FIRST NATIONAL COMMUNITY BANCORP INC
Form 4
May 03, 2005

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
MOSES JOHN P

(Last) (First) (Middle)

102 E. DRINKER STREET

(Street)

DUNMORE, PA 18512

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FIRST NATIONAL COMMUNITY BANCORP INC [FNCB]

3. Date of Earliest Transaction (Month/Day/Year)
05/02/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/02/2005		P		5,000	A	$ 30	43,858	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MOSES JOHN P 102 E. DRINKER STREET DUNMORE, PA 18512	X			

Signatures

William Lance, Attorney-in-Fact	05/02/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Contributed property, plant and equipment, net

$

—

$

4

$

—

Accrued purchases of property, plant and equipment

$

—

$

1

$

—

See notes to consolidated financial statements.

47

NOW INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions, except share data)

	Common Stock Par Value	Additional Paid-In Capital	Retained earnings (deficit)	NOV Net Investment	Accum. Other Comprehensive income (loss)	Total Stockholders' Equity
January 1, 2013	—	—	—	1,953	18	1,971
Net income	—	—	—	147	—	147
Other comprehensive loss	—	—	—	—	(18)	(18)
Contributions from (distributions to) NOV	—	—	—	(298)	—	(298)
December 31, 2013	—	—	—	1,802	—	1,802
Net income	—	—	58	58	—	116
Net transfers from NOV	—	—	—	75	—	75
Stock-based compensation	—	13	—	5	—	18
Reclassification of NOV net investment to additional paid-in capital	—	1,940	—	(1,940)	—	—
Issuance of common stock at Separation	1	(1)	—	—	—	—
Other comprehensive loss	—	—	—	—	(45)	(45)
December 31, 2014	$1	$ 1,952	$ 58	$ —	$ (45)	$ 1,966
Net loss	—	—	(502)	—	—	(502)
Adjustment to income tax from spin-off	—	3	—	—	—	3
Stock-based compensation	—	27	—	—	—	27
Payments related to taxes withheld on stock-based compensation	—	(2)	—	—	—	(2)
Other comprehensive loss	—	—	—	—	(89)	(89)
December 31, 2015	$1	$ 1,980	$ (444)	$ —	$ (134)	$ 1,403

	Shares of Common Stock (in thousands)
January 1, 2014	—
Issuance of common stock at Separation, May 30, 2014	107,053
Issuance of common stock for exercise of options	14
December 31, 2014	107,067
Issuance of common stock for exercise of options and vesting awards	152
December 31, 2015	107,219

See notes to consolidated financial statements.

48

NOW INC.

Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

Nature of Operations

NOW Inc. (“NOW” or the “Company”) is a holding company headquartered in Houston, Texas that was incorporated in Delaware on November 22, 2013. NOW operates primarily under the DistributionNOW and Wilson Export brands. NOW is a global distributor of energy products as well as products for industrial applications through its locations in the U.S., Canada and internationally which are geographically positioned to serve the energy and industrial markets in over 90 countries. NOW’s energy product offerings are used in the oil and gas industry including upstream drilling and completion, exploration and production, midstream infrastructure development and downstream petroleum refining – as well as in other industries, such as chemical processing, power generation and industrial manufacturing operations. The industrial distribution portion of NOW’s business targets a diverse range of manufacturing and facilities across numerous industries and end markets. NOW also provides supply chain management to drilling contractors, E&P operators, midstream operators, downstream energy and industrial manufacturing companies. NOW’s supplier network consists of thousands of vendors in approximately 40 countries.

The Separation

On May 1, 2014, the National Oilwell Varco, Inc. (“NOV”) Board of Directors approved the Spin-Off (the “Spin-Off” or “Separation”) of its distribution business into an independent, publicly traded company named NOW Inc. In accordance with a separation and distribution agreement, the two companies were separated by NOV distributing to its stockholders 107,053,031 shares of common stock of the Company after the market closed on May 30, 2014. Each NOV stockholder received one share of NOW common stock for every four shares of NOV common stock held at the close of business on the record date of May 22, 2014 and not sold prior to close of business on May 30, 2014. Fractional shares of NOW common stock were not distributed and any fractional shares of NOW common stock otherwise issuable to a NOV stockholder were sold in the open market on such stockholder’s behalf, and such stockholder received a cash payment with respect to that fractional share. In conjunction with the Spin-Off, NOV received an opinion from its legal counsel to the effect that, based on certain facts, assumptions, representations and undertakings, for U.S. federal income tax purposes, the distribution of NOW common stock and certain related transactions generally was not taxable to NOV or U.S. holders of NOV common stock, except in respect to cash received in lieu of fractional shares, which generally will be taxable to such holders as a capital gain. Following the Spin-Off, NOW became an independent, publicly traded company as NOV had no ownership interest in NOW. Each company has separate public ownership, boards of directors and management. A Registration Statement on Form 10, as amended, relating to the Spin-Off was filed by the Company with the U.S. Securities and Exchange Commission (“SEC”) and was declared effective on May 13, 2014. On June 2, 2014, NOW stock began trading the “regular-way” on the New York Stock Exchange under the ticker symbol “DNOW”.

Basis of Presentation

All financial information presented before the Spin-Off represents the combined results of operations, financial position and cash flows for the Company and all financial information presented after the Spin-Off represents the consolidated results of operations, financial position and cash flows for the Company. Accordingly:

- The Company’s consolidated statement of operations for the year ended December 31, 2014 consists of the consolidated results of NOW for the period from May 31 through December 31 and the combined results of NOW

for the period from January 1 through May 30.

- The Company's consolidated balance sheet as of December 31, 2015 and December 31, 2014 are presented on a consolidated basis.
- The Company's consolidated statement of cash flows for the year ended December 31, 2014 consists of the consolidated results of NOW for the period from May 31 through December 31 and the combined results of NOW for the period from January 1 through May 30.

The Company's historical financial statements prior to May 31, 2014 were derived from the consolidated financial statements and accounting records of NOV and include assets, liabilities, revenues and expenses directly attributable to the Company's operations. The assets and liabilities in the consolidated financial statements have been reflected on a historical cost basis, as immediately prior to the separation all of the assets and liabilities presented were wholly-owned by NOV and were transferred within NOV. For the periods prior to the Spin-Off, the consolidated financial statements include expense allocations for certain functions provided by NOV as well as other NOV employees not solely dedicated to NOW, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, communications, ethics and compliance, shared services, employee benefits and

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incentives and stock-based compensation. These expenses were allocated to NOW on the basis of direct usage when identifiable, with the remainder allocated on the basis of operating profit, headcount or other measures. Actual costs that would have been incurred, if NOW had been a stand-alone public company, would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

The Company's historical financial statements prior to May 31, 2014 do not reflect the debt or interest costs it might have incurred if it had been a stand-alone entity. In addition, the Company expects to incur other costs, not reflected in its historical financial statements prior to May 31, 2014, as a result of being a separate publicly traded company. As a result, the Company's historical financial statements prior to May 31, 2014 do not necessarily reflect what its financial position or results of operations would have been if it had been operated as a stand-alone public entity during the periods covered prior to May 31, 2014, and may not be indicative of the Company's future results of operations and financial position.

The consolidated financial statements include certain assets and liabilities that have historically been held by NOV but which are specifically identifiable or otherwise allocable to the Company. The cash and cash equivalents held by NOV are not specifically identifiable to NOW and therefore were not allocated to it for any of the periods presented prior to the Spin-Off. Cash and cash equivalents in the Company's consolidated balance sheets primarily represent cash held locally by entities included in its consolidated financial statements. Transfers of cash prior to the Spin-Off to and from NOV's cash management system are reflected as a component of additional paid-in capital on the consolidated balance sheets.

Prior to the Spin-Off, all significant intercompany transactions between NOW and NOV were considered to be effectively settled for cash at the time the transaction was recorded. The total net effect of the settlement of these intercompany transactions is reflected in the consolidated statements of cash flow as a financing activity and in the consolidated balance sheet as additional paid-in capital.

The Company combined operating and warehousing costs with selling, general and administrative expenses in its consolidated statements of operations beginning with its March 31, 2015 Form 10-Q. These costs are now presented within "Warehousing, selling and administrative" expense for all periods presented. Operating and warehousing costs totaled $400 million and $425 million for the years ended December 31, 2015 and 2014, respectively.

Reclassification

Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported operating profit (loss), income (loss) before income taxes or net income (loss).

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standard Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, Revenue from Contracts with Customers: Topic 606. ASU 2014-09 affects any entity using GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, "Revenue Recognition", and most industry-specific guidance. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, "Property, Plant, and Equipment", and intangible assets within the scope of Topic 350, "Intangibles—Goodwill and Other") are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue)

in this ASU. Early application is not permitted. The ASU provides two transition methods: (i) retrospectively to each prior reporting period presented (ii) retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. The amendments in this ASU were originally set up to be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. In August 2015, the FASB proposed the effective date to be the annual reporting periods beginning after December 15, 2017, and interim periods therein. Early application is permitted as early as the original effective date. The Company is currently assessing the impact of ASU No. 2014-09 on its financial position and results of operations.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory. Under ASU 2015-11, inventory will be measured at the “lower of cost and net realizable value.” ASU 2015-11 defines net realizable value as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted and should be applied prospectively. The Company is currently assessing the impact of ASU 2015-11 on its financial position and results of operations.

In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments. Under ASU 2015-16, adjustments to the provisional amounts recognized in a business combination that are identified during the measurement period will be recognized in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes calculated as if the accounting had been completed as of the acquisition date must be recorded in the reporting period in which the adjustment amounts are determined rather than retrospectively. For public entities, ASU 2015-16 is effective for interim and annual periods beginning after December 15, 2015. Early application is permitted and should be applied prospectively. The Company adopted ASU No. 2015-16 in the quarter ended September 30, 2015. The impact of the adoption was immaterial to the Company's consolidated financial statements. See Note 20 "Acquisitions."

Effective December 31, 2015, we early adopted, on a prospective basis, FASB ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes." The ASU requires all deferred tax assets and liabilities, along with any related valuation allowances, to be offset and presented as a single noncurrent amount in a classified balance sheet for each tax-paying component within a tax jurisdiction. See Note 9 "Income Taxes" for additional information.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and Cash Equivalents consist of all highly liquid investments with maturities of three months or less at the date of purchase.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables and payables approximated fair value because of the relatively short maturity of these instruments. See Note 13 "Derivative Financial Instruments" for the fair value of derivative financial instruments.

Inventories

Inventories consist of oilfield and industrial finished goods. Inventories are stated at the lower of cost or market and using average cost methods. Allowances for excess and obsolete inventories are determined based on the Company's historical usage of inventory on hand as well as its future expectations.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for major improvements that extend the lives of property and equipment are capitalized while minor replacements, maintenance and repairs are charged to expense as incurred. Disposals are removed at cost less accumulated depreciation with any resulting gain or loss reflected in the results of operations for the respective period. Depreciation is provided using the straight-line method over the estimated useful lives of individual items.

Long-Lived Assets, Including Goodwill and Other Acquired Intangible Assets

The Company evaluates the recoverability of property, plant and equipment and amortizable intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of property and equipment and intangible assets is not recoverable, the carrying amount of such assets is reduced to fair

value. The Company has not recorded any such impairment charge during the years presented.

The Company conducts impairment testing for goodwill annually in the fourth quarter of its fiscal year and more frequently, on an interim basis, when an event occurs or circumstances change that indicate that the fair value of a reporting unit may have declined below its carrying value. Events or circumstances which could indicate a probable impairment include, but are not limited to, a significant reduction in worldwide oil and gas prices or drilling; a significant reduction in profitability or cash flow of oil and gas companies or drilling contractors; a significant reduction in worldwide well remediation activity; a significant reduction in capital investment by other oilfield service companies; or a significant increase in worldwide inventories of oil or gas.

The Company tests goodwill at the reporting unit level, which is defined as an operating segment or one level below an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. The Company determined that it has four reporting units for this purpose—United States Energy branches, United States Supply Chain locations, Canada and International. Before testing goodwill, the Company considers whether or not to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount and whether the two-step impairment test is required.

The goodwill impairment test is a two-step process. The first step is to identify if a potential impairment exists by comparing the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the impairment test is not necessary. However if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any.

The second step compares the implied fair value of goodwill with the carrying amount of goodwill. If the implied fair value of goodwill exceeds the carrying amount, then goodwill is not considered impaired. However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit were acquired in a business combination).

When performing goodwill impairment testing, the fair values of reporting units are determined based on valuation techniques using the best available information, including discounted cash flow projections. The Company makes significant assumptions and estimates about the extent and timing of future cash flows, growth rates, and discount rates all of which represent unobservable inputs into valuation methodologies and are classified as level 3 inputs under the fair value hierarchy. In evaluating the reasonableness of the Company's fair value estimates, the Company considers, among other factors, the relationship between the market capitalization of the Company and the estimated fair value of its reporting units

In addition to the recoverability assessment, the Company routinely reviews the remaining estimated useful lives of property, plant and equipment and amortizable intangible assets. If the Company reduces the estimated useful life assumption for any asset, the remaining unamortized balance is amortized or depreciated over the revised estimated useful life.

Foreign Currency

The functional currency for most of the Company's foreign operations is the local currency. Certain foreign operations use the U.S. dollar as the functional currency. The cumulative effects of translating the balance sheet accounts from the functional currency into the U.S. dollar at current exchange rates are included in accumulated other comprehensive income (loss). Revenues and expenses are translated at average exchange rates in effect during the period. Accordingly, financial statements of these foreign subsidiaries are remeasured to U.S. dollars for consolidation purposes using current rates of exchange for monetary assets and liabilities and historical rates of exchange for nonmonetary assets and related elements of expense. Revenue and expense elements are remeasured at rates that approximate the rates in effect on the transaction dates. For all operations, gains or losses from remeasuring foreign currency transactions into the reporting currency are included in other income. Net foreign currency transaction losses were $3 million, $2 million and $2 million for the years ending December 31, 2015, 2014 and 2013, respectively, and are included in other income (expense) in the accompanying consolidated statements of operations.

Revenue Recognition

The Company sells products through store fronts, on-site and eCommerce. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. Generally, across every channel, these conditions are met when the product is shipped or picked up by the customer. Revenues are presented net of return allowances and include freight charges billed to customers. Sales tax collected from customers is excluded from revenue in the accompanying consolidated statements of income.

Cost of Products

Cost of products includes the cost of inventory sold and related items, such as vendor consideration, inventory allowances, amortization of intangibles and inbound and outbound freight.

Warehousing, Selling and Administrative Expenses

Warehousing, selling and administrative costs include branch location, distribution center and regional expenses (including costs such as compensation, benefits and rent) as well as corporate general selling and administrative expenses.

Vendor Consideration

The Company receives funds from vendors in the normal course of business, principally as a result of purchase volumes. Generally, these vendor funds do not represent the reimbursement of specific, incremental and identifiable costs incurred by the Company to sell the vendor's product. Therefore, the Company treats these funds as a reduction of inventory when purchased and once these goods are sold to third parties the associated amount is credited to cost of sales. The Company develops accrual rates for vendor consideration based on the provisions of the arrangements in place, historical trends, purchases and future expectations. Due to the complexity and diversity of the individual vendor agreements, the Company performs analyses and reviews historical trends throughout the year and confirms actual amounts with select vendors to ensure the amounts earned are appropriately recorded. Amounts accrued throughout the year could be impacted if actual purchase volumes differ from projected annual purchase volumes, especially in the case of programs that provide for increased funding when graduated purchase volumes are met.

Income Taxes

The liability method is used to account for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more-likely-than-not to be realized.

Concentration of Credit Risk

The Company grants credit to its customers, which operate primarily in the energy industry. Concentrations of credit risk are limited because the Company has a large number of geographically diverse customers, thus spreading trade credit risk. The Company controls credit risk through credit evaluations, credit limits and monitoring procedures. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral, but may require letters of credit for certain international sales. Credit losses are provided for in the financial statements. Allowances for doubtful accounts are determined based on a continuous process of assessing the Company's portfolio on an individual customer basis taking into account current market conditions and trends. This process consists of a thorough review of historical collection experience, current aging status of the customer accounts, and financial condition of the Company's customers. Based on a review of these factors, the Company will establish or adjust allowances for specific customers. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. No single customer represents more than 10% of the Company's revenue. The Company's top 20 customers in aggregate represent approximately one-third of the Company's revenue.

Stock-Based Compensation

Compensation expense for the Company's stock-based compensation plans is measured using the fair value method required by ASC Topic 718 "Compensation—Stock Compensation" ("ASC Topic 718"). Under this guidance the fair value of stock option grants and restricted stock is amortized to expense using the straight-line method over the shorter of the vesting period or the remaining employee service period. The Company provides compensation benefits to employees and non-employee directors under share-based payment arrangements. The Company settles stock option exercises with newly issued shares of stock.

Environmental Liabilities

When environmental assessments or remediations are probable and the costs can be reasonably estimated, remediation liabilities are recorded on an undiscounted basis and are adjusted as further information develops or circumstances

change.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported and contingent amounts of assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contingencies

The Company accrues for costs relating to litigation claims and other contingent matters, when such liabilities become probable and reasonably estimable. Such estimates may be based on advice from third parties or on management's judgment, as appropriate. Revisions to contingent liabilities are reflected in income in the period in which different facts or information become known or circumstances change that affect the Company's previous judgments with respect to the likelihood or amount of loss. Amounts paid

53

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upon the ultimate resolution of contingent liabilities may be materially different from previous estimates and could require adjustments to the estimated reserves to be recognized in the period such new information becomes known.

In circumstances where the most likely outcome of a contingency can be reasonably estimated, the Company accrues a liability for that amount. Where the most likely outcome cannot be estimated, a range of potential losses is established and if no one amount in that range is more likely than others, the low end of the range is accrued.

3. Receivables, net

Receivables are recorded and carried at the original invoiced amount less an allowance for doubtful accounts.

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. Activity in the allowance for doubtful accounts was as follows (in millions):

	Year Ended December 31,		
	2015	2014	2013
Allowance for doubtful accounts			
Beginning balance	$19	$ 22	$ 15
Additions charged to costs and expenses	27	4	9
Charge-offs and other	(8)	(7)	(2)
Ending balance	$38	$ 19	$ 22

4. Inventories, net

Inventories consist of (in millions):

	December 31,		
	2015	2014	2013
Finished goods	$737	$988	$881
Less: inventory reserves	(44)	(39)	(31)
Total	$693	$949	$850
Inventory reserves:			
Beginning balance	$39	$31	$32
Additions charged to costs and expenses	54	8	5
Charge-offs and other	(49)	—	(6)
Ending balance	$44	$39	$31

5. Property, Plant and Equipment, net

Property, plant and equipment consist of (in millions):

	Estimated Useful Lives	December 31, 2015	2014
Information technology assets	1-7 Years	$48	$49
Operating equipment	2-15 Years	84	51
Buildings and land [1]	5-35 Years	98	73
Construction in progress		—	2
Total property, plant and equipment		230	175
Less: accumulated depreciation		(65)	(51)
Property, plant and equipment, net		$165	$124

[1] Land has an indefinite life.

Depreciation expense was $25 million, $16 million and $11 million for the years ended December 31, 2015, 2014 and 2013, respectively.

54

6. Accrued Liabilities

Accrued liabilities consist of (in millions):

	December 31, 2015	2014
Compensation and other related expenses	$26	$39
Customer credits and prepayments	21	34
Taxes (non income)	18	24
Other	29	28
Total	$94	$125

7. Goodwill

Goodwill is identified by segment as follows (in millions):

	United States	Canada	International	Total
Balance at December 31, 2013	$ 202	$ 109	$ 22	$333
Additions	20	—	—	20
Currency translation adjustments and other	(2)	(8)	3	(7)
Balance at December 31, 2014	220	101	25	346
Additions	173	4	99	276
Impairment	(393)	—	—	(393)
Currency translation adjustments and other	—	(17)	(7)	(24)
Balance at December 31, 2015	$ —	$ 88	$ 117	$205

The Company considered the sustained decline in worldwide oil and gas prices and rig counts, which has impacted the Company's current results and future outlook as well as the decline in the market value of the Company's stock, as indicators that the fair value of the Company's reporting units' goodwill could have fallen below their carrying value. As a result, the Company performed a goodwill impairment test as of September 30, 2015, and recognized an estimated impairment of $255 million in U.S. Energy and International reporting units.

During the three months ended December 31, 2015 the Company completed the interim test performed in the three months ended September 30, 2015, and identified additional indicators that the remaining goodwill may have fallen below its carrying amount. As a result of our valuations, the Company recognized $393 million impairment (U.S. Energy and U.S. Supply Chain) for the year ended December 31, 2015, an incremental loss of $138 million for the three months ended December 31, 2015. The international reporting unit showed impairment indicators during the step 1 goodwill impairment calculation. However, no impairment was recognized as a result of our step 2 analysis. The Company recorded a valuation allowance against the full value of its deferred tax assets in the United States, therefore, no tax benefit was reported on its goodwill impairment for the year ended December 31, 2015. See Note 9

“Income Taxes” for a discussion of the valuation allowance recorded at December 31, 2015. Further, continued adverse market conditions could result in the recognition of additional impairment if the Company determines that the fair values of its reporting units have fallen below their carrying values.

8. Intangibles

Identified intangible assets with determinable lives consist primarily of customer relationships, tradenames, trademarks and patents, and non-compete agreements acquired in acquisitions, and are being amortized on a straight-line basis over the estimated useful lives of 1-20 years.

55

The net book values of identified intangible assets by segment as follows (in millions):

	United States	Canada	International	Total
Balance at December 31, 2013	$ 50	$ 2	$ 16	$ 68
Additions	10	—	—	10
Amortization	(3)	(1)	(1)	(5)
Balance at December 31, 2014	57	1	15	73
Additions	43	2	58	103
Amortization	(5)	(1)	(7)	(13)
Currency translation adjustments and other	—	—	(2)	(2)
Balance at December 31, 2015	$ 95	$ 2	$ 64	$ 161

Identified intangible assets by major classification consist of the following (in millions):

	Gross	Accumulated Amortization	Net Book Value
December 31, 2013:			
Trademarks and Patents	$ 63	$ (6)	$ 57
Customer relationships	13	(3)	10
Other (covenant not to compete)	4	(3)	1
Total identified intangibles	$ 80	$ (12)	$ 68
December 31, 2014:			
Trademarks and Patents	$ 61	$ (9)	$ 52
Customer relationships	24	(4)	20
Other (covenant not to compete)	5	(4)	1
Total identified intangibles	$ 90	$ (17)	$ 73
December 31, 2015:			
Trademarks and Patents	$ 85	$ (14)	$ 71
Customer relationships	103	(12)	91
Other (covenant not to compete)	5	(4)	1
Currency translation adjustments and other	(2)	—	(2)
Total identified intangibles	$ 191	$ (30)	$ 161

The following table represents the total estimated amortization of intangible assets for the five succeeding years:

For the Year Ending December 31	Estimated Amortization Expense
2016	$ 17
2017	16
2018	15

2019	15
2020	15

9. Income Taxes

In connection with the Separation, the Company and NOV entered into a Tax Matters Agreement, dated as of May 29, 2014 (the “Tax Matters Agreement”). The Tax Matters Agreement sets forth the Company and NOV’s rights and obligations related to the allocation of federal, state, local and foreign taxes for periods before and after the Spin-Off, as well as taxes attributable to the Spin-Off, and related matters such as the filing of tax returns and the conduct of IRS and other audits. Pursuant to the Tax Matters Agreement, NOV has prepared and filed the consolidated federal income tax return, and any other tax returns that include both NOV and the Company for all the liability periods ended on or prior to May 30, 2014. The income tax provision (benefit) for periods prior to the Separation has been computed as if NOW were a stand-alone company. NOV will indemnify and hold harmless the Company for any income tax liability for periods before the Separation date. The Company will prepare and file all tax returns that include solely the Company for all taxable periods ending after that date. Settlements of tax payments between NOV and the Company were generally treated as contributions from or distributions to NOV in periods prior to the Separation date.

The domestic and foreign components of income (loss) before income taxes were as follows (in millions):

	Year Ended December 31,		
	2015	2014	2013
United States	$(524)	$101	$161
Foreign	6	77	61
Income (loss) before income taxes	$(518)	$178	$222

The provision (benefit) for income taxes for 2015, 2014 and 2013 consisted of the following (in millions):

	2015	2014	2013
U.S. Federal:			
Current	$(14)	$ 38	$ 48
Deferred	(2)	3	6
	(16)	41	54
U.S. State:			
Current	(1)	4	4
Deferred	—	—	—
	(1)	4	4
Foreign			
Current	5	18	20
Deferred	(4)	(1)	(3)
	1	17	17
Income tax provision (benefit)	$(16)	$ 62	$ 75

The reconciliation between the Company's effective tax rate on income (loss) from continuing operations and the statutory tax rate is as follows (in millions):

	Year Ended December 31,		
	2015	2014	2013
Income tax provision (benefit) at federal statutory rate	$(181)	$62	$78
Foreign tax rate differential	(1)	(6)	(5)
State income tax provision (benefit), net of federal benefit	(8)	3	3
Nondeductible expenses	3	2	2
Foreign tax credits	(3)	—	(1)
Nondeductible goodwill impairment	42	—	—
Change in valuation allowance	129	—	—
Change in contingency reserve and other	3	1	(2)
Income tax provision (benefit)	$(16)	$62	$75

Effective tax rate	3.0 %	34.9%	33.8%

In 2015, the effective tax rate was impacted by nondeductible goodwill impairments and a valuation allowance recorded against the Company's deferred tax assets in the United States.

57

Significant components of the Company's deferred tax assets and liabilities were as follows (in millions):

	Year Ended December 31,		
	2015	2014	2013
Deferred tax assets:			
Allowances and operating liabilities	$9	$2	$12
Net operating loss carryforwards	13	1	1
Foreign tax credit carryforwards	3	—	—
Book over tax depreciation	—	—	2
Trade credit	4	4	1
Allowance for doubtful accounts	12	3	2
Inventory reserve	11	9	11
Stock-based compensation	19	12	5
Intangible assets	56	—	—
Other	1	3	2
Total deferred tax assets	128	34	36
Deferred tax liabilities:			
Tax over book depreciation	(6)	(2)	(2)
Intangible assets	—	(18)	(14)
Total deferred tax liabilities	(6)	(20)	(16)
Net deferred tax assets before valuation allowance	122	14	20
Valuation allowance	(129)	—	—
Net deferred tax assets (liability)	$(7)	$14	$20

We record a valuation allowance when it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. If we were to determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

Based upon the significant level of recent U.S. losses, management believes that it is not more-likely-than-not that the Company would be able to realize the benefits of the deferred tax assets and accordingly recognized a valuation allowance for the year ended December 31, 2015. The change during the year in the valuation allowance was $129 million, all of which relates to 2015.

Effective December 31, 2015, we early adopted, on a prospective basis, FASB ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes." This ASU requires all deferred tax assets and liabilities to be reported as noncurrent. Noncurrent assets and liabilities include deferred taxes of $4 million and $11 million, respectively, at December 31, 2015. Current assets, noncurrent assets, current liabilities and noncurrent liabilities included deferred taxes of $22 million, $2 million, $0 million and $10 million, respectively, at December 31, 2014.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	2015	2014	2013
Unrecognized tax benefit at January 1	$ —	$ —	$ 2
Gross increases - tax positions in prior period	—	—	—
Gross decreases - tax positions in prior period	—	—	—
Gross increases - tax positions in current period	1	—	—
Settlement	—	—	—
Lapse of statute of limitations	—	—	(2)
Unrecognized tax benefit at December 31	$ 1	$ —	$ —

The balance of unrecognized tax benefits at December 31, 2015 and 2014 was $1 million and $0 million, respectively. Included in the change in the balance of unrecognized tax benefits for the period ended December 31, 2015 was an increase of $1 million of unrecognized tax benefits associated with uncertain income tax positions. These unrecognized tax benefits are included as a reduction

to deferred tax assets in the Consolidated Balance Sheet at December 31, 2015. If the $1 million of unrecognized tax benefits accrued at December 31, 2015 are ultimately realized, $1 million would be recorded as a reduction of income tax expense.

The Company does not anticipate that the total unrecognized tax benefits will significantly change due to the settlement of audits or the expiration of statutes of limitation within 12 months of this reporting date.

To the extent penalties and interest would be assessed on any underpayment of income tax, such accrued amounts are classified as a component of income tax expense in the financial statements consistent with the Company’s policy. During the year ended December 31, 2015, the Company did not record any income tax expense for interest and penalties related to uncertain tax positions. At December 31, 2015, the Company has not accrued any interest and penalties relating to unrecognized tax benefits.

The Company is subject to taxation in the United States, various states and foreign jurisdictions. The Company has significant operations in the United States and Canada and to a lesser extent in various other international jurisdictions. Tax years that remain subject to examination by major tax jurisdictions vary by legal entity, but are generally open in the U.S. for the tax years ending after 2011 and outside the U.S. for the tax years ending after 2009. The Company is indemnified for any income tax expense exposures related to periods prior to the Separation.

In the United States, the Company has $30 million and $0 million of net operating loss carryforwards as of December 31, 2015 and December 31, 2014, which will expire in 2035. The potential benefit of $11 million has been reduced by an $11 million valuation allowance. Future income tax payments will be reduced in the event the Company ultimately realizes the benefit of these net operating losses. In addition to future income tax expense, future income tax payments will also be reduced in the event the Company ultimately realizes the benefit of these net operating losses.

Outside the United States, the Company has $7 million and $4 million of net operating loss carryforwards as of December 31, 2015 and December 31, 2014, of which $5 million have no expiration and $2 million will expire in future years through 2025.

Also in the United States, the Company has $3 million and $0 million of excess foreign tax credits as of December 31, 2015 and December 31, 2014. The potential benefit of $3 million has been reduced by a $3 million valuation allowance. In addition to future income tax expense, future income tax payments will also be reduced in the event the Company ultimately realizes the benefit of these foreign tax credits.

In general, it is the practice and intention of the Company to reinvest the earnings of its non-U.S. subsidiaries in those operations. As of December 31, 2015, the amount of undistributed earnings of foreign subsidiaries was approximately $180 million. The Company has not, nor does it anticipate the need to, repatriate funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with domestic debt service requirements. These earnings are considered to be permanently reinvested and no provision for U.S. federal and state income taxes has been made. Distribution of these earnings in the form of dividends or otherwise could result in U.S. federal taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable in various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practical; however, unrecognized foreign tax credit carryforwards would be available to reduce some portion of the U.S. liability.

Because of the number of tax jurisdictions in which the Company operates, its effective tax rate can fluctuate as operations and the local country tax rates fluctuate. The Company is also subject to audits by federal, state and foreign

jurisdictions which may result in proposed assessments. The Company's future tax provision will reflect any favorable or unfavorable adjustments to its estimated tax liabilities when resolved. The Company is unable to predict the outcome of these matters. However, the Company believes that none of these matters will have a material adverse effect on the results of operations or financial position of the Company.

10. Debt

On April 18, 2014, the Company entered into a five-year senior unsecured revolving credit facility with a syndicate of lenders, including Wells Fargo Bank, National Association, as the administrative agent. The credit facility became available to the Company on June 2, 2014 as a result of the satisfaction of customary conditions, including the consummation of the Separation. The credit facility is for an aggregate principal amount of up to $750 million with sub-facilities for standby letters of credit and swingline loans, each with a sublimit of $150 million and $50 million, respectively. The Company has the right, subject to certain conditions, to increase the aggregate principal amount of commitments under the credit facility by $250 million. Borrowings under the credit facility will bear interest at a base rate (as defined in the credit agreement) plus an applicable interest margin based on the Company's capitalization ratio. The base rate is calculated as the highest of (a) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1%, (b) the prime commercial lending rate of the administrative agent, as established from time to time at its

59

principal U.S. office, and (c) the Daily One-Month LIBOR (as defined in the credit agreement) plus 1%. The Company also has the option for its borrowings under the credit facility to bear interest based on LIBOR (as defined in the credit agreement). The credit facility is unsecured and guaranteed by the Company's domestic subsidiaries. The credit agreement also provides for customary fees, including administrative agent fees, commitment fees, fees in respect of letters of credit and other fees. The annual commitment fee ranges from 25 to 35 basis points of the unused portion of the credit facility. The line of credit expires in April 2019, unless extended. As of December 31, 2015, the Company had borrowed $108 million against its senior unsecured revolving credit facility. The Company was not obligated to pay back the borrowing against the senior unsecured revolving credit facility until the expiration date of April 18, 2019.

The credit facility contained usual and customary affirmative and negative covenants for credit facilities of this type including financial covenants consisting of (a) a maximum capitalization ratio (as defined in the credit agreement) of 50% and (b) a minimum interest coverage ratio (as defined in the credit agreement) of no less than 3:1.

On January 20, 2016, the Company entered into an amendment (the "Amendment") to its credit facility dated as of April 18, 2014 (the "Credit Agreement"). The Amendment, among other things, (i) suspends, until the Company elects otherwise, the Credit Agreement's minimum interest coverage ratio effective as of December 30, 2015, (ii) adds a minimum asset coverage ratio (as defined in the Credit Agreement), which requires that the ratio of the value of the Company's eligible assets to the amount of its outstanding obligations under the Credit Agreement is no less than 1.50 to 1.00, (iii) reduces the maximum capitalization ratio (as defined in the Credit Agreement) from 50% to 45%, and (iv) increases the applicable interest margin on current borrowings by 75 basis points and the current commitment fee by 5 basis points. In connection with the Amendment, the Company also entered into a Security Agreement dated as of January 20, 2016 (the "Security Agreement") pursuant to which it granted the lenders under the Credit Agreement customary security interests in substantially all of the Company's U.S. assets and in approximately 65% of the equity interests of the Company's first-tier foreign subsidiaries. Based on the amendment, the Company was in compliance with all financial covenants in the credit facility as of December 31, 2015.

Total commitments under the amended credit facility remain at $750 million (provided that borrowings above 75% of such commitments are conditioned upon compliance with a minimum fixed charge ratio (as defined in the Credit Agreement)). The amended credit facility continues to include the $250 million accordion feature and still expires in April 2019.

11. Commitments and Contingencies

The Company is involved in various claims, regulatory agency audits and pending or threatened legal actions involving a variety of matters. At December 31, 2015, the Company recorded an immaterial amount for contingent liabilities representing all contingencies believed to be probable. The Company has also assessed the potential for additional losses above the amounts accrued as well as potential losses for matters that are not probable but are reasonably possible. The total potential loss on these matters cannot be determined; however, in the Company's opinion, any ultimate liability, to the extent not otherwise recorded or accrued for, will not materially affect the Company's financial position, cash flow or results of operations. These estimated liabilities are based on the Company's assessment of the nature of these matters, their progress toward resolution, the advice of legal counsel and outside experts as well as management's intention and experience.

The Company's business is affected both directly and indirectly by governmental laws and regulations relating to the oilfield service industry in general, as well as by environmental and safety regulations that specifically apply to the Company's business. Although the Company has not incurred material costs in connection with its compliance with

such laws, there can be no assurance that other developments, such as new environmental laws, regulations and enforcement policies hereunder may not result in additional, presently unquantifiable, costs or liabilities to the Company.

The Company does not accrue for contingent losses that, in its judgment, are considered to be reasonably possible, but not probable. Estimating reasonably possible losses also requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. NOW’s management currently estimates a range of loss for reasonably possible losses for which an estimate can be made is between zero and $25 million in the international segment primarily attributable to accounts receivable with one customer. The Company has accrued its best estimate for loss at December 31, 2015. Factors underlying this estimated range of loss may change from time to time, and actual results may vary significantly from this estimate.

In connection with one of the Company’s acquisitions, the Company agreed to make contingent consideration payments of up to $6 million upon the attainment of certain profitability milestones through February 2018. As of December 31, 2015, the estimated fair value of the contingent consideration of less than $1 million was recorded in other long-term liabilities in the accompanying consolidated balance sheet. The change in estimated fair value of the contingent consideration was recorded in warehousing, selling and administrative in the accompanying consolidated statements of operations.

60

The Company maintains credit arrangements with several banks providing for short-term borrowing capacity, overdraft protection and other bonding requirements. As of December 31, 2015, these credit arrangements totaled approximately $83 million, of which the Company was contingently liable for approximately $9 million of outstanding standby letters of credit, including bid and performance related bonds and surety bonds. The Company does not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid.

The Company leases certain facilities and equipment under operating leases that expire at various dates through 2029. These leases generally contain renewal options and require the lessee to pay maintenance, insurance, taxes and other operating expenses in addition to the minimum annual rentals. Rental expense related to operating leases approximated $51 million, $61 million and $70 million in 2015, 2014 and 2013, respectively.

In connection with the acquisitions, the Company entered into leases with former owners of acquired entities for premises utilized by the acquired entities in the performance of their operations. The aggregated rental expense was approximately $2 million for the year ended December 31, 2015. Total future commitments related to these operating leases is approximately $19 million through 2028.

Future minimum lease commitments under noncancellable operating leases with initial or remaining terms of one year or more at December 31, 2015, are payable as follows (in millions):

2016	$38
2017	28
2018	19
2019	12
2020	10
Thereafter	22
Total future lease commitments	$129

12. Related Party Transactions and Net Parent Company Investment

Related Party Transactions

In connection with the Spin-Off, the Company and NOV entered into a Separation and Distribution Agreement, Tax Matters Agreement, Employee Matters Agreement, and Transition Service Agreement each dated May 29, 2014.

The Separation and Distribution Agreement contains the key provisions related to the separation from NOV and the distribution of the Company’s common stock to NOV shareholders. The Separation and Distribution Agreement separated the assets related to the Company’s business from NOV, along with liabilities related to such assets, which now reside with the Company. In general, the Company agrees to indemnify NOV from liabilities arising from the Company’s business and assets, and NOV agrees to indemnify the Company from liabilities arising from NOV’s business and assets (that remained with NOV), except as otherwise provided in such agreement.

The Tax Matters Agreement governs the respective rights, responsibilities and obligations of each party with respect to taxes and tax benefits, the filing of tax returns, the control of audits, restrictions to preserve the tax-free status of the Spin-Off and other tax matters.

The Employee Matters Agreement governs the Company and NOV's compensation and employee benefit obligations with respect to current and former employees of each company, and generally allocates liabilities and responsibilities relating to employee compensation and benefit plans and programs. Such agreement also provides the adjustment mechanisms to be applied as a result of the Spin-Off to convert outstanding NOV equity awards held by Company employees to Company awards.

The Transition Service Agreement provides for transitional services in the areas of information technology, tax, accounting, finance and employee benefits and are initially short-term in nature. The charges under these transition service agreements will be at cost-based rates. For the period from May 31 through September 30, 2014, the net amount of less than $1 million incurred by the Company under this agreement was recognized in warehousing, selling and administrative in the consolidated statements of income. No amounts were reflected in the consolidated statements of income prior to May 31, 2014, as the Transition Service Agreement was not effective prior to the Spin-Off.

Allocation of General Corporate Expenses

For the periods prior to the Spin-Off, the consolidated financial statements include expense allocations for certain functions provided by NOV as well as other NOV employees not solely dedicated to NOW, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, communications, ethics and compliance, shared services, employee benefits and incentives, and stock-based compensation. These expenses were allocated to NOW on the basis of direct usage when identifiable, with the remainder allocated on the basis of operating profit, headcount or other measures. Actual costs that may have been incurred if the Company had been a stand-alone public company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

During 2014 and 2013, NOW Inc. was allocated $6 million and $9 million, respectively, of general corporate expenses incurred by NOV which was included within warehousing, selling and administrative expenses in the consolidated statements of income. Allocations from NOV discontinued as of May 30, 2014.

NOV Net Investment

Prior to the Spin-Off, net contributions from NOV invested equity were included within NOV net investment on the consolidated balance sheets and statements of cash flows.

As a result of the separation and distribution, certain adjustments were made to true-up the differences between the book basis and the tax basis of certain assets and liabilities as well as liabilities assumed by NOV, which resulted in a net $3 million adjustment to current and deferred tax balances with an offsetting reduction to additional paid-in capital during the year ended December 31, 2015.

	Year Ended December 31,		
	2015	2014	2013
Net contribution from (distributions to) NOV per the consolidated statements of stockholders' equity	$3	$138	$(151)
Non-cash adjustments:			
Stock-based compensation	—	(5)	—
Net transfer of assets and liabilities from NOV	—	(8)	—
Adjustment to income tax from spin-off	(3)	—	—
Less: Net income (loss) attributable to NOV net investment prior to the Spin-off	—	(58)	(147)
Net contributions from (distributions to) NOV per the consolidated statements of cash flows	—	$67	$(298)

13. Derivative Financial Instruments

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is foreign currency exchange rate risk. The Company has entered into certain financial derivative instruments to manage this risk.

The derivative financial instruments the Company has entered into are forward exchange contracts which have terms of less than a year to economically hedge foreign currency exchange rate risk on recognized nonfunctional currency monetary accounts. The purpose of the Company’s foreign currency hedging activities is to economically hedge the Company’s risk from changes in the fair value of non-functional currency denominated monetary accounts.

The Company records all derivative financial instruments at their fair value in its Consolidated Balance Sheets. None of the derivative financial instruments that the Company holds are designated as either a fair value hedge or cash flow hedge and the gain or loss on the derivative instrument is recorded in earnings. The Company has determined that the fair value of its derivative financial instruments are determined using level 2 inputs (inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability) in the fair value hierarchy as the fair value is based on publicly available foreign exchange rates at each financial reporting date. At December 31, 2015, the fair value of the Company’s foreign currency forward contracts totaled an asset of less than $3 million and is included in other current assets in the accompanying Consolidated Balance Sheets; a liability of less than $2 million and is included in other current liabilities in the accompanying Consolidated Balance Sheets; and the gain of less than $1 million is included in other income (expense) in the accompanying Consolidated Statements of Operations. The notional principal associated with those contracts was $187 million as of December 31, 2015.

At December 31, 2015, the Company's financial instruments do not contain any credit-risk-related or other contingent features that could cause accelerated payments when the Company's financial instruments are in net liability positions. The Company does not use derivative financial instruments for trading or speculative purposes.

14. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) are as follows (in millions):

	Foreign Currency Translation Adjustments		
Balance at December 31, 2014	$	(45	)
Other comprehensive loss		(89	)
Balance at December 31, 2015		(134	)

The Company's reporting currency is the U.S. dollar. A majority of the Company's international entities in which there is a substantial investment, have the local currency as their functional currency. As a result, foreign currency translation adjustments resulting from the process of translating the entities' financial statements into the reporting currency are reported in Other Comprehensive Income or Loss in accordance with ASC Topic 830 "Foreign Currency Matters" ("ASC Topic 830").

15. Business Segments

The Company has four principal operating segments, which are the (1) United States Energy branches, (2) United States Supply Chain locations, (3) Canada and (4) International. These operating segments were determined based primarily on the geographical markets and secondarily on the distribution channel of the products and services offered. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The Company's chief executive officer has been identified as the chief operating decision maker. The Company's chief operating decision maker directs the allocation of resources to operating segments based on various metrics of each respective operating segment. The allocation of resources across the operating segments is dependent upon, among other factors, the operating segment's historical operating margins; the operating segment's historical or future expected return on capital; outlook within a specific market; opportunities to grow profitability through new technology, new products or new customer accounts; confidence in management; and competitive landscape and intensity.

The Company has determined that there are three reportable segments: (1) United States, (2) Canada and (3) International. The United States Energy branches and United States Supply Chain locations operating segments were not separately reported as they exhibit similar long term economic characteristics, the nature of the products offered and services offered are similar, purchase many identical products from outside vendors, have similar customers, sell products directly to end-users and operate in similar regulatory environments.

United States

The Company has more than 200 locations in the U.S., which are geographically positioned to best serve the upstream, midstream and downstream energy and industrial markets.

Canada

The Company has a network of approximately 60 locations in the Canadian oilfield, predominantly in the oil rich provinces of Alberta and Saskatchewan in Western Canada. The Company’s Canadian segment primarily serves the energy exploration, production, drilling and midstream business.

International

The Company operates in over 20 countries and serves the needs of its international customers from approximately 40 locations outside of the U.S. and Canada, all of which are strategically located in major oil and gas development areas. The Company’s International segment primarily serves the energy exploration, production and drilling business.

63

The following table presents financial information for each of the Company’s reportable segments as of and for the year ended December 31 (in millions):

	United States	Canada	International	Total
2015				
Revenue	$2,027	$ 378	$ 605	$3,010
Operating profit (loss)	(515)	(1)	6	(510)
Impairment of goodwill	(393)	—	—	(393)
Depreciation and amortization	26	3	9	38
Long-lived assets:				
Property, plant and equipment, net	119	16	30	165
Goodwill	—	88	117	205
Intangibles, net	95	2	64	161
Total assets	1,266	300	266	1,832
2014				
Revenue	$2,793	$ 669	$ 643	$4,105
Operating profit	89	47	45	181
Depreciation and amortization	16	3	2	21
Long-lived assets:				
Property, plant and equipment, net	101	20	3	124
Goodwill	220	101	25	346
Intangibles, net	58	1	14	73
Total assets	1,733	500	363	2,596
2013				
Revenue	$2,863	$ 773	$ 660	$4,296
Operating profit	134	47	43	224
Depreciation and amortization	11	3	3	17
Long-lived assets:				
Property, plant and equipment, net	86	13	3	102
Goodwill	202	109	22	333
Intangibles, net	50	2	16	68
Total assets	1,582	411	190	2,183

The following table presents a comparison of the approximate sales mix in the principal product categories (in millions):

	Year Ended December 31,		
	2015	2014	2013
Product Category			
Drilling and production	$632	$991	$987
Pipe	509	723	845
Valves	538	801	839
Fittings and flanges	448	667	664

Mill tool, MRO, safety and other	883	923	961
Total	$3,010	$4,105	$4,296

16. Earnings (Loss) Per Share (“EPS”)

In conjunction with the Spin-Off, NOV distributed to its stockholders all 107,053,031 shares of common stock of NOW Inc. after the market closed on May 30, 2014. Each NOV stockholder received one share of NOW common stock for every four shares of NOV common stock held at the close of business on the record date of May 22, 2014 and not sold prior to close of business May 30, 2014. On June 2, 2014, NOW Inc. stock began trading the “regular-way” on the New York Stock Exchange under the symbol “DNOW”.

Basic earnings per share is based on net income attributable to the Company’s earnings and is calculated based upon the daily weighted-average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock and unit awards that have not yet been issued as common stock. Diluted EPS includes the above, plus unvested stock, unit or option awards granted and vested unexercised stock options, but only to the extent these instruments dilute earnings per share.

64

For comparative purposes, and to provide a more meaningful calculation of weighted-average shares outstanding, the Company has assumed the 107,053,031 shares of common stock of NOW Inc. that was distributed on May 30, 2014 to be outstanding as of the beginning of each period prior to the Spin-Off presented in the calculation of weighted-average shares. In addition, the Company has assumed the dilutive securities outstanding at May 30, 2014, were also outstanding for each of the periods prior to the Spin-Off presented.

For the year ended December 31, 2015, a total of approximately 6 million potentially dilutive shares, consisting of approximately 4 million stock options, approximately 2 million restricted stock awards (“RSAs”) and restricted stock units (“RSUs”) and less than 1 million performance share awards (“PSAs”) were excluded from the computation of diluted earnings (loss) per share due to the Company recognizing a net loss for the period. For the year ended December 31, 2014, a total of approximately 3 million potentially dilutive shares, consisting of approximately 2 million stock options and approximately 1 million restricted stock awards (“RSAs”) and restricted stock units (“RSUs”) were excluded from the computation of diluted earnings (loss) per share due to their antidilutive effect. See Note 17 “Stock-based Compensation and Outstanding Awards” for a description of the terms and conditions of these securities.

Basic and diluted earnings (loss) per share follows (in millions, except share data):

(In millions, except share data)	Year Ended December 31, 2015	2014	2013
Numerator for basic and diluted net income (loss) per share attributable to the Company's stockholders:			
Net income (loss) attributable to the Company	$ (502)	$ 116	$ 147
Less: net income attributable to nonvested shares[(1)]	—	(1)	—
Net income (loss) attributable to the Company's stockholders	$ (502)	$ 115	$ 147
Denominator for basic earnings (loss) per share attributable to the Company's stockholders:			
Weighted average common shares outstanding	107,173,972	107,058,843	107,053,031
Effect of dilutive securities: Dilutive effect of stock based compensation	—	497,301	415,837
Denominator for diluted earnings (loss) per share attributable to the Company's stockholders:	107,173,972	107,556,144	107,468,868
Earnings (loss) per share attributable to the Company's stockholders:			
Basic	$ (4.68)	$ 1.07	$ 1.37
Diluted	$ (4.68)	$ 1.06	$ 1.37

(1)

ASC Topic 260, “Earnings Per Share” (“ASC Topic 260”) requires companies with unvested participating securities to utilize a two-class method for the computation of net income attributable to the Company per share. The two-class method requires a portion of net income attributable to the Company to be allocated to participating securities, which are unvested awards of share-based payments with non-forfeitable rights to receive dividends or dividend equivalents, if declared. Net losses are not allocated to nonvested shares in periods that the Company determines that those shares are not obligated to participate in losses. For the periods that the Company recognized net income, net income attributable to the Company allocated to these participating securities was excluded from net income attributable to the Company’s stockholders in the numerator of the earnings per share computation.

17. Stock-based Compensation and Outstanding Awards

Prior to the Spin-Off, the Company participated in NOV's stock-based compensation plan known as the National Oilwell Varco, Inc. Long-Term Incentive Plan (the "NOV Plan") and the Company's employees were issued NOV equity awards. Under the NOV Plan, the Company's employees were granted stock options, RSUs, PSAs and/or RSAs. In connection with the Spin-Off, the Company established the NOW Inc. Long-Term Incentive Plan (the "Plan"). The Plan was adopted by the Company's board of directors and approved by NOV, as the Company's sole stockholder, on May 1, 2014. Under the terms of the Plan, 16 million shares of Company common stock were authorized for grant and the Company's employees are eligible to be granted stock options, RSAs, RSUs and PSAs. As a result of the Spin-Off, stock-based compensation awards granted under the NOV Plan and held by Company employees as of May 30, 2014, were adjusted or substituted as follows:

- Stock option awards held by Company employees were replaced with substitute awards to purchase NOW common stock.
- Unvested RSAs and RSUs under the NOV plan were replaced with adjusted, substitute awards for NOW RSAs or RSUs, as applicable.
- PSAs received were replaced entirely with substitute NOW RSAs.

These adjustments were intended to preserve the intrinsic value of the awards on May 30, 2014. Adjustment and substitution of the awards did not result in additional compensation expense.

The determination of fair value of share-based payment awards on the date of grant using option-pricing models is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards, actual and projected employee stock option exercise activity, risk-free interest rate, expected dividends and expected term.

Stock-based compensation expense recognized in the years ended December 31, 2015, 2014 and 2013 totaled $27 million, $18 million and $6 million, respectively.

As of December 31, 2015, the Company has granted stock options, RSAs, RSUs and PSAs to its employees which are described in more detail below.

Stock Options

The goal of the stock option program is to provide a compensation program that is competitive within the industry while directly linking a significant portion of the employee's compensation to the enhancement of stockholder value. The ultimate value of any stock option is based solely on the increase in value of the shares of the Company's common

stock over the grant price. Accordingly, stock options have value only if the Company's stock price appreciates from the date of grant. Additionally, the option holder must remain employed during the period required for the option to "vest", thus providing an incentive for an option holder to remain employed by the Company. This at-risk component of compensation focuses executives on the creation of stockholder value over the long-term and is therefore inherently performance-based compensation.

Stock option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant. Stock option awards generally have either a 7-year or a 10-year contractual term and vest over a 3-year period from the grant date on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. The grant-date fair value of stock options is determined using the Black-Scholes framework. Additionally, the Company's stock options provide for full vesting of unvested outstanding options, in the event of a change of control of the Company and a change in the holder's responsibilities following a change in control of the Company.

For the stock options granted in 2015, the fair value of each option award was estimated on the date of grant using the Black-Scholes framework that uses the assumptions noted in the table below. The expected volatility was based on the implied volatility on the Company's stock, historical volatility of the Company's stock, and the historical volatility of other, similar companies. The risk-free rate was based on the U.S. Treasury yield curve in effect at the time of grant for the period consistent with the expected term. The expected dividends were based on the Company's history and expectation of dividend payouts. The expected term was based on the average of the vesting period and contractual term.

For the stock options granted in 2014 and 2013, the fair value of each option award was estimated on the date of grant using the Black-Scholes framework that uses the assumptions noted in the table below. The expected volatility was based on NOV's actual volatility for traded options for the past 10 years prior to grant date. The risk-free rate was based on observed interest rates appropriate

66

for the term of the employee stock options. The expected dividends were based on NOV's history and expectation of dividend payouts. The expected term was based on NOV's actual employee exercise activity for the past ten years.

	Year Ended December 31,		
	2015	2014	2013
Valuation Assumptions:			
Expected volatility	41.2 %	50.0 %	50.1 %
Risk-free interest rate	1.4 %	0.9 %	0.9 %
Expected dividends (per share)	$—	$0.75	$0.75
Expected term (in years)	4.5	3.4	3.4

A summary of stock option activity under the Plan as of December 31, 2015, and changes from December 31, 2014 through December 31, 2015 are presented below:

Stock Options[1]	Shares	Weighted-Average Exercise Price	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2014	3,530,635	$ 30.86		
Granted	534,929	22.44	$ 8.06	
Forfeited	(60,586)	29.51		
Exercised or settled	(15,077)	13.98		
Expired or canceled	—	—		
Outstanding as of December 31, 2015	3,989,901	$ 29.81	$ —	$ —
Exercisable at December 31, 2015	2,437,226	$ 31.04	$ —	$ —

[1] All stock option awards presented in this table are for NOW stock only.

The weighted-average remaining contractual terms of outstanding options and exercisable options at December 31, 2015, were 6.6 years and 6.2 years, respectively. The total intrinsic value of options exercised for the years ended December 31, 2015 and 2014 was less than $1 million. As of December 31, 2015, unrecognized compensation cost related to stock option awards was $8 million, which is expected to be recognized over a weighted average period of 1.3 years.

Restricted Stock Awards and Restricted Stock Units

The goal of time-based restricted stock grants is to serve as a key retention tool for the Company to retain its executives and key employees. Restricted stock will have value to the executive even if the Company's stock price falls below the price on the date of grant, provided that the executive remain employed during the period required for the award to "vest."

Restricted stock generally cliff vests after 1, 3, 4 or 6 years. The grant-date fair value of restricted stock grants is determined using the closing quoted market price on the grant date. Additionally, the Company's restricted stock agreements provide for full vesting of restricted stock in the event of a change of control of the Company and a change in the holder's responsibilities following a change in control of the Company.

A summary of the status of the Company's nonvested shares of RSAs and RSUs as of December 31, 2015, and changes for the period from December 31, 2014 through December 31, 2015 are presented below:

RSAs / RSUs[1]	Shares	Weighted-Average Grant-Date Fair Value
Nonvested as of December 31, 2014	2,443,126	$ 30.24
Granted	157,538	22.59
Vested[2]	(199,813)	35.20
Forfeited	(16,400)	31.09
Expired or canceled	—	—
Nonvested as of December 31, 2015	2,384,451	$ 29.31

[1] All RSUs and RSAs presented in this table are for NOW stock only.
[2] 63,209 shares withheld and retired from the vesting of shares to employees to satisfy minimum tax withholding.

The weighted average grant-date fair value was $22.59 and $29.02 for RSA and RSU granted during the year ended December 31, 2015 and 2014, respectively. As of December 31, 2015, unrecognized compensation cost related to RSAs and RSUs was $43 million, which is expected to be recognized over a weighted average period of 3.2 years. The total vest-date fair value of shares vested during the year ended December 31, 2015 and for the period from May 30, 2014 through December 31, 2014 was $4 million and $0, respectively.

Performance Stock Awards

The goal of the performance-based share award program is to provide a compensation program that is also competitive within the industry while directly linking a significant portion of the executive's compensation to the financial performance of the Company. The performance-based share awards received by the executives have value only if the Company's designated financial performance objectives are met and exceeded. Additionally, the holder must also remain employed during the period required for the award to "vest", thus providing an additional incentive for the award holder to remain employed by the Company. This at-risk component of compensation focuses executives on achieving strong financial performance for the Company over the long-term.

Performance stock awards generally have a 3-year vesting period from the grant date and vest at the end of the vesting period. The grant-date fair value of market-condition performance stock grants is determined using a Monte Carlo

simulation probabilistic model. The grant-date fair value of performance-condition performance stock grants is determined using the closing quoted market price on the grant date. Additionally, the Company's performance award agreements provide for full vesting of performance awards in the event of a change of control of the Company and a change in the holder's responsibilities following a change in control of the Company.

For the year ended December 31, 2015, the Company granted PSAs to senior management employees with potential payouts varying from zero to 146,486 shares. The PSAs were granted on February 24, 2015 and can be earned based on performance against established metrics over a three-year performance period. The PSAs are divided into three equal, independent parts that are subject to three separate performance metrics: (i) one-third of the PSAs have a Total Shareholder Return (TSR) metric (market-condition), (ii) one-third of the PSAs have an EBITDA metric (performance-condition), and (iii) one-third of the PSAs have a Working Capital (WC) metric (performance-condition).

Performance against the TSR metric is determined by comparing the performance of the Company's TSR with the TSR performance of designated peer companies for the three year performance period. Performance against the EBITDA metric is determined by comparing the performance of the Company's actual EBITDA average for each of the three-years of the performance period against the EBITDA metrics set by the Company's Compensation Committee of the Board of Directors. Performance against the WC metric is determined by comparing the performance of the Company's actual WC average for each of the three-years of the performance period against the WC metrics set by the Company's Compensation Committee of the Board of Directors.

A summary of the status of the Company's nonvested shares of PSAs as of December 31, 2015, and changes for the period from December 31, 2014 through December 31, 2015 are presented below:

PSAs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested as of December 31, 2014	—	$ —
Granted	73,243	24.34
Vested	—	—
Forfeited	—	—
Expired or canceled	—	—
Nonvested as of December 31, 2015	73,243	$ 24.34

As of December 31, 2015, unrecognized compensation cost related to PSAs was $1 million, which is expected to be recognized over a weighted average period of 2.2 years.

18. Quarterly Financial Data (Unaudited)

Summarized quarterly results, were as follows (in millions, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended December 31, 2015				
Revenue	$ 863	$ 750	$ 753	$ 644
Operating expenses				
Cost of products	708	626	636	538
Warehousing, selling and administrative	163	151	153	152
Impairment of goodwill	—	—	255	138
Operating loss	(8)	(27)	(291)	(184)
Other expense	(4)	(2)	—	(2)
Loss before income taxes	(12)	(29)	(291)	(186)
Income tax provision (benefit)	(2)	(10)	(67)	63
Net loss	$ (10)	$ (19)	$ (224)	$ (249)
Loss per share:				
Basic loss per common share	$ (0.09)	$ (0.18)	$ (2.09)	$ (2.33)
Diluted loss per common share	$ (0.09)	$ (0.18)	$ (2.09)	$ (2.33)
Weighted-average common shares outstanding, basic	107	107	107	107
Weighted-average common shares outstanding, diluted	107	107	107	107
Year ended December 31, 2014				
Revenue	$ 1,077	$ 952	$ 1,070	$ 1,006
Operating expenses				
Cost of products	869	759	857	801
Warehousing, selling and administrative	146	150	163	179
Impairment of goodwill	—	—	—	—
Operating profit	62	43	50	26
Other expense	—	—	(1)	(2)
Income before income taxes	62	43	49	24
Income tax provision	21	16	17	8
Net income	$ 41	$ 27	$ 32	$ 16
Earnings per share				
Basic earnings per common share	$ 0.38	$ 0.25	$ 0.30	$ 0.15
Diluted earnings per common share	$ 0.38	$ 0.25	$ 0.30	$ 0.14
Weighted-average common shares outstanding, basic	107	107	107	107
Weighted-average common shares outstanding, diluted	107	108	108	108

19. Employee Bargaining Agreements and Benefit Plans

Collective bargaining agreements

At December 31, 2015 the Company had approximately 5,000 employees, of which approximately 300 were temporary employees. Some of the Company’s employees in various foreign locations are subject to collective bargaining agreements. Less than one percent of the Company’s employees in the U.S. are subject to collective bargaining agreements.

70

Benefit plans

The Company has benefit plans covering substantially all of its employees. Defined-contribution benefit plans cover most of the U.S. and Canadian employees, and benefits are based on years of service, a percentage of current earnings and matching of employee contributions. For the years ended December 31, 2015, 2014 and 2013, employer contributions for defined-contribution plans were $14 million, $13 million, and $14 million, respectively, and all funding is current.

Defined Benefit Pension Plans

The company sponsors two defined benefit plans in the UK which are frozen. The second defined benefit plan was acquired from the John MacLean & Sons Electrical acquisition in March 2015.

Net periodic benefit cost for the Company’s defined benefit plans aggregated less than $1 million each year for the years ended December 31, 2015, 2014 and 2013.

The change in benefit obligation, plan assets and the funded status of the defined benefit pension plans in the United Kingdom using a measurement date of December 31, 2015 and 2014, are as follows (in millions):

	Pension Benefits	
At year end	2015	2014
Benefit obligation at beginning of year	$4	$ 5
Service cost	—	—
Interest cost	1	—
Actuarial loss (gain)	(1)	—
Benefits paid	—	—
Participants contributions	—	—
Exchange rate loss (gain)	—	—
Acquisitions (disposals)	13	—
Currency Impact	(1)	(1)
Benefit obligation at end of year	16	4
Fair value of plan assets at beginning of year	$5	$ 6
Actual return	(1)	—
Benefits paid	—	—
Company contributions	1	—
Participants contributions	—	—
Exchange rate gain (loss)	—	—
Acquisitions (disposals)	13	—
Currency Impact	—	(1)
Fair value of plan assets at end of year	18	5
Funded status	2	1
Accumulated benefit obligation at end of year	16	4

The net asset is presented within other assets on the Consolidated Balance Sheet.

Assumed long-term rates of return on plan assets and discount rates vary for the different plans according to the local economic conditions. The assumption rates used for benefit obligations are as follows:

	Years Ended December 31,	
	2015	2014
Discount rate:	3.70%	3.90%

71

The assumption rates used for net periodic benefit costs are as follows:

	Years Ended December 31,		
	2015	2014	2013
Discount rate:	3.10% - 3.90%	3.90% - 4.40%	4.40%
Expected return on assets:	2.13% - 5.50%	5.50%	5.50%

In determining the overall expected long-term rate of return for plan assets, the Company takes into consideration the historical experience as well as future expectations of the asset mix involved. As different investments yield different returns, each asset category is reviewed individually and then weighted for significance in relation to the total portfolio.

Both plans have plan assets in excess of projected benefit obligations.

The Company expects to pay future benefit amounts on its defined benefit plans of less than $1 million for each of the next five years and in the aggregate $3 million for the five years thereafter.

The Company expects to contribute less than $1 million to its pension plans in 2016.

Plan Assets

The Company and its investment advisers collaboratively reviewed market opportunities using historic and statistical data, as well as the actuarial valuation reports for the plans, to ensure that the levels of acceptable return and risk are well-defined and monitored. Currently, the Company’s management believes that there are no significant concentrations of risk associated with plan assets.

The following table sets forth by level, within the fair value hierarchy, the Plan’s assets carried at fair value (in millions):

	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
December 31, 2014:				
Equity securities	$—	$ —	$ —	$ —
Fixed Income Securities	—	—	—	—
Other	5	—	5	—
Total Fair Value Measurements	$5	$ —	$ 5	$ —
December 31, 2015:				
Equity securities	$10	$ 10	$ —	$ —
Fixed Income Securities	3	3	—	—
Other	5	—	5	—

Total Fair Value Measurements	$18	$ 13	$ 5	$ —

20. Acquisitions

For the year ended December 31, 2015, the Company completed eight acquisitions for an aggregate purchase price consideration of approximately $544 million in cash. These acquisitions primarily expand NOW's market in Australia, Canada, Mexico, Norway, the Philippines, the United Kingdom and the United States. The Company has included the financial results of the acquisitions in its consolidated financial statements from the date of acquisition. In connection with one of the acquisitions, the Company agreed to make contingent consideration payments of up to $6 million upon the attainment of certain profitability milestones. At the acquisition date, the Company estimated the fair value for contingent consideration to be approximately $4 million by using a Monte Carlo simulation using level 3 inputs because the fair value was derived using significant unobservable inputs, which include discount rates and probability-weighted cash flows. Changes in fair value of the contingent consideration liability subsequent to the acquisition date, such as changes in the probability assessment, are recognized in the period when the change in estimated fair value occurs.

The Company completed its preliminary valuations as of the applicable acquisition dates of the acquired net assets and recognized goodwill of $276 million and intangible assets of $103 million which is subject to change. If additional information is obtained about these assets and liabilities within the measurement period (not to exceed one year from the date of acquisition), including through asset appraisals and learning more about the newly acquired businesses, the Company will refine its estimates of fair value to allocate the purchase price more accurately; any such revisions are not expected to be significant.

The following table summarizes the adjusted consideration paid for the eight acquisitions and the adjusted amounts of the assets acquired and liabilities assumed recognized at the acquisition date (in millions):

		As of December 31, 2015
Purchase price including contingent consideration		$544
Less: cash acquired		(29)
Net purchase price		515
Fair value of net assets acquired:		
Current assets other than cash	181	
Property, plant and equipment	59	
Trade names (estimated useful lives of 1-20 years)	24	
Customer relationships (estimated useful lives of 6-10 years)	79	
Current liabilities	(72)	
Deferred tax liabilities	(31)	
Other non-current liability	(1)	
Total fair value of net assets acquired		239
Goodwill [1]		276

[1] The amount of goodwill represents the excess of its purchase price over the fair value of net assets acquired. Goodwill includes the expected benefits that the Company believes will result from combining its operations with those of businesses acquired. An immaterial amount of the goodwill recognized is expected to be deductible for income tax purposes.

For the year ended December 31, 2015, the Company recognized $6 million in acquisition-related costs. During the measurement period the aggregated working capital adjustment was approximately $6 million. Actual results included in the consolidated statements of operations for the Company's acquisitions consist of approximately $341 million revenues and $171 million net loss for the year ended December 31, 2015.

Pro Forma Financial Information (unaudited)

The following unaudited pro forma information has been presented as if the acquisitions occurred on January 1, 2014. This information is based on historical results of operations, adjusted to give effect to pro forma events that are directly attributable to the acquisitions and factually supportable. Additionally, certain pro forma adjustments have been made to the historical results in order to (i) present them in U.S. dollars; (ii) align accounting periods (iii) conform their statutory income tax rates to those applied by the Company; (iii) reflect the increase of cost of goods

sold, depreciation and amortization from the fair value step-up as if the acquisitions had occurred on January 1, 2014.

The pro forma information is for informational purposes only and is not indicative of the results of operations that would have been achieved had the acquisitions occurred at the beginning of fiscal year 2014 (in millions).

	Year Ended December 31,	
	2015	2014
Revenue	$3,255	$4,847
Net income (loss)	$(482)	$131

73