 2014. The Convertible Notes are actively quoted instruments and, accordingly, the fair value of the Convertible Notes was determined using Level 1 inputs as defined in Note 10.

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NOTE 8 — Financial Instruments and Derivative Financial Instruments
Concentrations of Credit Risks: The Company sells its products to gas producers, distributors and end-users across the industrial gas, hydrocarbon, chemical processing, respiratory therapy and life sciences industries in countries all over the world. Approximately 51%, 53% and 59% of sales were to foreign countries in 2015, 2014 and 2013, respectively. No single customer exceeded ten percent of consolidated sales in 2015, 2014 and 2013. Sales to the Company's top ten customers accounted for 36%, 34% and 37% of consolidated sales in 2015, 2014 and 2013, respectively. The Company's sales to particular customers fluctuate from period to period, but the large industrial gas producer and distributor customers of the Company tend to be a consistently large source of revenue for the Company. The Company is also subject to concentrations of credit risk with respect to its cash and cash equivalents and forward foreign currency exchange contracts. To minimize credit risk from these financial instruments, the Company enters into arrangements with major banks and other quality financial institutions and invests only in high-quality instruments. The Company does not expect any counterparties to fail to meet their obligations in this area.
The changes in fair value with respect to the Company's foreign currency forward contracts generated net gains of $2,673 and $2,670 for the years ended December 31, 2015 and 2014, respectively and a net loss of $2,940 for the year ended December 2013.
NOTE 9 — Product Warranties
The Company provides product warranties with varying terms and durations for the majority of its products. The Company estimates its warranty reserve by considering historical and projected warranty claims, historical and projected cost-per-claim and knowledge of specific product issues that are outside its typical experience. The Company records warranty expense in cost of sales in the consolidated statement of operations. Product warranty claims not expected to occur within one year are recorded in the long-term portion of the warranty reserve in the consolidated balance sheets.
The following table represents changes in the Company's consolidated warranty reserve:

	Year Ended December 31,		
	2015	2014	2013
Beginning balance	$24,246	$33,827	$44,486
Warranty expense	16,705	14,463	17,486
Warranty usage	(19,976)	(24,044)	(28,359)
Acquired warranty reserves	—	—	214
Ending balance	$20,975	$24,246	$33,827

As a result of the BioMedical segment's acquisition of AirSep Corporation ("AirSep") in August 2012, the Company assumed exposure for warranty claims for AirSep's various product lines. One of these product lines in particular experienced high failure rates with respect to certain of its models and designs as compared to AirSep's other products. The Company established a warranty reserve on AirSep's opening balance sheet to account for the cost of satisfying future warranty claims, including a separately calculated warranty reserve for those certain models and designs in the product line that experienced greater warranty return rates (collectively, the "acquired warranty reserve"). The Company has experienced a significant number of warranty claims as AirSep products sold in prior periods run through their respective warranty periods. Usage of the acquired warranty reserve includes claims related to all of AirSep's product lines, including costs associated with the population of units for which a warranty reserve was separately calculated. Usage of the acquired warranty reserve has exceeded warranty expense since the acquisition. The Company has made various design improvements to this product line, revised the warranty claim process, and reduced the average cost to repair units since the 2012 acquisition, all in an effort to mitigate the costs associated with these warranty issues. The Company does not expect future warranty expense to be as significant as it has been since the acquisition.

Warranty expense for 2014 does not include the impact of the Company’s recovery of $5,003 during 2014 from an escrow settlement relating to excess warranty costs for certain product lines acquired from AirSep in 2012.

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NOTE 10 — Business Combinations
Thermax Acquisition
On July 1, 2015, the Company acquired 100% of the equity interests of Thermax, Inc. (“Thermax”) for an estimated purchase price of $29,684 after working capital adjustments, of which $24,197 was paid at closing (net of $2,307 in cash acquired). The cash purchase price is subject to post-closing adjustments. The remainder of the estimated purchase price represents the estimated fair value of the contingent consideration to be paid over four years based on the achievement of certain earnings targets. The fair value of the net assets acquired and goodwill at the date of acquisition was $19,264 and $10,420, respectively. Net assets includes $10,000 in intangible assets, which consists of customer relationships, unpatented technology and trademarks and trade names.
Thermax, headquartered in Dartmouth, Massachusetts, designs and sells cryogenic fluid vaporizers and other ambient and powered vaporizer products utilized in industrial gas, petrochemical, and liquefied natural gas applications. Thermax’s results are included in the Company’s D&S business segment from the date of acquisition.
Wuxi Acquisition
On May 27, 2014, Chart Asia finalized the acquisition of 100% of the equity of Wuxi Zhongbo Gas and Air Equipment Manufacturing Co. Ltd., which changed its name to Chart Energy & Chemicals Wuxi Co., Ltd., for an aggregate cash purchase price of 73.3 million Chinese yuan (equivalent to $11,943), net of cash acquired. The fair value of the net assets acquired and goodwill at the date of acquisition was 15.6 million Chinese yuan and 57.7 million Chinese yuan, respectively. Wuxi, located in Wuxi, Jiangsu Province, China, designs, manufactures and sells low-pressure brazed aluminum heat exchangers and fabricates cold boxes. Wuxi’s results are included in the Company’s E&C segment as of the date of acquisition.
Contingent Consideration
The estimated fair value of contingent consideration relating to the Thermax acquisition was $1,800 at the date of acquisition and was valued according to a discounted cash flow approach, which includes assumptions regarding the probability of achieving certain earnings targets and a discount rate applied to the potential payments. Potential payments may be paid between July 1, 2016 and July 1, 2019 based on the attainment of certain earnings targets. The potential payment related to Thermax contingent consideration is between $0 and $11,288.
The estimated fair value of contingent consideration relating to a prior BioMedical segment acquisition is currently valued at $0. The valuation was performed using a discounted cash flow approach which includes assumptions regarding the probability of achieving gross sales targets and the discount rate applied to the potential payments. Potential payments may be paid between January 1, 2016 and March 31, 2016 based on the attainment of certain revenue targets. The remaining potential payment related to BioMedical segment contingent consideration is between $0 and $1,648.
Valuations are performed using Level 3 inputs as defined in Note 11 and are evaluated on a quarterly basis based on forecasted sales and earnings targets. Contingent consideration liabilities are classified as other current liabilities and other long-term liabilities in the consolidated balance sheets. Changes in fair value of contingent consideration, including accretion, are recorded as selling, general and administrative expenses in the consolidated statements of operations and comprehensive (loss) income.

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The following table represents the changes in contingent consideration liabilities by segment:

	Distribution & Storage	BioMedical	Total
Balance at January 1, 2013	$—	$1,990	$1,990
Increase in fair value of contingent consideration liabilities	—	299	299
Balance at December 31, 2013	—	2,289	2,289
Decrease in fair value of contingent consideration liabilities	—	(474)	(474)
Payment of contingent consideration	—	(741)	(741)
Balance at December 31, 2014	—	1,074	1,074
Fair value of contingent consideration at inception	1,800	—	1,800
Decrease in fair value of contingent consideration liabilities	(39)	(463)	(502)
Payment of contingent consideration	—	(611)	(611)
Balance at December 31, 2015	$1,761	$—	$1,761

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NOTE 11 — Fair Value Measurements

The Company measures its financial assets and liabilities at fair value on a recurring basis using a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies. The three levels of inputs used to measure fair value are as follows:

Level 1 — Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 — Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Recurring Fair Value Measurements

Financial assets and liabilities measured at fair value on a recurring basis and presented in the Company's consolidated balance sheets are as follows:

	December 31, 2015		
	Total	Level 2	Level 3
Foreign currency forward contracts	$561	$561	$—
Total financial assets	$561	$561	$—
Foreign currency forward contracts	$470	$470	$—
Contingent consideration liabilities	1,761	—	1,761
Total financial liabilities	$2,231	$470	$1,761

	December 31, 2014		
	Total	Level 2	Level 3
Foreign currency forward contracts	$49	$49	$—
Contingent consideration liabilities	1,074	—	1,074
Total financial liabilities	$1,123	$49	$1,074

Refer to Note 8 for further information regarding foreign currency forward contracts and Note 10 for further information regarding contingent consideration liabilities.

Non-Recurring Fair Value Measurements

During 2015, the Company recorded asset impairment charges of $255,116. Refer to Note 3, Asset Impairments, for further information regarding these charges and the associated significant unobservable inputs.

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NOTE 12 — Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

	December 31, 2015					
	Foreign currency translation adjustments		Pension liability adjustments, net of taxes		Accumulated other comprehensive loss	
Beginning Balance	$3,808		$(12,494	)	$(8,686	)
Other comprehensive loss before reclassifications, net of taxes of $447	(16,321	)	(825	)	(17,146	)
Amounts reclassified from accumulated other comprehensive loss, net of taxes of $501 (1)	—		928		928	
Net current-period other comprehensive loss, net of taxes	(16,321	)	103		(16,218	)
Ending Balance	$(12,513	)	$(12,391	)	$(24,904	)

	December 31, 2014					
	Foreign currency translation adjustments		Pension liability adjustments, net of taxes		Accumulated other comprehensive income (loss)	
Beginning Balance	$18,425		$(5,103	)	$13,322	
Other comprehensive loss before reclassifications, net of taxes of $4,289	(14,617	)	(7,595	)	(22,212	)
Amounts reclassified from accumulated other comprehensive loss, net of taxes of $116 (1)	—		204		204	
Net current-period other comprehensive loss, net of taxes	(14,617	)	(7,391	)	(22,008	)
Ending Balance	$3,808		$(12,494	)	$(8,686	)

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(1) Amounts reclassified from accumulated other comprehensive loss were expensed and included in cost of sales ($562 and $124 for the years ended December 31, 2015 and 2014, respectively) and selling, general and administrative expenses ($867 and $196 for the years ended December 31, 2015 and 2014, respectively) in the consolidated statements of operations.

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NOTE 13 — (Loss) Earnings Per Share

The following table presents calculations of net (loss) income per share of common stock:

	Year Ended December 31,		
	2015	2014	2013
Net (loss) income attributable to Chart Industries, Inc.	$(202,960)	$81,864	$83,176
Net (loss) income attributable to Chart Industries, Inc. per common share:			
Basic	$(6.66)	$2.69	$2.75
Diluted	$(6.66)	$2.67	$2.60
Weighted average number of common shares outstanding — basic	30,493	30,384	30,209
Incremental shares issuable upon assumed conversion and exercise of share-based awards	—	282	411
Incremental shares issuable due to dilutive effect of the Convertible Notes	—	—	974
Incremental shares issuable due to dilutive effect of warrants	—	—	337
Weighted average number of common shares outstanding — diluted	30,493	30,666	31,931

Diluted earnings per share does not consider the following potential common shares as the effect would be anti-dilutive:

	Year Ended December 31,		
	2015	2014	2013
Share-based awards	943	48	1
Convertible note hedge and capped call transactions [1]	—	—	948
Warrants	3,368	3,368	—
Total anti-dilutive securities	4,311	3,416	949

(1) The convertible note hedge and capped call transactions offset any dilution upon actual conversion of the Convertible Notes up to a common stock price of $84.96. See Note 7 for further information.

NOTE 14 — Income Taxes

(Loss) Income Before Income Taxes

(Loss) income before income taxes consists of the following:

	For the Year Ended December 31,		
	2015	2014	2013
United States	$(187,252)	$87,505	$67,355
Foreign	(14,580)	31,659	51,303
(Loss) income before income taxes	$(201,832)	$119,164	$118,658

CHART INDUSTRIES, INC. AND SUBSIDIARIES
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Provision

Significant components of the provision for income taxes are as follows:

	Year Ended December 31,		
	2015	2014	2013
Current:			
Federal	$22,846	$22,608	$19,421
State and local	1,138	1,406	1,618
Foreign	3,103	12,326	11,864
Total current	27,087	36,340	32,903
Deferred:			
Federal	(25,707)	3,135	21
State and local	(619)	180	(364)
Foreign	1,923	(3,563)	(1,264)
Total deferred	(24,403)	(248)	(1,607)
Total provision	$2,684	$36,092	$31,296

Effective Tax Rate Reconciliation

The reconciliation of income taxes computed at the U.S. federal statutory tax rate to income tax expense is as follows:

	Year Ended December 31,		
	2015	2014	2013
Income tax expense at U.S. federal statutory rate	$(70,641)	$41,708	$41,530
State income taxes, net of federal tax benefit	361	841	757
Foreign income, net of credit on foreign taxes	12	(245)	501
Effective tax rate differential of earnings outside of U.S.	(46)	(5,411)	(8,257)
Change in valuation allowance	5,658	—	—
Research & experimentation credits	(860)	(1,150)	(2,105)
Non-deductible items	2,745	1,947	865
Change in uncertain tax positions	60	(52)	(347)
Domestic production activities deduction	(2,133)	(2,093)	(2,237)
Tax effect of asset impairments	67,340	—	—
Other items	188	547	589
Income tax expense	$2,684	$36,092	$31,296

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Deferred Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2015	2014
Deferred tax assets:		
Accruals and reserves	$23,363	$23,197
Pensions	6,276	6,161
Inventory	6,768	5,176
Share-based compensation	8,593	7,235
Tax credit carryforwards	1,046	553
Foreign net operating loss carryforwards	2,454	1,154
State net operating loss carryforwards	1,922	1,331
Other – net	2,714	3,230
Total deferred tax assets before valuation allowance	53,136	48,037
Valuation allowance	(8,842)	(1,982)
Total deferred tax assets, net of valuation allowance	$44,294	$46,055
Deferred tax liabilities:		
Property, plant and equipment	$20,482	$24,063
Goodwill and intangible assets	25,474	47,771
Convertible notes	1,586	2,118
Total deferred tax liabilities	$47,542	$73,952
Net deferred tax liabilities	$3,248	$27,897
The net deferred tax liability is classified as follows:		
Deferred income taxes	$—	$(17,248)
Other assets	(1,898)	(1,743)
Long-term deferred tax liabilities	5,146	46,888
Net deferred tax liabilities	$3,248	$27,897

Federal, State and Local Net Operating Loss Carryforwards: As a result of the Company's acquisition of SeQual in 2010, the Company has $29,379 of state net operating losses. California tax law limits the use of these state net operating losses. The remaining state net operating losses expire between 2016 and 2030. In addition, the Company has state net operating losses in various other states which begin to expire in 2017. The gross deferred tax asset for the state net operating losses of $1,922 is substantially offset by a valuation allowance of $1,514.

Foreign Net Operating Loss Carryforwards: As of December 31, 2015, cumulative foreign operating losses of $11,542 generated by the Company were available to reduce future taxable income. Approximately $10,747 of these operating losses expire between 2019 and 2023. The remaining $795 can be carried forward indefinitely. The deferred tax asset for the foreign operating losses of $2,454 is substantially offset by a valuation allowance of $2,319.

Other Tax Information

The Company has not provided for income taxes on approximately $190,681 of foreign subsidiaries' undistributed earnings as of December 31, 2015, since the earnings retained have been reinvested indefinitely by the subsidiaries. It is not practicable to estimate the additional income taxes and applicable foreign withholding taxes that would be payable on the remittance of such undistributed earnings.

Cash paid for income taxes during the years ended December 31, 2015, 2014 and 2013 was $30,492, $31,208 and $24,977, respectively.

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Unrecognized Income Tax Benefits

The reconciliation of beginning to ending unrecognized tax benefits is as follows:

	Year Ended December 31,		
	2015	2014	2013
Unrecognized tax benefits at beginning of the year	$948	$941	$3,339
Additions for tax positions of prior years	98	358	299
Reductions for tax positions of prior years	—	(329)	(1,921)
Lapse of statutes of limitation	(22)	(22)	(776)
Unrecognized tax benefits at end of the year	$1,024	$948	$941

Included in the balance of unrecognized tax benefits at December 31, 2015 and 2014 were $504 and $462, respectively, of income tax benefits which, if ultimately recognized, would impact the Company's annual effective tax rate.

The Company had accrued approximately $121 and $94 for the payment of interest and penalties at December 31, 2015 and 2014, respectively. The Company accrued approximately $27 and $1 during the years ended December 31, 2015 and 2014, respectively in additional interest associated with uncertain tax positions. The Company recorded a net benefit of $8 for interest expense during the year ended December 31, 2013 due to the filing of an amended tax return which offset the accrual of interest expense related to existing uncertain tax positions.

The Company is subject to income taxes in the U.S. federal jurisdiction and various state and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years prior to 2011.

Due to the expiration of various statutes of limitation, it is reasonably possible the Company's unrecognized tax benefits at December 31, 2015 may decrease within the next twelve months by approximately $219.

NOTE 15 — Employee Benefit Plans

Defined Benefit Plan

The Company has a defined benefit pension plan which is frozen, that covers certain U.S. hourly and salary employees. The defined benefit plan provides benefits based primarily on the participants' years of service and compensation.

The components of net periodic pension expense (income) are as follows:

	Year Ended December 31,		
	2015	2014	2013
Interest cost	$2,289	$2,360	$2,112
Expected return on plan assets	(3,199)	(3,105)	(2,705)
Amortization of net loss	1,429	320	1,348
Total net periodic pension expense (income)	$519	$(425)	$755

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The changes in the projected benefit obligation and plan assets, the funded status of the plans and the amounts recognized in the consolidated balance sheets are as follows:

	December 31, 2015	2014
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$62,107	$50,684
Interest cost	2,289	2,360
Benefits paid	(3,088)	(1,876)
Actuarial (gains) losses	(3,035)	10,939
Projected benefit obligation at year end	$58,273	$62,107
Change in plan assets:		
Fair value of plan assets at beginning of year	$45,187	$42,965
Actual (loss) return	(1,109)	2,160
Employer contributions	—	1,938
Benefits paid	(3,088)	(1,876)
Fair value of plan assets at year end	$40,990	$45,187
Funded status (Accrued pension liabilities)	$(17,283)	$(16,920)
Unrecognized actuarial loss recognized in accumulated other comprehensive loss	$19,657	$19,814

The estimated net loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is $1,537.
The actuarial assumptions used in determining pension plan information are as follows:

	December 31, 2015	2014	2013
Assumptions used to determine benefit obligation at year end:			
Discount rate	4.00%	3.75%	4.75%
Assumptions used to determine net periodic benefit cost:			
Discount rate	3.75%	4.75%	3.75%
Expected long-term weighted-average rate of return on plan assets	7.25%	7.25%	7.25%

The discount rate reflects the current rate at which the pension liabilities could be effectively settled at year end. In estimating this rate, the Company looks to rates of return on high quality, fixed-income investments that receive one of the two highest ratings given by a recognized rating agency and the expected timing of benefit payments under the plan.
The expected return assumptions were developed using an averaging formula based upon the plans' investment guidelines, mix of asset classes, historical returns of equities and bonds, and expected future returns. The Company employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of short and long-term plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalizations. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements and periodic asset/liability studies.

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The target allocations by asset category at December 31 are as follows:

Target Allocations by Asset Category:	2015	2014
Equity	60%	55%
Fixed income	30%	43%
Cash and cash equivalents	6%	2%
Other	4%	0%
Total	100%	100%

The fair values of the plan assets by asset class at December 31 are as follows:

	Fair Value Total		Level 2		Level 3	
Plan Assets:	2015	2014	2015	2014	2015	2014
Equity funds	$27,814	$29,435	$27,814	$29,435	$—	$—
Fixed income funds	12,846	13,766	12,846	13,766	—	—
Other investments	330	1,986	—	—	330	1,986
Total	$40,990	$45,187	$40,660	$43,201	$330	$1,986

The plan assets are primarily invested in pooled separate funds. The fair values of equity securities and fixed income securities held in pooled separate funds are based on net asset value of the units of the funds as determined by the fund manager. These funds are similar in nature to retail mutual funds, but are typically more efficient for institutional investors. The fair value of pooled funds is determined by the value of the underlying assets held by the fund and the units outstanding. The value of the pooled funds is not directly observable, but is based on observable inputs. As such, these plan assets are valued using Level 2 inputs as defined in Note 11. Certain plan assets in the other investments asset category are invested in a general investment account where the fair value is derived from the liquidation value based on an actuarial formula as defined under terms of the investment contract. These plan assets were valued using unobservable inputs and, accordingly, the valuation was performed using Level 3 inputs as defined in Note 11.

The following table represents changes in the fair value of plan assets categorized as Level 3 from the preceding table:

Balance at January 1, 2014	$2,161	
Return on plan assets	34	
Purchases, sales and settlements, net	(1,898	)
Transfers, net	1,689	
Balance at December 31, 2014	$1,986	
Return on plan assets	89	
Purchases, sales and settlements, net	(3,486	)
Transfers, net	1,741	
Balance at December 31, 2015	$330	

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The Company's funding policy is to contribute at least the minimum funding amounts required by law. Based upon current actuarial estimates, the Company does not expect to contribute to its defined benefit pension plan until 2017. The following benefit payments are expected to be paid by the plan in each of the next five years and in the aggregate for the subsequent five years:

2016	$2,300
2017	2,500
2018	2,700
2019	2,800
2020	2,900
In aggregate during five years thereafter	16,200

Multi-Employer Plan

The Company contributes to a multi-employer plan for certain collective bargaining U.S. employees. The risks of participating in this multi-employer plan are different from a single employer plan in the following aspects:

(a) Assets contributed to the multi-employer by one employer may be used to provide benefits to employees of other participating employers.

(b) If a participating employer ceases contributing to the plan, the unfunded obligations of the plan may be inherited by the remaining participating employers.

(c) If the Company chooses to stop participating in the multi-employer plan, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company has assessed and determined that the multi-employer plan to which it contributes is not significant to the Company's financial statements. The Company does not expect to incur a withdrawal liability or expect to significantly increase its contribution over the remainder of the current contract period which ends in February 2018. The Company made contributions to the bargaining unit supported multi-employer pension plan resulting in expense of $739, $992 and $908 for the years ended December 31, 2015, 2014 and 2013, respectively.

Defined Contribution Savings Plan

The Company has a defined contribution savings plan that covers most of its U.S. employees. Company contributions to the plan are based on employee contributions, and include a Company match and discretionary contributions. Expenses under the plan totaled $10,818, $10,773 and $9,814 for the years ended December 31, 2015, 2014 and 2013, respectively.

Voluntary Deferred Income Plan

The Company provides additional retirement plan benefits to certain members of management under the Amended and Restated Chart Industries, Inc. Voluntary Deferred Income Plan. This is an unfunded plan. The Company recorded $255, $409 and $276 of expense associated with this plan for the years ended December 31, 2015, 2014 and 2013, respectively.

NOTE 16 — Share-based Compensation

Under the Amended and Restated 2005 Stock Incentive Plan ("Stock Incentive Plan") which became effective in October 2005, the Company could grant stock options, stock appreciation rights ("SARs"), restricted stock units ("RSUs"), stock awards and performance based stock awards to employees and directors. The Stock Incentive Plan had reserved 3,421 shares of the Company's common stock for issuance. As of December 31, 2015, 111 options were outstanding under the Stock Incentive Plan. The Company no longer grants awards under this plan.

Under the Amended and Restated 2009 Omnibus Equity Plan ("Omnibus Equity Plan") which was originally approved by the shareholders in May 2009 and reapproved by shareholders in May 2012 as amended and restated, the Company may grant stock options, SARs, RSUs, restricted stock, performance shares, leveraged restricted shares, and common shares to employees and directors. The maximum number of shares available for grant is 3,350, which may be treasury shares or unissued shares. As of December 31, 2015, 587 stock options, 145 shares of restricted stock and RSUs, 59 performance units, and 41 leveraged restricted share units were outstanding under the Omnibus Equity Plan.

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The Company recognized share-based compensation expense of $11,325, $9,692 and $9,989 for the years ended December 31, 2015, 2014 and 2013, respectively. This expense is included in selling, general and administrative expenses in the consolidated statements of operations. The Company also recognized a related tax deficiency of $890 during the year ended December 31, 2015 and tax benefits of $1,859 and $6,673 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2015, total share-based compensation of $5,538 is expected to be recognized over the remaining weighted-average period of approximately 1.7 years.

Stock Options

The Company uses a Black-Scholes option pricing model to estimate the fair value of stock options. The expected volatility was based on historical information. Beginning in 2015, the expected term was based on the historical average life of stock options. Prior to 2015, the Company used the simplified method as defined in SEC Staff Accounting Bulletin No. 107 to determine the expected term. The risk-free rate is based on the U.S. Treasury yield in effect at the time of the grant. Weighted-average grant-date fair values of stock options and the assumptions used in estimating the fair values are as follows:

	Year Ended December 31,		
	2015	2014	2013
Weighted-average grant-date fair value per share	$19.04	$56.15	$41.52
Expected term (years)	5.60	6.25	6.25
Risk-free interest rate	1.70 %	1.00 %	1.00 %
Expected volatility	61.54 %	63.73 %	66.80 %

Under the terms of the Omnibus Equity Plan, stock options generally have a 4 year graded vesting period, an exercise price equal to the fair market value of a share of common stock on the date of grant, and a contractual term of 10 years. The following table summarizes the Company's stock option activity:

	December 31, 2015			
	Number of Shares	Weighted-average Exercise Price	Aggregate Intrinsic Value	Weighted-average Remaining Contractual Term
Outstanding at beginning of year	552	$ 42.92		
Granted	221	34.27		
Exercised	(41)	12.58		
Forfeited	(34)	52.43		
Outstanding at end of year	698	$ 41.52	$542	6.2 years
Vested and expected to vest at end of year	690	$ 41.50	$542	6.1 years
Exercisable at end of year	391	$ 35.88	$542	4.4 years

As of December 31, 2015, total unrecognized compensation cost related to stock options expected to be recognized over the weighted-average period of approximately 2.2 years is $1,942.

The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013 was $740, $940 and $21,199, respectively. The total fair value of stock options vested during the years ended December 31, 2015, 2014 and 2013 was $3,625, $3,163 and $2,673, respectively.

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Restricted Stock and RSUs
Restricted stock and RSUs generally vest ratably over a three-year period and are valued based on the Company's market price on the date of grant. The following table summarizes the Company's unvested restricted stock and RSUs activity:

	December 31, 2015	
	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested at beginning of year	88	$ 77.94
Granted	117	34.15
Forfeited	(51)	55.62
Vested	(9)	70.04
Unvested at end of year	145	$ 46.40

As of December 31, 2015, total unrecognized compensation cost related to unvested restricted stock and RSUs expected to be recognized over the weighted-average period of approximately 1.6 years is $1,921.
The weighted-average grant-date fair value of restricted stock and RSUs granted during the years ended December 31, 2015, 2014 and 2013 was $34.15, $92.17 and $69.72, respectively. The total fair value of restricted stock and RSUs that vested during the years ended December 31, 2015, 2014 and 2013 was $1,563, $3,930 and $5,782, respectively.
Performance Units
Performance units are earned over a three-year period. Based on the attainment of pre-determined performance condition targets as determined by the Compensation Committee of the Board of Directors, performance units earned may be in the range of between 0% and 200%. The following table summarizes the Company's performance units activity:

	December 31, 2015	
	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested at beginning of year	51	$ 72.57
Granted	23	28.25
Vested	(15)	55.93
Unvested at end of year	59	$ 59.15

As of December 31, 2015, total unrecognized compensation cost related to performance units expected to be recognized over a weighted-average period of approximately 2.1 years is $482.
The weighted-average grant-date fair value of performance units granted during the years ended December 31, 2015, 2014 and 2013 was $28.25, $93.34 and $68.21, respectively. The total fair value of performance units that vested during the years ended December 31, 2015 and 2014 was $842 and $2,650, respectively. No performance units vested during the year ended December 31, 2013.

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Leveraged Restricted Share Units
Leveraged restricted share unit awards vest based on the attainment of pre-determined market condition targets as determined by the Compensation Committee of the Board of Directors over a three-year performance period. Units earned may be in the range of between 50% and 150%. The Company valued the leverage restricted share unit awards based on market conditions using a Monte Carlo Simulation model. The following table summarizes the Company's leveraged restricted share unit awards activity:

	December 31, 2015	
	Number of Shares	Weighted-average Grant-Date Fair Value
Unvested at beginning of year	59	$ 84.85
Vested	(18)	67.05
Unvested at end of year	41	$ 92.66

As of December 31, 2015, total unrecognized compensation cost related to leveraged restricted share awards expected to be recognized over the weighted-average period of approximately 0.8 years is $1,193.
The weighted-average grant-date fair value of leveraged restricted share awards granted during the years ended December 31, 2014 and 2013 was $106.90, and $80.34 respectively. The total fair value of leveraged restricted share awards that vested during the year ended December 31, 2015 was $619. No leveraged restricted share awards vested during the years ended December 31, 2014 and 2013.
Directors' Stock Grants
In 2015, 2014 and 2013, the Company granted the non-employee directors stock awards covering 23, 8 and 4 shares of common stock, respectively, which had fair values of $682, $588 and $393, respectively. These stock awards were fully vested on the grant date. Likewise, the fair values were recognized immediately on the grant date.
NOTE 17 — Lease Commitments
The Company incurred $11,147, $11,375, and $10,581 of rental expense under operating leases for the years ended December 31, 2015, 2014 and 2013, respectively. Certain leases contain rent escalation clauses and lease concessions that require additional rental payments in the later years of the term. Rent expense for these types of leases is recognized on a straight-line basis over the minimum lease term. In addition, the Company has the right, but no obligation, to renew certain leases for various renewal terms.
The following table summarizes the future minimum lease payments for non-cancelable operating leases as of December 31, 2015:

2016	$ 9,400
2017	8,500
2018	7,000
2019	5,100
2020	3,100
Thereafter	8,200
Total future minimum lease payments	$ 41,300

NOTE 18 — Commitments and Contingencies
Environmental
The Company is subject to federal, state, local and foreign environmental laws and regulations concerning, among other matters, waste water effluents, air emissions and handling and disposal of hazardous materials such as cleaning fluids. The Company is involved with environmental compliance, investigation, monitoring and remediation activities at certain of its owned and formerly owned manufacturing facilities and at one owned facility that is leased to a third party, and, except for

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these continuing remediation efforts, believes it is currently in substantial compliance with all known environmental regulations. At December 31, 2015 and 2014, the Company had undiscounted accrued environmental reserves of $3,226 and $3,587, respectively. The Company accrues for certain environmental remediation-related activities for which commitments or remediation plans have been developed and for which costs can be reasonably estimated. These estimates are determined based upon currently available facts and circumstances regarding each facility. Actual costs incurred may vary from these estimates due to the inherent uncertainties involved. Future expenditures relating to these environmental remediation efforts are expected to be made over the next 13 years as ongoing costs of remediation programs.

Although the Company believes it has adequately provided for the cost of all known environmental conditions, the applicable regulatory agencies could insist upon different and more costly remediation than those the Company believes are adequate or required by existing law or third parties may seek to impose environmental liabilities on the Company. The Company believes that any additional liability in excess of amounts accrued which may result from the resolution of such matters will not have a material adverse effect on the Company’s financial position, liquidity, cash flows or results of operations.

Legal Proceedings

Chart Energy & Chemicals, Inc., a subsidiary of the Company, was involved in litigation with Enogex Holdings LLC, Enogex Gathering & Processing, LLC and affiliated companies with respect to a December 2010 fire at the Enogex natural gas processing plant in Cox City, Oklahoma. This matter was amicably resolved in October 2015 with no material effect on the Company’s financial position, results of operations, or cash flows.

The Company is occasionally subject to various legal claims related to performance under contracts, product liability, taxes, employment matters, environmental matters, intellectual property and other matters incidental to the normal course of its business. Based on the Company’s historical experience in litigating these claims, as well as the Company’s current assessment of the underlying merits of the claims and applicable insurance, if any, management believes that the final resolution of these matters will not have a material adverse effect on the Company’s financial position, liquidity, cash flows or results of operations. Future developments may, however, result in resolution of these legal claims in a way that could have a material adverse effect.

Restructuring

Due to economic conditions, including low energy prices and global competition, the Company implemented a number of cost reduction or avoidance actions during 2015, including headcount reductions. The Company incurred severance expense associated with headcount reductions in all of its segments; E&C incurred $1,395, D&S incurred $2,926, BioMedical incurred $1,798, and Corporate incurred $1,329. The remaining accrual for these actions is $2,719 as of December 31, 2015 and is expected to be paid in 2016. The Company expects additional severance charges in 2016 to be approximately $3,200 (D&S - $2,800, E&C - $300, and Corporate - $100), but further actions may be required based on future business conditions.

D&S Facility Restructuring

During 2015, Chart announced its intention to close its D&S segment’s leased facility located in Owatonna, Minnesota. This closure is a cost reduction measure in response to lower orders for products manufactured at this facility. Costs incurred during 2015 related to this restructuring activity were approximately $4,100 and include lease exit costs, long-lived asset impairment charges, severance and other miscellaneous costs. Approximately $1,700 of these costs are included in cost of sales and $2,400 are included in selling, general and administrative expenses in the consolidated statements of operations. In the fourth quarter of 2015, D&S closed one of its leased office locations in a cost reduction effort. Cost incurred related to this closure were $710 and include lease exit costs and long-lived asset impairment charges.

The accrual for these restructuring costs within the D&S segment as of December 31, 2015 is $3,113 primarily for costs associated with exiting the facilities. These costs are expected to be paid out over the terms of the associated leases which are expected to end in 2023.

CHART INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars and shares in thousands, except per share amounts)

NOTE 19 — Segment and Geographic Information

The structure of the Company's internal organization is divided into the following reportable segments, which are also the Company's operating segments: E&C, D&S and BioMedical. The Company's reportable segments are business units that are each managed separately because they manufacture, offer and distribute distinct products with different production processes and sales and marketing approaches. The E&C and D&S segments manufacture products used primarily in energy-related and industrial applications, such as the separation, liquefaction, distribution and storage of hydrocarbon and industrial gases. The BioMedical segment supplies cryogenic and other equipment used in the medical, biological research and animal breeding industries. Due to the nature of the products that each segment sells, intersegment sales are not material. Corporate includes operating expenses for executive management, accounting, tax, treasury, corporate development, human resources, information technology, investor relations, legal, internal audit, risk management and share-based compensation expenses that are not allocated to the reporting segments.

The Company evaluates performance and allocates resources based on operating income or loss from continuing operations before interest expense, net, financing costs amortization, foreign currency loss (gain), income tax expense, net and noncontrolling interests, net of taxes. The accounting policies of the reportable segments are the same as those described in Note 2.

Segment Financial Information

	Year Ended December 31, 2015				
	Energy & Chemicals	Distribution & Storage	BioMedical	Corporate	Total
Sales to external customers	$330,968	$487,557	$221,635	$—	$1,040,160
Depreciation and amortization expense	11,805	18,289	12,039	3,315	45,448
Operating (loss) income (1)	(8,138)	41,732	(164,284)	(52,533)	(183,223)
Total assets (2)	251,810	689,112	224,443	36,611	1,201,976
Capital expenditures	4,074	36,835	3,849	2,281	47,039

	Year Ended December 31, 2014				
	Energy & Chemicals	Distribution & Storage	BioMedical	Corporate	Total
Sales to external customers	$388,018	$578,806	$226,128	$—	$1,192,952
Depreciation and amortization expense	9,649	16,749	13,842	2,936	43,176
Operating income (loss) (3)	79,665	85,213	25,694	(52,415)	138,157
Total assets (2)	322,936	666,451	396,320	76,356	1,462,063
Capital expenditures	24,834	29,583	3,484	4,234	62,135

	Year Ended December 31, 2013				
	Energy & Chemicals	Distribution & Storage	BioMedical	Corporate	Total
Sales to external customers	$318,510	$592,616	$266,312	$—	$1,177,438
Depreciation and amortization expense	8,564	15,237	14,618	1,970	40,389
Operating income (loss)	59,671	93,560	33,039	(50,273)	135,997
Total assets (2)	277,760	676,484	431,763	75,623	1,461,630
Capital expenditures	34,194	32,039	3,370	2,982	72,585

(1) Includes asset impairment charges of $255,116 for the year ended December 31, 2015, attributed to E&C - $68,796, D&S - $2,020 , and BioMedical - $184,300.

(2) Corporate assets consist primarily of cash, cash equivalents and deferred income taxes.

CHART INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars and shares in thousands, except per share amounts)

(3) The BioMedical segment's operating income included recovery of $5,003 increasing operating income for the year ended December 31, 2014 from an escrow settlement for breaches of representations and warranties relating to warranty costs (which are in excess of the settlement amount) for certain product lines acquired from AirSep in 2012.

The following table represents the changes in goodwill by segment:

	Energy & Chemicals	Distribution & Storage	BioMedical	Total
Balance at January 1, 2014	$83,215	$160,054	$155,636	$398,905
Foreign currency translation adjustments and other	130	(2,806)	—	(2,676)
Goodwill acquired during the year	9,293	—	—	9,293
Balance at December 31, 2014	92,638	157,248	155,636	405,522
Foreign currency translation adjustments and other	(162)	(1,909)	184	(1,887)
Goodwill acquired during the year	—	10,601	—	10,601
Impairment loss	(64,603)	—	(131,243)	(195,846)
Balance at December 31, 2015	$27,873	$165,940	$24,577	$218,390
Accumulated goodwill impairment loss	$64,603	$—	$131,243	$195,846

Product Sales Information

	Year Ended December 31,		
	2015	2014	2013
Energy & Chemicals			
Natural gas processing (including petrochemical) applications	$180,909	$208,706	$175,397
Liquefied natural gas applications	136,049	143,870	114,567
Industrial gas applications	14,010	35,442	28,546
Total Energy & Chemicals	330,968	388,018	318,510
Distribution & Storage			
Bulk industrial gas applications	203,834	204,214	241,291
Packaged gas industrial applications	167,814	164,966	158,293
Liquefied natural gas applications	115,909	209,626	193,032
Total Distribution & Storage	487,557	578,806	592,616
BioMedical			
Respiratory therapy	132,321	141,273	175,233
Life sciences	64,641	65,948	61,493
Commercial oxygen generation	24,673	18,907	29,586
Total BioMedical	221,635	226,128	266,312
Total	$1,040,160	$1,192,952	$1,177,438

CHART INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars and shares in thousands, except per share amounts)

Geographic Information
Net sales by geographic area are reported by the destination of sales. Net property, plant and equipment by geographic area are reported by country of domicile.

	Sales for the Year Ended December 31,		
	2015	2014	2013
United States	$513,691	$560,846	$479,067
Foreign			
China	109,978	188,047	231,143
Other foreign countries	416,491	444,059	467,228
Total Foreign	$526,469	$632,106	$698,371
Total	$1,040,160	$1,192,952	$1,177,438

	Property, plant and equipment, net as of December 31,		
	2015	2014	2013
United States	$153,987	$163,425	$146,610
Foreign			
Czech Republic	19,742	22,511	23,623
China	79,691	57,580	38,569
Germany	12,246	13,495	14,618
Other foreign countries	611	634	785
Total Foreign	$112,290	$94,220	$77,595
Total	$266,277	$257,645	$224,205

NOTE 20 — Quarterly Data (Unaudited)
Selected quarterly data for the years ended December 31, 2015 and 2014 are as follows:

	Year Ended December 31, 2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Sales	$245,105	$270,252	$264,047	$260,756	$1,040,160
Gross profit	72,523	74,880	68,289	72,772	288,464
Operating income (loss) [(1)]	14,957	25,129	15,609	(238,918)	(183,223)
Net income (loss)	5,275	17,082	4,271	(231,144)	(204,516)
Net income (loss) attributable to Chart Industries, Inc.	5,246	17,157	4,760	(230,123)	(202,960)
Net income (loss) attributable to Chart Industries, Inc. per share—basic [(2)]	$0.17	$0.56	$0.16	$(7.54)	$(6.66)
Net income (loss) attributable to Chart Industries, Inc. per share—diluted [(2) (3)]	$0.17	$0.56	$0.15	$(7.54)	$(6.66)

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(1) Includes impairment of goodwill and intangible assets totaling $253,560 as described in Note 3, Asset Impairments, to the consolidated financial statements.

(2) Basic and diluted (loss) earnings per share are computed independently for each of the quarters presented. As such, the sum of quarterly basic and diluted (loss) earnings per share may not equal reported annual basic and diluted (loss) earnings per share.

(3) Zero incremental shares from share-based awards are included in the computation of diluted net loss per share for periods in which a net loss occurs, because to do so would be anti-dilutive.

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CHART INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Dollars and shares in thousands, except per share amounts)

	Year Ended December 31, 2014				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Sales	$266,240	$306,810	$293,841	$326,061	$1,192,952
Gross profit	77,546	92,181	91,233	96,894	357,854
Operating income (1)	22,146	34,044	40,355	41,612	138,157
Net income	12,339	20,371	23,152	27,210	83,072
Net income attributable to Chart Industries, Inc.	11,997	20,069	22,851	26,947	81,864
Net income attributable to Chart Industries, Inc. per share—basic (2)	$0.40	$0.66	$0.75	$0.89	$2.69
Net income attributable to Chart Industries, Inc. per share—diluted (2)	$0.38	$0.65	$0.74	$0.88	$2.67

(1) Includes recovery of $5,003 increasing operating income during the fourth quarter of 2014 from an escrow settlement for breaches of representations and warranties relating to warranty costs (which are in excess of the settlement amount) for certain product lines acquired from AirSep in 2012. We continue to pursue recovery for breaches of representations and warranties related to warranty costs for certain product lines acquired from AirSep in 2012 under our representation and warranty insurance coverage that exists from the acquisition.

(2) Basic and diluted (loss) earnings per share are computed independently for each of the quarters presented. As such, the sum of quarterly basic and diluted (loss) earnings per share may not equal reported annual basic and diluted (loss) earnings per share.

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CHART INDUSTRIES, INC. AND SUBSIDIARIES
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
(Dollars in thousands)

	Balance at beginning of period	Additions: Charged to costs and expenses	Additions: Charged to other accounts		Deductions		Translations		Balance at end of period
Year Ended December 31, 2015:									
Allowance for doubtful accounts	$6,475	$1,597	$—		$(953	) [2]	$(154	)	$6,965
Allowance for obsolete and excess inventory	5,233	14,802	—		(8,351	) [3]	(415	)	11,269
Deferred tax assets valuation allowance	1,982	7,190	—		(129	) [4]	(201	)	8,842
Year Ended December 31, 2014:									
Allowance for doubtful accounts	$5,654	$1,505	$—		$(633	) [2]	$(51	)	$6,475
Allowance for obsolete and excess inventory	6,556	4,087	—		(5,158	) [3]	(252	)	5,233
Deferred tax assets valuation allowance	1,250	1,089	—		(290	) [4]	(67	)	1,982
Year Ended December 31, 2013:									
Allowance for doubtful accounts	$4,080	$2,447	$199	[1]	$(1,149	) [2]	$77		$5,654
Allowance for obsolete and excess inventory	4,078	2,010	675	[1]	(313	) [3]	106		6,556
Deferred tax assets valuation allowance	1,766	339	—		(879	) [4]	24		1,250

(1) Reserves at date of acquisition of subsidiary or subsidiaries.
(2) Reversal of amounts previously recorded as bad debt and uncollectible accounts written off.
(3) Inventory items written off against the allowance.
(4) Deductions to the deferred tax assets valuation allowance relate to decreased deferred tax assets and the release of the valuation allowance.

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 5 to the Registrant's Registration Statement on Form S-1 (File No. 333-133254)).
3.2	Amended and Restated By-Laws, as amended (incorporated by reference to Exhibit 3.1 to the Registrant's current report on Form 8-K, filed with the SEC on December 19, 2008 (File No. 001-11442)).
4.1	Form of Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 4 to the Registrant's Registration Statement on Form S-1 (File No. 333-133254)).
4.2	Indenture, dated August 3, 2011 by and between Chart Industries, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 5, 2011 (File No. 001-11442)).
4.3	Supplemental Indenture, dated August 3, 2011 by and between Chart Industries, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on August 5, 2011(File No. 001-11442)).
4.4	Form of 2.00% Convertible Senior Subordinated Notes due 2018 (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the SEC on August 5, 2011 (File No. 001-11442)).
10.1	Form of Amended and Restated Management Stockholders Agreement (incorporated by reference to Exhibit 10.10 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (File No. 333-133254)).
10.2	Amended and Restated Chart Industries, Inc. 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11442)).*
10.2.1	Form of Restricted Stock Unit Agreement (for non-employee directors) under the Amended and Restated Chart Industries, Inc. 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.22 to Amendment No. 4 to the Registrant's Registration Statement on Form S-1 (File No. 333-133254)).*
10.2.2	Form of Nonqualified Stock Option Agreement (2007 and 2008 grants) under the Amended and Restated Chart Industries, Inc. 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's current report on Form 8-K, filed with the SEC on August 7, 2007 (File No. 001-11442)).*
10.2.3	Form of Nonqualified Stock Option Agreement (2009 grants) under the Amended and Restated Chart Industries, Inc. 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.3.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11442)).*
10.2.4	Forms of Stock Award Agreement and Deferral Election Form (for non-employee directors) (2008 grants) under the Amended and Restated Chart Industries, Inc. 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.4.6 to the Registrant's Annual Report on Form 10-K for the year ended

	December 31, 2007 (File No. 001-11442)).*
10.2.5	Forms of Stock Award Agreement and Deferral Election Form (for non-employee directors) (2009 grants) under the Amended and Restated Chart Industries, Inc. 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No. 001-11442)).*
10.3	Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan (incorporated by reference to Appendix A to the Registrant's definitive proxy statement filed with the Securities and Exchange Commission on April 10, 2012 (File No. 001-11442)).*
10.3.1	Amendment No. 1 to the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (File No. 001-11442)).*
10.3.2	Form of Nonqualified Stock Option Agreement (2010 grants) under the Chart Industries, Inc. 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.4.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-11442)).*
10.3.3	Forms of Stock Award Agreement and Deferral Election Form (for eligible directors) under the Chart Industries, Inc. 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.4.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 (File No. 001-11442)).*

10.3.4	Form of Nonqualified Stock Option Agreement (2011 grants) under the Chart Industries, Inc. 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-11442)).*
10.3.5	Form of Restricted Stock Agreement (2011 grants) under the Chart Industries, Inc. 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-11442)).*
10.3.6	Form of Performance Unit Agreement (2011 grants) under the Chart Industries, Inc. 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.6 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010 (File No. 001-11442)).*
10.3.7	Form of Leveraged Restricted Share Unit Agreement (2012 and 2013 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the SEC on January 5, 2012 (File No. 001-11442)).*
10.3.8	Form of Nonqualified Stock Option Agreement (2012 grants) under the Chart Industries, Inc. 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.8 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 001-11442)).*
10.3.9	Form of Performance Unit Agreement (2012 grants) under the Chart Industries, Inc. 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.9 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011 (File No. 001-11442)).*
10.3.10	Form of Nonqualified Stock Option Agreement (2013 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.11 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 001-11442)).*
10.3.11	Form of Performance Unit Agreement (2013 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.12 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 001-11442)).*
10.3.12	Form of Nonqualified Stock Option Agreement (2014 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.13 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 001-11442)).*
10.3.13	Form of Performance Unit Agreement (2014 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.14 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 001-11442)).*
10.3.14	Form of Leveraged Restricted Share Unit Agreement (2014 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.15 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 001-11442)).*
10.3.15	Form of Nonqualified Stock Option Agreement (2015 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.16 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 001-11442)).*
10.3.16	

	Form of Performance Unit Agreement (2015 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 001-11442)).*
10.3.17	Form of Restricted Share Unit Agreement (2015 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan (incorporated by reference to Exhibit 10.3.18 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 001-11442)).*
10.3.18	Form of Nonqualified Stock Option Agreement (2016 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan.* (x)
10.3.19	Form of Performance Unit Agreement (2016 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan.* (x)
10.3.20	Form of Performance Unit Agreement (2016 Thomas grant) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan.* (x)
10.3.21	Form of Restricted Share Unit Agreement (2016 grants) under the Chart Industries, Inc. Amended and Restated 2009 Omnibus Equity Plan.* (x)

10.4	Amended and Restated Chart Industries, Inc. Voluntary Deferred Income Plan (incorporated by reference to Exhibit 10.1 to the Registrant’s current report on Form 8-K, filed with the SEC on June 28, 2010 (File No. 001-11442)).*
10.5	Chart Industries, Inc. 2009 Incentive Compensation Plan (incorporated by reference to Appendix B to the Registrant’s definitive proxy statement filed with the Securities and Exchange Commission on April 7, 2009 (File No. 001-11442)).*
10.6	Second Amended and Restated Credit Agreement, dated October 29, 2014, among Chart Industries, Inc., Chart Industries Luxembourg S.à r.l., Chart Asia Investment Company Limited, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K, filed with the SEC on November 3, 2014 (File No. 001-11442)).
10.6.1	Amendment No. 1, dated December 23, 2015, to the Second Amended and Restated Credit Agreement, dated October 29, 2014, among Chart Industries, Inc., Chart Industries Luxembourg S.à r.l., Chart Asia Investment Company Limited, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A. as Administrative Agent. (x)
10.7	Employment Agreement, dated February 26, 2008, by and between Chart Industries, Inc. and Samuel F. Thomas (incorporated by reference to Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-11442)).*
10.7.1	Amendment No. 1, effective January 1, 2009, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Samuel F. Thomas (incorporated by reference to Exhibit 10.9.1 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11442)).*
10.7.2	Amendment No. 2, effective January 1, 2010, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Samuel F. Thomas (incorporated by reference to Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 (File No. 001-11442)).*
10.7.3	Amendment No. 3, dated January 1, 2012, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Samuel F. Thomas (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on January 5, 2012 (File No. 001-11442)). *
10.7.4	Amendment No. 4, dated January 1, 2013, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Samuel F. Thomas (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on January 4, 2013 (File No. 001-11442)). *
10.7.5	Amendment No. 5, dated January 1, 2014, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Samuel F. Thomas (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on January 6, 2014 (File No. 001-11442)). *
10.8	Employment Agreement, dated February 26, 2008, by and between Chart Industries, Inc. and Michael F. Biehl (incorporated by reference to Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-11442)).*
10.8.1	Amendment No. 1, effective January 1, 2009, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Michael F. Biehl (incorporated by reference to Exhibit 10.10.1 to

	the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11442)).*
10.8.2	Amendment No. 2, dated January 1, 2012, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Michael F. Biehl (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 5, 2012 (File No. 001-11442)).*
10.8.3	Amendment No. 3, dated January 1, 2013, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Michael F. Biehl (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 4, 2013 (File No. 001-11442)).*
10.8.4	Amendment No. 4, dated January 1, 2014, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Michael F. Biehl (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 6, 2014 (File No. 001-11442)).*
10.9	Employment Agreement, dated February 26, 2008, by and between Chart Industries, Inc. and Matthew J. Klaben (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-11442)).*
10.9.1	Amendment No. 1, effective January 1, 2009, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Matthew J. Klaben (incorporated by reference to Exhibit 10.11.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11442)).*

10.9.2	Amendment No. 2, dated January 1, 2012, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Matthew J. Klaben (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on January 5, 2012 (File No. 001-11442)).*
10.9.3	Amendment No. 3, dated January 1, 2013, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Matthew J. Klaben (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on January 4, 2013 (File No. 001-11442)).*
10.9.4	Amendment No. 4, dated January 1, 2014, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Matthew J. Klaben (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on January 6, 2014 (File No. 001-11442)).*
10.10	Employment Agreement, dated February 26, 2008, by and between Chart Industries, Inc. and Kenneth J. Webster (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-11442)).*
10.10.1	Amendment No. 1, effective January 1, 2009, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Kenneth J. Webster (incorporated by reference to Exhibit 10.13.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 001-11442)).*
10.10.2	Amendment No. 2, effective January 1, 2010, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Kenneth J. Webster (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 001-11442)).*
10.10.3	Amendment No. 3, dated January 1, 2012, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Kenneth J. Webster (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the SEC on January 5, 2012 (File No. 001-11442)).*
10.10.4	Amendment No. 4, dated January 1, 2013, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Kenneth J. Webster (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the SEC on January 4, 2013 (File No. 001-11442)).*
10.10.5	Amendment No. 5, dated January 1, 2014, to the Employment Agreement dated February 26, 2008 by and between Chart Industries, Inc. and Kenneth J. Webster (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the SEC on January 6, 2014 (File No. 001-11442)).*
10.11	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (File No. 333-133254)).
10.12	Base Call Option Transaction Confirmation, dated as of July 28, 2011, by and between Chart Industries, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 3, 2011(File No. 001-11442)).
10.12.1	Base Call Option Transaction Confirmation, dated as of July 28, 2011, by and between Chart Industries, Inc. and Morgan Stanley & Co. International plc (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on August 3, 2011(File No. 001-11442)).

10.12.2	Base Warrants Transaction Confirmation, dated as of July 28, 2011, by and between Chart Industries, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on August 3, 2011 (File No. 001-11442)).
10.12.3	Base Warrants Transaction Confirmation, dated as of July 28, 2011, by and between Chart Industries, Inc. and Morgan Stanley & Co. International plc (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the SEC on August 3, 2011(File No. 001-11442)).
10.12.4	Base Capped Call Option Transaction Confirmation, dated as of July 28, 2011, by and between Chart Industries, Inc. and JPMorgan Chase Bank, National Association, London Branch (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the SEC on August 3, 2011(File No. 001-11442)).
10.12.5	Base Capped Call Option Transaction Confirmation, dated as of July 28, 2011, by and between Chart Industries, Inc. and Morgan Stanley & Co. International plc (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed with the SEC on August 3, 2011(File No. 001-11442)).
10.13	Agreement and Plan of Merger, dated as of July 23, 2012 by and among Chart Inc., Bison Corp., AirSep Corporation, Joseph L. Priest, as Representative, for purposes of Section 4.10 only, Joseph L. Priest and Ravinder K. Bansal, and for purposes of Section 9.14 only, Chart Industries, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on 8-K filed with the SEC on July 23, 2012 (File No. 001-11442)).

10.13.1	Amendment No. 1 to Agreement and Plan of Merger, dated as of August 30, 2012 by and among Chart Inc., Bison Corp., AirSep Corporation, Joseph L. Priest, as Representative, for purposes of Section 4.10 only, Joseph L. Priest and Ravinder K. Bansal, and for purposes of Section 9.14 only, Chart Industries, Inc. (incorporated by reference to Exhibit 2.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (File No. 001-11442)).
10.14	Chart Industries, Inc. Cash Incentive Plan (incorporated by reference to Appendix A to the Registrant's definitive proxy statement filed with the SEC on April 8, 2014 (File No. 001-11442)).*
21.1	List of Subsidiaries. (x)
23.1	Consent of Independent Registered Public Accounting Firm. (x)
31.1	Rule 13a-14(a) Certification of the Company's Chief Financial Officer. (x)
31.2	Rule 13a-14(a) Certification of the Company's Chief Executive Officer. (x)
32.1	Section 1350 Certification of the Company's Chief Financial Officer. (xx)
32.2	Section 1350 Certification of the Company's Chief Executive Officer. (xx)
101.INS	XBRL Instance Document (xxx)
101.SCH	XBRL Taxonomy Extension Schema Document (xxx)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (xxx)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (xxx)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (xxx)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (xxx)

(x) Filed herewith.
(xx) Furnished herewith.
(xxx) In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.
* Management contract or compensatory plan or arrangement.