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

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**FORM 8-K**

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**CURRENT REPORT**  
Pursuant to Section 13 OR 15(d)  
of The Securities Exchange Act of 1934

**Date of Report (Date of earliest event reported) May 29, 2014**

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**NOW INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-36325**  
(Commission  
File Number)

**46-4191184**  
(IRS Employer  
Identification No.)

**7402 North Eldridge Parkway**  
**Houston, Texas**  
(Address of principal executive offices)

**77041**  
(Zip Code)

**Registrant's telephone number, including area code: 281-823-4700**

(Former name or former address, if changed since last report.)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement**

On May 30, 2014, National Oilwell Varco, Inc (“NOV”) completed its previously announced separation of its distribution business, NOW Inc. (“NOW”), from its other businesses. NOV completed the separation by way of a pro rata distribution of all of the outstanding shares of NOW common stock to NOV’s stockholders. On May 30, 2014, the NOV stockholders of record as of 5:00 p.m. Eastern Time on May 22, 2014 (the “Record Date”) received one share of NOW common stock for every four shares of NOV common stock held as of the Record Date. The common stock of NOW is listed for trading on the New York Stock Exchange under the symbol “DNOW”.

In connection with the spin-off, NOW entered into several definitive agreements with NOV that, among other things, set forth the terms and conditions of the spin-off and provide a framework for NOW’s relationship with NOV after the spin-off, including the following agreements:

- Separation and Distribution Agreement
- Transition Services Agreement
- Tax Matters Agreement
- Employee Matters Agreement
- Master Distributor Agreement
- Master Services Agreement

A more comprehensive summary of certain important terms of the definitive agreements referenced above can be found in the section entitled “Certain Relationships and Related Party Transactions — Agreements Between Us and NOV” in the Information Statement dated as of May 13, 2014 (the “Information Statement”). The Information Statement is filed with this Current Report on Form 8-K as Exhibit 99.1. The summary is qualified in its entirety by reference to the agreements filed with this Current Report on Form 8-K as Exhibits 2.1, 10.1, 10.2, 10.3, 10.4, and 10.5, each of which is incorporated herein by reference.

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

At the time the registration statement on Form 10 of NOW was declared effective, the members of the Company’s board of directors (the “Board”) consisted of Merrill A. Miller, Jr., Robert R. Workman, Rodney W. Eads and J. Wayne Richards. On May 30, 2014, the sole stockholder of the Company adopted resolutions that increased the size of the Board from four members to nine members and, to fill the resulting vacancies, appointed Richard Alario, Terry Bonno, James Crandell, Galen Cobb and Michael Frazier to the Board.

Terry Bonno, Galen Cobb, and James Crandell have been designated as Class I directors; Michael Frazier, J. Wayne Richards, and Robert R. Workman have been designated as Class II directors; and Richard Alario, Rodney W. Eads and Merrill A. Miller, Jr. have been designated as Class III directors. After the Board’s committee appointments, the Audit Committee is comprised of Rodney W. Eads, Chair, Terry Bonno, Galen Cobb and J. Wayne Richards; the Compensation Committee is comprised of Richard Alario, Chair, James Crandell and Michael Frazier and the Nominating/Corporate Governance Committee is comprised of Michael Frazier, Chair, Richard Alario and James Crandell.

The Board has determined that Messrs. Alario, Crandell, Cobb, Eads, Frazier and Richards and Ms. Bonno each qualify as an independent director under the director independence standards set forth in the rules and regulations of the Securities and Exchange Commission (“SEC”) and the applicable listing standards of the New York Stock Exchange (“NYSE”). The Board also determined that each of Messrs. Eads, Cobb and Richards and Ms. Bonno satisfy the accounting expertise, financial literacy and other requirements for audit committee members under the rules and regulations of the SEC and the applicable NYSE rules. The Board also determined that Messrs. Alario, Crandell, Cobb, Eads, Frazier and Richards and Ms. Bonno are “outside directors” under the requirements of Section 162(m) of the Internal Revenue Code of 1986 and “non-employee directors” as such term is defined by the rules and regulations of the SEC.

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On May 30, 2014, NOW entered into employment agreements with its executive officers, Merrill A. Miller, Jr., Robert R. Workman, Daniel L. Molinaro, Raymond W. Chang, and David A. Cherechinsky. Each of the employment agreements provides for compensation, including base salary, annual bonus and long-term incentive awards, consistent with the compensation programs described in the Information Statement attached hereto. Upon termination of employment for good reason or other than for cause, death or disability (each as defined in the applicable employment agreement), each of Mr. Miller and Mr. Workman would be entitled to, among other things, an aggregate lump sum cash payment equal to the sum of his base salary through the termination date to the extent not yet paid, 50% of such base salary, any accrued vacation pay to the extent not previously paid, an amount equal to 3 times his base salary, and an amount equal to 3 times any employer matching contributions that could have been credited to him under the Company's 401(k) savings plan and other supplemental retirement plans during the 12 month period immediately preceding the termination date. Upon termination of employment for good reason or other than for cause, death or disability (each as defined in the applicable employment agreement), each of the other executives would be entitled to an aggregate lump sum cash payment calculated in the same manner as Mr. Miller's and Mr. Workman's lump sum cash payment except that such executives shall only receive, in the case of Mr. Molinaro and Mr. Chang, 2.5 times their base salary, and, in the case of Mr. Cherechinsky, 1.5 times his base salary. Upon termination of employment for cause (as defined in the applicable employment agreement), each of the executives shall be entitled to his base salary through the date of termination and the amount of any compensation he previously deferred. Furthermore, for each of the executives, in the event of a change of control of NOW and a change in the executive's responsibilities following such change of control, the executive's stock options and restricted stock awards will fully vest. Each of the employment agreements include customary confidentiality and non-competition provisions.

The foregoing summary of the employment agreements is qualified in its entirety by reference to the Employment Agreement of Merrill A. Miller, Jr. and the form of Employment Agreement for each of the other executives, each filed with this Current Report on Form 8-K as Exhibits 10.6 and 10.7, respectively, and incorporated herein by reference.

### **Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year**

In connection with the spin-off, on May 29, 2014, NOW amended and restated its certificate of incorporation (the "Amended and Restated Certificate of Incorporation") and bylaws (the "Amended and Restated Bylaws"). A description of the material provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws can be found in the section entitled "Description of Our Capital Stock" in the Information Statement, which description is incorporated herein by reference.

The description is qualified in its entirety by reference to NOW's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws filed with this Current Report on Form 8-K as Exhibits 3.1 and 3.2, respectively, each of which is incorporated herein by reference.

### **Item 5.05 Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics**

In connection with the spin-off, the Board of the Company adopted the Company's Code of Business Conduct and Ethics for Members of the Board of Directors and Executive Officers (the "Ethics Code") and the Company's Code of Ethics for Senior Financial Officers ("Financial Officers Ethics Code"). The Ethics Code applies to all of the Company's directors and executive officers, including its Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer. The Financial Officers Ethics Code applies to the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer.

The Ethics Code and the Financial Officers Ethics Code have been posted in the Investor Relations section of the Company's website, [www.distributionnow.com](http://www.distributionnow.com), under Corporate Governance. The description is qualified in its entirety by reference to NOW's Ethics Code and Financial Officers Ethics Code filed with this Current Report on Form 8-K as Exhibits 14.1 and 14.2, respectively, each of which is incorporated herein by reference.

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## Item 8.01 Other Events

On May 30, 2014, NOW issued a press release announcing completion of the spin-off. A copy of that press release is attached as Exhibit 99.2 to this Current Report on Form 8-K.

On May 30, 2014, NOW issued a press release announcing the appointment of new directors to complete the Board. A copy of that press release is attached as Exhibit 99.3 to this Current Report on Form 8-K.

The information in this Item 8.01 of this Current Report (including Exhibits 99.2 and 99.3) is furnished pursuant to Item 7.01 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or otherwise subject to the liabilities of the Section. The information in this Current Report shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933, as amended. By filing this report on Form 8-K and furnishing this information, the Company makes no admission as to the materiality of any information in this report that the Company chooses to disclose solely because of Regulation FD.

## Item 9.01 Financial Statements and Exhibits

<u>Exhibit Number</u>	<u>Description</u>
2.1	Separation and Distribution Agreement between National Oilwell Varco, Inc. and NOW Inc. dated May 29, 2014.
3.1	NOW Inc. Amended and Restated Certificate of Incorporation.
3.2	NOW Inc. Amended and Restated Bylaws.
10.1	Transition Services Agreement between National Oilwell Varco, Inc. and NOW Inc. May 29, 2014.
10.2	Tax Matters Agreement between National Oilwell Varco, Inc. and NOW Inc. May 29, 2014.
10.3	Employee Matters Agreement between National Oilwell Varco, Inc. and NOW Inc. dated May 29, 2014.
10.4	Master Distributor Agreement between National Oilwell Varco, L.P. and DNOW L.P. dated May 29, 2014.
10.5	Master Services Agreement between National Oilwell Varco, L.P. and DNOW L.P. dated May 29, 2014.
10.6	Employment Agreement of Merrill A. Miller, Jr. dated May 30, 2014.
10.7	Form of Employment Agreement for Executive Officers.
14.1	NOW Inc. Code of Business Conduct and Ethics for Members of the Board of Directors and Executive Officers.
14.2	NOW Inc. Code of Ethics for Senior Financial Officers.
99.1	Information Statement of NOW Inc. dated May 13, 2014.
99.2	NOW Inc. press release dated May 30, 2014 announcing completion of spin-off.
99.3	NOW Inc. press release dated May 30, 2014 announcing appointment of new directors.

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**SIGNATURES**

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

Date: May 30, 2014

NOW INC.

/s/ Raymond W. Chang

Raymond W. Chang

Vice President and General Counsel

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## Index to Exhibits

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**SEPARATION AND DISTRIBUTION AGREEMENT**

**BY AND BETWEEN**

**NATIONAL OILWELL VARCO, INC.**

**AND**

**NOW INC.**

**DATED AS OF MAY 29, 2014**

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## EXHIBITS

Exhibit A	Employee Matters Agreement
Exhibit B	Tax Matters Agreement
Exhibit C	Transition Services Agreement

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## SEPARATION AND DISTRIBUTION AGREEMENT

This SEPARATION AND DISTRIBUTION AGREEMENT, made and entered into effective as of May 29, 2014 (this “Agreement”), is by and between National Oilwell Varco, Inc., a Delaware corporation (“NOV”), and NOW Inc., a Delaware corporation and wholly owned subsidiary of NOV (“SpinCo”). NOV and SpinCo are each a “Party” and are sometimes referred to herein as the “Parties”. Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in Article I.

### RECITALS

WHEREAS, the Board of Directors of NOV (the “NOV Board”) has determined that it is appropriate, desirable and in the best interests of NOV and its stockholders to create a new publicly traded company to own and operate the SpinCo Business;

WHEREAS, SpinCo has been incorporated for this purpose and has not engaged in activities except in preparation for its corporate reorganization (including activities with respect to the SpinCo Financing Arrangements) and the distribution of its stock;

WHEREAS, in furtherance of the foregoing, the NOV Board has (i) determined that it is appropriate, desirable and in the best interest of NOV and its stockholders for NOV and its applicable Subsidiaries to transfer the SpinCo Assets to SpinCo and certain entities designated by SpinCo that will be Subsidiaries of SpinCo as of the Distribution Date (any such entities, the “SpinCo Designees”), and for SpinCo and the SpinCo Designees to assume the SpinCo Liabilities, in each case as more fully described in this Agreement and the Ancillary Agreements (the “Separation”) and (ii) approved this Agreement and each of the Ancillary Agreements;

WHEREAS, on the terms and conditions set forth in this Agreement, NOV shall contribute (or cause to be contributed) the SpinCo Assets to SpinCo and the SpinCo Designees in exchange for SpinCo Common Stock and the assumption by SpinCo of the SpinCo Liabilities (the “Contribution”);

WHEREAS, NOV currently intends that, on the Distribution Date, NOV shall distribute to holders of shares of NOV Common Stock, through a spin-off, all of the outstanding shares of SpinCo Common Stock, as more fully described in this Agreement and the Ancillary Agreements (the “Distribution”);

WHEREAS, for U.S. federal income tax purposes, the Contribution and the Distribution, if effected, taken together, are intended to qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code;

WHEREAS, this Agreement is intended to be, and is hereby adopted as, a “plan of reorganization” within the meaning of Treas. Reg. 1.368-2(g); and

WHEREAS, it is appropriate and desirable to set forth the principal corporate transactions required to effect the Separation and the Distribution and certain other agreements that will govern certain matters relating to the Separation and the Distribution and the relationship of NOV, SpinCo and their respective Subsidiaries, following the Distribution.

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NOW, THEREFORE, in consideration of the foregoing and the mutual agreements, provisions and covenants contained in this Agreement, the Parties hereby agree as follows:

ARTICLE I.  
DEFINITIONS

For the purpose of this Agreement, the following terms shall have the following meanings:

“AAA Commercial Arbitration Rules” shall have the meaning set forth in Section 4.3(a).

“Action” means any demand, action, claim, charge, suit, countersuit, arbitration, inquiry, subpoena, proceeding or investigation of any nature by or before any Governmental Authority or in any arbitration or mediation.

“Affiliate” means, when used with respect to a specified Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For the purpose of this definition, “control” (including with correlative meanings, “controlled by” and “under common control with”), when used with respect to any specified Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment, undertaking or otherwise. It is expressly agreed that, from and after the Effective Time and for purposes of this Agreement and the Ancillary Agreements, no member of the SpinCo Group shall be deemed to be an Affiliate of any member of the NOV Group, and no member of the NOV Group shall be deemed to be an Affiliate of any member of the SpinCo Group.

“Agent” means the distribution agent to be appointed by NOV to distribute to the stockholders of NOV all of the outstanding shares of SpinCo Common Stock pursuant to the Distribution.

“Agreement” shall have the meaning set forth in the Preamble.

“Allocable Portion of Insurance Proceeds” shall have the meaning set forth in Section 6.5.

“Amended Financial Report” shall have the meaning set forth in Section 7.7(b).

“Ancillary Agreements” means the Employee Matters Agreement, the Transition Services Agreement, the Tax Matters Agreement, the Master Distributor Agreement, the Master Services Agreement and the Transfer Documents.

“Approvals or Notifications” means any consents, waivers, approvals, permits or authorizations to be obtained from, notices, registrations or reports to be submitted to, or other filings to be made with, any third Person, including any Governmental Authority.

“Assets” means, with respect to any Person, the assets, properties, claims and rights (including goodwill) of such Person, wherever located (including in the possession of vendors or other third parties or elsewhere), of every kind, character and description, whether real, personal or mixed,

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tangible, intangible or contingent, in each case, whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of such Person, including the following:

(a) all accounting and other legal and business books, records, ledgers and files whether in printed, electronic, written or any other form;

(b) all apparatus, computers and other electronic data processing and communications equipment, fixtures, machinery, equipment, furniture, office equipment, automobiles, trucks, motor vehicles and other transportation equipment and other tangible personal property;

(c) all inventories of materials, parts, raw materials, components, supplies, works-in-process and finished goods and products;

(d) all interests in real property of whatever nature, including easements, whether as owner, mortgagee or holder of a Security Interest in real property, lessor, sublessor, lessee, sublessee or otherwise;

(e) (i) all interests in and rights with respect to any capital stock or other equity interests of any Subsidiary, Affiliate or any other Person, (ii) all bonds, notes, debentures or other securities issued by any Subsidiary, Affiliate or any other Person, (iii) all loans, advances or other extensions of credit or capital contributions to any Subsidiary, Affiliate or any other Person and (iv) all other investments in securities of any Person;

(f) all license agreements, leases of personal property, open purchase orders for raw materials, supplies, parts or services, unfilled orders for the manufacture and sale of products, and other contracts, agreements or commitments;

(g) all deposits, letters of credit and performance and surety bonds;

(h) all written (including in electronic form) technical information, data, specifications, research and development information, engineering drawings and specifications, operating and maintenance manuals, and materials and analyses prepared by consultants and other third parties;

(i) all Intellectual Property;

(j) all Software;

(k) all cost information, sales and pricing data, customer prospect lists, supplier records, customer and supplier lists, customer and vendor data, correspondence and lists, product data and literature, artwork, design, formulations and specifications, development and business process files and data, vendor and customer drawings, quality records and reports and other books, records, studies, surveys, reports, plans and documents;

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(l) all prepaid expenses, trade accounts and other accounts and notes receivable;

(m) all rights under contracts or agreements, all claims or rights against any Person arising from the ownership of any Asset, all rights in connection with any bids or offers and all claims, choses in action or similar rights whether sounding in tort, contract or otherwise, whether accrued or contingent;

(n) all rights under insurance policies and all rights in the nature of insurance, indemnification or contribution;

(o) all Permits;

(p) all cash or cash equivalents, bank accounts, brokerage accounts, lock boxes, and other third-party deposit arrangements;

(q) all interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements; and

(r) any Privileged Information that relates solely to the SpinCo Business.

“Assumed Actions” means those Actions which are listed in Schedule 1.1A.

“Audited Party” shall have the meaning set forth in Section 7.7(a)(ii).

“Business Day” means any day that is not a Saturday, Sunday or any other day on which banks are required or authorized by Law to be closed in the city of Houston, Texas.

“Code” means the Internal Revenue Code of 1986, as amended.

“Contract” means any written agreement, license, contract, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment or undertaking.

“Contribution” shall have the meaning set forth in the Recitals.

“Corporate Action” means any Action, whether filed before, on or after the Effective Time, to the extent it asserts violations of any federal, state, local, foreign or international securities Law, securities class action or shareholder derivative claim.

“Custodial Party” means the party that maintains the Records Facility where Stored Records are held.

“Dispute” shall have the meaning set forth in Section 4.1(a).

“Dispute Committee” shall have the meaning set forth in Section 4.1(a).

“Distribution” shall have the meaning set forth in the Recitals.

“Distribution Agent” means American Stock Transfer & Trust Co., LLC.

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“Distribution Date” means the date on which NOV, through the Distribution Agent, distributes all of the issued and outstanding shares of SpinCo Common Stock to holders of NOV Common Stock in the Distribution.

“Effective Time” means 5:00 p.m. Central Standard Time, or such other time as NOV may determine, on the Distribution Date.

“Employee Matters Agreement” means the Employee Matters Agreement, dated as of the date hereof, between NOV and SpinCo, in substantially the form attached as Exhibit A hereto, as such agreement may be modified or amended from time to time in accordance with its terms.

“Environmental Law” means any Law relating to pollution, protection or restoration of or prevention of harm to the environment or natural resources, including the use, handling, transportation, treatment, storage, disposal, Release or discharge of Hazardous Materials or the protection of or prevention of harm to human health and safety.

“Environmental Liabilities” means all Liabilities relating to, arising out of or resulting from any Hazardous Materials, Environmental Law or contract or agreement relating to environmental, health or safety matters (including all removal, remediation or cleanup costs, investigatory costs, response costs, natural resources damages, property damages, personal injury damages, costs of compliance, including with any product take-back requirements, or with any settlement, judgment or other determination of Liability and indemnity, contribution or similar obligations) and all costs and expenses, interest, fines, penalties or other monetary sanctions in connection therewith.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder, as the same shall be in effect at the time reference is made thereto.

“Excluded Assets” shall have the meaning set forth in Section 2.2(b).

“Excluded Liabilities” shall have the meaning set forth in Section 2.3(b).

“Force Majeure” means, with respect to a Party, an event beyond the control of such Party (or any Person acting on its behalf), which by its nature could not have been reasonably foreseen by such Party (or such Person) or, if it could have been reasonably foreseen, was unavoidable, and includes acts of God, storms, floods, riots, labor unrest, pandemics, nuclear incidents, fires, sabotage, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) or armed hostilities, or other national or international calamity or one or more acts of terrorism or failure of energy sources or distribution or transportation facilities.

“Form 10” means the registration statement on Form 10 filed by SpinCo with the SEC in connection with the Distribution, including any amendments or supplements thereto.

“Governmental Approvals” means any notices or reports to be submitted to, or other filings to be made with, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority; provided, however, that no Consent required from any counterparty to any Contract shall constitute a Governmental Approval for purposes of this Agreement.



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“Governmental Authority” means any nation or government, any state, municipality or other political subdivision thereof, and any entity, body, agency, commission, department, board, bureau, court, tribunal or other instrumentality, whether federal, state, local, domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory, administrative or other similar functions of, or pertaining to, government and any official thereof.

“Group” means either the SpinCo Group or the NOV Group, as the context requires.

“Hazardous Materials” means any chemical, material, substance, waste, pollutant, emission, discharge, release or contaminant that could result in liability under, or that is prohibited, limited or regulated by or pursuant to, any Environmental Law, and any natural or artificial substance (whether solid, liquid or gas, noise, ion, vapor or electromagnetic) that could cause harm to human health or the environment, including petroleum, petroleum products and byproducts, asbestos and asbestos-containing materials, urea formaldehyde foam insulation, electronic, medical or infectious wastes, polychlorinated biphenyls, radon gas, radioactive substances, chlorofluorocarbons and all other ozone-depleting substances.

“Indebtedness” means (i) any indebtedness for borrowed money or the deferred purchase price of property as evidenced by a note, bond or other instrument, (ii) obligations as lessee under capital leases, (iii) obligations secured by any mortgage, pledge, security interest, encumbrance, lien or charge of any kind existing on any Asset owned or held by any Person, whether or not such Person has assumed or become liable for the obligations secured thereby, (iv) any obligation under any interest rate swap agreement, (v) accounts payable, (vi) reimbursement obligations with respect to surety and performance bonds or letters of credit, and (vii) obligations under direct or indirect guarantees of (including obligations, contingent or otherwise, to assure a creditor against loss in respect of) indebtedness or obligations of the kinds referred to in clauses (i), (ii), (iii), (iv), (v) and (vi) above.

“Indemnifying Party” shall have the meaning set forth in Section 5.4(a).

“Indemnitee” shall have the meaning set forth in Section 5.4(a).

“Indemnity Payment” shall have the meaning set forth in Section 5.4(a).

“Information” means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, memos, and other technical, financial, employee or business information or data.

“Information Statement” means the Information Statement attached as an exhibit to the Form 10 and sent to the holders of NOV Common Stock in connection with the Distribution, including any amendment or supplement thereto.

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“Initial Notice” shall have the meaning set forth in Section 4.2.

“Insurance Administration” shall mean, with respect to each Shared Policy: (i) the accounting for premiums, retrospectively-rated premiums, defense costs, Indemnity Payments, deductibles and retentions, as appropriate, under the terms and conditions of each of the Shared Policies; (ii) the reporting to insurance carriers of any circumstances, incidents, occurrences, losses or claims which may cause the per-occurrence, per claim or aggregate limits of any Shared Policy to be exceeded, and (iii) the distribution of Insurance Proceeds as contemplated by this Agreement.

“Insurance Proceeds” means those monies:

- (a) received by an insured from an insurance carrier; or
- (b) paid by an insurance carrier on behalf of the insured;

in either such case net of any applicable premium adjustments (including reserves and retrospectively rated premium adjustments) and net of any costs or expenses incurred in the collection thereof; provided, however, that with respect to a captive insurance arrangement, Insurance Proceeds shall only include net amounts received by the captive insurer from a Third Party in respect of any captive reinsurance arrangement.

“Insured Claims” shall mean those Liabilities that, individually or in the aggregate, are covered within the terms and conditions of any of the Shared Policies, whether or not subject to deductibles, co-insurance, uncollectability or retrospectively-rated premium adjustments.

“Intellectual Property” means all of the following whether arising under the Laws of the United States or of any other foreign or multinational jurisdiction: (a) patents, patent applications (including patents issued thereon) and statutory invention registrations, including reissues, divisions, continuations, continuations in part, substitutions, renewals, extensions and reexaminations of any of the foregoing, and all rights in any of the foregoing provided by international treaties or conventions, (b) trademarks, service marks, trade names, service names, trade dress, logos and other source or business identifiers, including all goodwill associated with any of the foregoing and any and all common law rights in and to any of the foregoing, registrations and applications for registration of any of the foregoing, all rights in and to any of the foregoing provided by international treaties or conventions, and all reissues, extensions and renewals of any of the foregoing, (c) Internet domain names, (d) copyrightable works, copyrights, moral rights, mask work rights, database rights and design rights, whether or not registered, and all registrations and applications for registration of any of the foregoing, and all rights in and to any of the foregoing provided by international treaties or conventions, (e) confidential and proprietary information, including trade secrets, invention disclosures, processes and know-how and (f) intellectual property rights arising from or in respect of any technology.

“Law” means any national, supranational, federal, state, provincial, local or similar law (including common law), statute, code, order, ordinance, rule, regulation, treaty (including any income tax treaty), license, permit, authorization, approval, consent, decree, injunction, binding judicial or administrative interpretation or other requirement, in each case, enacted, promulgated, issued or entered by a Governmental Authority.

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“Liabilities” means any and all Indebtedness, guarantees, assurances, commitments, liabilities, responsibilities, Losses, remediation, deficiencies, reimbursement obligations in respect of letters of credit, damages, fines, penalties, settlements, sanctions, costs, expenses, interest and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured, accrued or not accrued, asserted or unasserted, liquidated or unliquidated, foreseen or unforeseen, known or unknown, reserved or unreserved, or determined or determinable, including those arising under any Law, claim (including any Third-Party Claim), demand, Action, or order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority or arbitration tribunal, and those arising under any contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment or undertaking, or any fines, damages or equitable relief that is imposed, in each case, including all costs and expenses relating thereto.

“Losses” means actual losses (including any diminution in value), costs, damages, fines, penalties and expenses (including legal and accounting fees and expenses and costs of investigation and litigation), whether or not involving a Third-Party Claim.

“Master Distributor Agreement” means the Master Distributor Agreement, dated as of the date hereof, between DNOW, LP and National Oilwell Varco, L.P.

“Master Services Agreement” means the Master Services Agreement, dated as of the date hereof, between DNOW, LP and National Oilwell Varco, L.P.

“Non-Custodial Party” means the party that owns Stored Records held in the other party’s Records Facility.

“NOV” shall have the meaning set forth in the Preamble.

“NOV Accounts” shall have the meaning set forth in Section 2.10(a).

“NOV Board” shall have the meaning set forth in the Recitals.

“NOV Business” means each and every business conducted at any time by any member of the NOV Group, except the SpinCo Business.

“NOV Common Stock” means the common stock, par value \$0.01 per share, of NOV.

“NOV Group” means NOV, each Subsidiary of NOV immediately after the Effective Time and each Affiliate of NOV immediately after the Effective Time (in each case other than any member of the SpinCo Group).

“NOV Indemnitees” shall have the meaning set forth in Section 5.2.

“NOV Intellectual Property” means (a) the NOV Name and NOV Marks, and (b) all other Intellectual Property that, as of the Effective Time, is owned or licensed by any member of either Group, other than the SpinCo Intellectual Property.

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“NOV Name and NOV Marks” means the names, marks, trade dress, logos, monograms, domain names and other source or business identifiers of NOV or any of its Affiliates using or containing “NOV” or “National Oilwell Varco” (in block letters or otherwise), “NOV” or “National Oilwell Varco” either alone or in combination with other words or elements, and all names, marks, trade dress, logos, monograms, domain names and other source or business identifiers confusingly similar to or embodying any of the foregoing either alone or in combination with other words or elements, together with the goodwill associated with any of the foregoing.

“NOV Retained Liabilities” means all Liabilities of the NOV Group relating to the NOV Assets or NOV Business, excluding any SpinCo Liabilities.

“NOV Software” means all Software that, as of the Effective Time, is owned or licensed by any member of either Group, other than the SpinCo Software.

“NOV Transfer Documents” shall have the meaning set forth in Section 2.1(b).

“NYSE” means the New York Stock Exchange.

“Other Party’s Auditor” shall have the meaning set forth in Section 7.7(a)(ii).

“Permit” means all permits, licenses, franchises, authorizations, concessions, certificates, consents, exemptions, approvals, variances, registrations, or similar authorizations from any Governmental Authority.

“Person” means any individual, general or limited partnership, corporation, business trust, joint venture, association, company, limited liability company, unincorporated organization, a limited liability entity, any other entity and any Governmental Authority.

“Policies” shall mean insurance policies and insurance Contracts of any kind (other than life and benefits policies or Contracts), including primary, excess and umbrella policies, general liability policies, punitive damages liability, control of well, railroad protective liability, cyber liability, director and officer liability, fiduciary liability, automobile, aircraft, property, terrorism, business interruption, workers’ compensation and employee dishonesty insurance policies, surety bonds and captive insurance company arrangements, together with the rights, benefits and privileges thereunder.

“Prime Rate” means the rate which JPMorgan Chase Bank (or any successor thereto or other major money center commercial bank agreed to by the parties hereto) announces from time to time as its prime lending rate, as in effect from time to time.

“Privileged Information” means any information, in written, oral, electronic or other tangible or intangible forms, including any communications by or to attorneys (including attorney-client privileged communications), memoranda and other materials prepared by attorneys or under their direction (including attorney work product), as to which a party or its respective Subsidiaries would be entitled to assert or have a privilege, including the attorney-client and attorney work product privileges.

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“Record Date” means 5:00 p.m. Eastern Time on the date to be determined by the NOV Board as the record date for determining stockholders of NOV entitled to receive shares of SpinCo Common Stock in the Distribution.

“Record Holders” means the holders of record of NOV Common Stock as of the Record Date.

“Records Facility” shall have the meaning set forth in Section 7.4(a).

“Release” means any release, spill, emission, discharge, leaking, pumping, pouring, dumping, injection, deposit, disposal, dispersal, leaching or migration of Hazardous Materials into the environment (including ambient air, surface water, groundwater and surface or subsurface strata).

“Representatives” means, with respect to any Person, any of such Person’s directors, officers, employees, agents, consultants, advisors, accountants, attorneys or other representatives.

“Response” shall have the meaning set forth in Section 4.2.

“Restructuring Steps Memorandum” means the memorandum setting forth the restructuring steps to be taken prior to the Effective Time and the sequence thereof, a copy of which has been previously provided to Spinco by NOV.

“Revolving Credit Facility” means a revolving credit facility pursuant to a revolving credit facility agreement entered into prior to the Effective Time by SpinCo, as borrower, the lender named therein as administrative agent, and the lenders named therein, on such terms and conditions as agreed to by SpinCo and the other parties to the revolving credit facility agreement and approved by NOV.

“SEC” means the U.S. Securities and Exchange Commission.

“Security Interest” means any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever.

“Separation” shall have the meaning set forth in the Recitals.

“Shared Contract” shall have the meaning set forth in Section 2.9(a).

“Shared Policies” means all Policies, current or past, which are owned or maintained by or on behalf of NOV or any of its Subsidiaries which relate to the SpinCo Business and the NOV Business.

“Software” means any and all (a) computer programs, including any and all software implementation of algorithms, models and methodologies, whether in source code, object code, human readable form or other form, (b) databases and compilations, including any and all data and collections of data, whether machine-readable or otherwise, (c) descriptions, flow charts and other work products used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons and (d) documentation, including user manuals and other training documentation, relating to any of the foregoing.

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“SpinCo” shall have the meaning set forth in the Preamble.

“SpinCo Accounts” shall have the meaning set forth in Section 2.10(a).

“SpinCo Assets” shall have the meaning set forth in Section 2.2(a).

“SpinCo Balance Sheet” means the audited combined balance sheet of the SpinCo Group, including the notes thereto, as of December 31, 2013.

“SpinCo Business” means (a) the worldwide distribution business of NOV and its Subsidiaries and Affiliates (including, for the purposes of this definition, SpinCo and its Subsidiaries and Affiliates) prior to the date hereof as described in the Information Statement as the “distribution business” and (b) without limiting the foregoing clause (a) and except as otherwise expressly provided in this Agreement, any terminated, divested or discontinued businesses, Assets or operations that were of such a nature that they would be part of the SpinCo Business (as described in the foregoing clause (a)) had they not been terminated, divested or discontinued (regardless of whether they ever operated under the “SpinCo” name); provided, that the “SpinCo Business” shall not include any of the businesses, Assets or operations described on Schedule 1.1B.

“SpinCo Certificate of Incorporation” shall have the meaning set forth in Section 3.1(f).

“SpinCo Common Stock” means the common stock, par value \$0.01 per share, of SpinCo.

“SpinCo Contracts” means:

- (a) any Contract with respect to which the only Persons party thereto or with rights, benefits or obligations thereunder or whose Assets are bound thereby are members of the SpinCo Group and third parties unaffiliated with the NOV Group;
- (b) any employment, change of control, retention, consulting, indemnification, termination, severance or other similar agreements with any SpinCo Employee or consultants of the SpinCo Group;
- (c) the Contracts listed on Schedule 1.1C; and
- (d) any Contract that is otherwise expressly contemplated pursuant to this Agreement or any of the Ancillary Agreements to be assigned to SpinCo or any member of the SpinCo Group.

“SpinCo Designees” shall have the meaning set forth in the Recitals.

“SpinCo Employee” means any individual who, immediately prior to the Distribution, is either actively employed primarily by, or then on an approved leave of absence from, any Person that will be a member of the SpinCo Group immediately after the Distribution.

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“SpinCo Financing Arrangements” means the Revolving Credit Facility.

“SpinCo Group” means SpinCo, each Subsidiary of SpinCo immediately after the Effective Time and each Affiliate of SpinCo immediately after the Effective Time.

“SpinCo Indemnitees” shall have the meaning set forth in Section 5.3.

“SpinCo Intellectual Property” means the Intellectual property set forth on Schedule 1.1D.

“SpinCo Liabilities” shall have the meaning set forth in Section 2.3(a).

“SpinCo Policies” shall mean all Policies, current or past, which are owned or maintained by or on behalf of NOV or any Subsidiary of NOV, which relate exclusively to the SpinCo Business and which Policies are either maintained by SpinCo or a member of the SpinCo Group or assignable to SpinCo or a member of the SpinCo Group.

“SpinCo Software” means the Software set forth on Schedule 1.1E.

“SpinCo Transfer Documents” shall have the meaning set forth in Section 2.4(b).

“Stored Records” means Tangible Information held in a Records Facility maintained or arranged for by the party other than the party that owns such Tangible Information.

“Subsidiary” or “subsidiary” means, with respect to any Person, any corporation, limited liability company, joint venture or partnership of which such Person (a) beneficially owns, either directly or indirectly, more than fifty percent (50%) of (i) the total combined voting power of all classes of voting securities of such Person, (ii) the total combined equity interests or (iii) the capital or profit interests, in the case of a partnership, or (b) otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors or similar governing body.

“Tangible Information” means Information that is contained in written, electronic or other tangible forms.

“Tax Matters Agreement” means the Tax Matters Agreement, dated as of the date hereof, between NOV and SpinCo, in substantially the form attached as Exhibit B hereto, as such agreement may be modified or amended from time to time in accordance with its terms.

“Tax Return” shall have the meaning set forth in the Tax Matters Agreement.

“Taxes” shall have the meaning set forth in the Tax Matters Agreement.

“Third Party” shall have the meaning set forth in Section 5.5(a).

“Third-Party Claim” shall have the meaning set forth in Section 5.5(a).

“Transfer Documents” shall have the meaning set forth in Section 2.4(b).

“Transferred Entity” shall have the meaning set forth in Section 2.2(a)(i).

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“Transition Services Agreement” means the Transition Services Agreement, dated as of the date hereof, between NOV and SpinCo, in substantially the form attached as Exhibit C hereto, as such agreement may be modified or amended from time to time in accordance with its terms.

“Unreleased SpinCo Liability” shall have the meaning set forth in Section 2.6(b).

“Unreleased Excluded Liability” shall have the meaning set forth in Section 2.7(b).

ARTICLE II.  
THE SEPARATION

2.1. Transfer of Assets and Assumption of Liabilities.

(a) Unless otherwise provided in this Agreement or in any Ancillary Agreement, on or prior to the Effective Time in accordance with the Restructuring Steps Memorandum and to the extent not previously effected prior to the date hereof pursuant to the steps of the Restructuring Steps Memorandum:

(i) NOV shall, and shall cause its applicable Subsidiaries to, assign, transfer, convey and deliver to SpinCo, or the applicable SpinCo Designees, and SpinCo or such SpinCo Designees shall accept from NOV and its applicable Subsidiaries, all of NOV’s and such Subsidiaries’ respective direct or indirect right, title and interest in and to all of the SpinCo Assets (it being understood that if any SpinCo Asset shall be held by a Transferred Entity or a wholly owned Subsidiary of a Transferred Entity, such SpinCo Asset may be assigned, transferred, conveyed and delivered as a result of the transfer of all or substantially all of the equity interests in such Transferred Entity);

(ii) SpinCo and the applicable SpinCo Designees shall accept, assume and agree faithfully to perform, discharge and fulfill all the SpinCo Liabilities in accordance with their respective terms. SpinCo and such SpinCo Designees shall be responsible for all SpinCo Liabilities, regardless of when or where such SpinCo Liabilities arose or arise, or whether the facts on which they are based occurred prior to or subsequent to the Effective Time, regardless of where or against whom such SpinCo Liabilities are asserted or determined (including any SpinCo Liabilities arising out of claims made by the respective directors, officers, employees, agents, stockholders, Subsidiaries or Affiliates of either Group against any member of either Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud, misrepresentation, breach of contract or any other cause by any member of either Group, or any of their respective directors, officers, employees or agents;

(iii) NOV shall cause its applicable Subsidiaries to assign, transfer, convey and deliver to certain of its other Subsidiaries, which shall accept, such applicable Subsidiaries’ respective right, title and interest in and to any Excluded Assets specified by NOV to be so assigned, transferred, conveyed and delivered; and

(iv) NOV and certain of its Subsidiaries shall accept and assume from certain of its other Subsidiaries and agree faithfully to perform, discharge and fulfill the Excluded Liabilities of such other Subsidiaries in accordance with their respective terms, and NOV and its applicable Subsidiaries shall be responsible for all Excluded Liabilities,



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regardless of when or where such Excluded Liabilities arose or arise, or whether the facts on which they are based occurred prior to or subsequent to the Effective Time, regardless of where or against whom such Excluded Liabilities are asserted or determined (including any such Excluded Liabilities arising out of claims made by the respective directors, officers, employees, agents, stockholders, Subsidiaries or Affiliates of either Group against any member of either Group) or whether asserted or determined prior to the date hereof, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud, misrepresentation, breach of contract or any cause by any member of either Group, or any of their respective directors, officers, employees or agents.

(b) In furtherance of the assignment, transfer, conveyance and delivery of the SpinCo Assets and the assumption of the SpinCo Liabilities in accordance with Sections 2.1(a)(i) and 2.1(a)(ii), on, before or as of the date that such SpinCo Assets are assigned, transferred, conveyed or delivered or such SpinCo Liabilities are assumed, (i) NOV shall execute and deliver, and shall cause its Subsidiaries to execute and deliver, such transfer, contribution, distribution or other similar agreements, bills of sale, deeds, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the transfer, conveyance and assignment of all of NOV's and its Subsidiaries' (other than SpinCo and its Subsidiaries) right, title and interest in and to the SpinCo Assets to SpinCo and the SpinCo Designees, and (ii) SpinCo shall execute and deliver, and shall cause the SpinCo Designees to execute and deliver, such assumptions of contracts and any other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the SpinCo Liabilities by SpinCo and the SpinCo Designees. All of the documents contemplated by this Section 2.1(b) are referred to collectively herein as the "NOV Transfer Documents."

(c) To the extent that any SpinCo Asset is not transferred or assigned to, or any SpinCo Liability is not assumed by, a member of the SpinCo Group at the Effective Time or is owned or held by a member of the NOV Group after the Effective Time, from and after the Effective Time, any such SpinCo Asset or SpinCo Liability shall be held by such member of the NOV Group for the use and benefit of the member of the SpinCo Group entitled thereto (at the expense of the member of the SpinCo Group entitled thereto) in accordance with Section 2.5(c), and, subject to Section 2.5(b):

(i) NOV shall, and shall cause its applicable Subsidiaries to, as soon as reasonably practicable, assign, transfer, convey and deliver to SpinCo or certain of its Subsidiaries designated by SpinCo, and SpinCo or such Subsidiaries shall accept from NOV and its applicable Subsidiaries, all of NOV's and such Subsidiaries' respective right, title and interest in and to such SpinCo Assets; and

(ii) SpinCo and certain of its Subsidiaries designated by SpinCo shall, as soon as reasonably practicable, accept, assume and agree faithfully to perform, discharge and fulfill all such SpinCo Liabilities in accordance with their respective terms.

(d) SpinCo hereby waives compliance by each and every member of the NOV Group with the requirements and provisions of any "bulk-sale" or "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the SpinCo Assets to any member of the SpinCo Group.

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(e) NOV hereby waives compliance by each and every member of the SpinCo Group with the requirements and provisions of any “bulk-sale” or “bulk-transfer” Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the Excluded Assets to any member of the NOV Group.

## 2.2. SpinCo Assets.

(a) For purposes of this Agreement, “SpinCo Assets” means (without duplication):

(i) all issued and outstanding equity interests held by NOV or its Subsidiaries in the Subsidiaries of NOV that have been or shall be contributed to, or otherwise transferred, conveyed, or assigned to, the SpinCo Group or entities that shall be members of the SpinCo Group as of the Effective Time, as listed on Schedule 2.2(a)(i) (such Subsidiaries and entities, the “Transferred Entities”);

(ii) all SpinCo Contracts;

(iii) all Assets reflected as assets of SpinCo or its Subsidiaries on the SpinCo Balance Sheet, subject to any dispositions of such Assets subsequent to the date of the SpinCo Balance Sheet;

(iv) all SpinCo Intellectual Property and SpinCo Software; and

(v) all Assets that are expressly provided by this Agreement or any Ancillary Agreement as Assets to be transferred to SpinCo or any other member of the SpinCo Group, including the Assets listed on Schedule 2.2(a)(v).

Notwithstanding the foregoing, the SpinCo Assets shall not, in any event, include the Excluded Assets referred to in Section 2.2(b). All rights of the SpinCo Group in respect of NOV insurance policies are set forth in Article VI and shall not otherwise be included in the SpinCo Assets.

(b) For the purposes of this Agreement, “Excluded Assets” means (without duplication):

(i) all issued and outstanding equity interests held by NOV or its Subsidiaries in any entity that is not a member of the SpinCo Group;

(ii) any cash or cash equivalents withdrawn from SpinCo Accounts in accordance with Section 2.10(e);

(iii) the NOV Intellectual Property and NOV Software;

(iv) any Shared Contract (other than any SpinCo Assets arising under any Shared Contract);

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(v) the Assets listed on Schedule 2.2(b)(v) and any and all other Assets that are expressly contemplated by this Agreement or any Ancillary Agreement as Assets to be retained by NOV or any other member of the NOV Group;

(vi) any and all Assets of any members of the NOV Group that are not SpinCo Assets pursuant to Section 2.2(a); and

(vii) any Privileged Information that relates to the NOV Business.

### 2.3. SpinCo Liabilities.

(a) For the purposes of this Agreement, “SpinCo Liabilities” means (without duplication):

(i) all Liabilities, including any Environmental Liabilities, to the extent relating to, arising out of or resulting from:

(A) the operation or ownership of the SpinCo Business, as conducted at any time prior to, on or after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any Person (whether or not such act or failure to act is or was within such Person’s authority)) other than Liabilities arising under any Shared Contracts to the extent such Liabilities relate to the NOV Business; or

(B) any SpinCo Asset;

in any such case, whether arising before, on or after the Effective Time;

(ii) the Liabilities listed on Schedule 2.3(a)(ii) and any and all other Liabilities that are expressly provided by this Agreement or any Ancillary Agreement as Liabilities to be assumed by SpinCo or any member of the SpinCo Group, and all agreements, obligations and Liabilities of any member of the SpinCo Group under this Agreement or any of the Ancillary Agreements;

(iii) all Liabilities relating to, arising out of or resulting from the SpinCo Financing Arrangements;

(iv) all Liabilities reflected as liabilities or obligations of SpinCo or its Subsidiaries on the SpinCo Balance Sheet, subject to any discharge of such Liabilities subsequent to the date of the SpinCo Balance Sheet; and

(v) all Liabilities arising out of claims made by the respective directors, officers, stockholders, employees, agents, Subsidiaries or Affiliates of either Group against any member of either Group to the extent relating to, arising out of or resulting from the SpinCo Business or the other Liabilities referred to in clauses (i) through (iv) above, inclusive.

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Notwithstanding the foregoing, the SpinCo Liabilities shall not include the Excluded Liabilities referred to in Section 2.3(b).

(b) For the purposes of this Agreement, “Excluded Liabilities” means (without duplication):

- (i) the Liabilities listed on Schedule 2.3(b)(i) and any and all other Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement as Liabilities to be retained or assumed by NOV or any other member of the NOV Group;
- (ii) all agreements and obligations of any member of the NOV Group under this Agreement or any of the Ancillary Agreements;
- (iii) any and all Liabilities to the extent relating to, arising out of or resulting from any Excluded Assets (other than Liabilities arising under any Shared Contracts to the extent such Liabilities relate to the SpinCo Business), in any such case, whether arising before, on or after the Effective Time;
- (iv) all Liabilities arising out of claims made by the respective directors, officers, stockholders, employees, agents, Subsidiaries or Affiliates of either Group against any member of either Group to the extent relating to, arising out of or resulting from the NOV Business or the other Liabilities referred to in clauses (i) through (iii) above, inclusive; and
- (v) all Liabilities arising out of the ownership or operation, prior to the Effective Time, by any entity that is a member of the SpinCo Group as of the Effective Time, of (A) the NOV Business; or (B) any other Asset never used in the SpinCo Business; or (C) with respect to other Assets that were, prior to the Effective Time, owned by an entity that is a member of the SpinCo Group but used in both the SpinCo Business and other businesses or activities unrelated to the SpinCo Business (“Other Businesses”), that portion of any Liabilities arising from the use of those Assets in the Other Businesses.

#### 2.4. Transfer of Excluded Assets; Assumption of Excluded Liabilities.

(a) To the extent that any Excluded Asset is transferred or assigned to, or any Excluded Liability is assumed by, a member of the SpinCo Group at the Effective Time or is owned or held by a member of the SpinCo Group after the Effective Time, from and after the Effective Time, any such Excluded Asset or Excluded Liability shall be held by such member of the SpinCo Group for the use and benefit of the member of the NOV Group entitled thereto (at the expense of the member of the NOV Group entitled thereto) in accordance with Section 2.5(c), subject to Section 2.5(b) and:

(i) SpinCo shall, and shall cause its applicable Subsidiaries to, as soon as reasonably practicable, assign, transfer, convey and deliver to NOV or certain of its Subsidiaries designated by NOV, and NOV or such Subsidiaries shall accept from SpinCo and its applicable Subsidiaries, all of SpinCo’s and such Subsidiaries’ respective right, title and interest in and to such Excluded Assets; and

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(ii) NOV and certain of its Subsidiaries designated by NOV shall, as soon as reasonably practicable, accept, assume and agree faithfully to perform, discharge and fulfill all such Excluded Liabilities in accordance with their respective terms.

(b) In furtherance of the assignment, transfer, conveyance and delivery of Excluded Assets and the assumption of Excluded Liabilities set forth in Sections 2.4(a)(i) and 2.4(a)(ii), and without any additional consideration therefor: (i) SpinCo shall execute and deliver, and shall cause its Subsidiaries to execute and deliver, such transfer, contribution, distribution or other similar agreements bills of sale, deeds, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the transfer, conveyance and assignment of all of SpinCo's and its Subsidiaries' right, title and interest in and to the Excluded Assets to NOV and its Subsidiaries and (ii) NOV shall execute and deliver, and shall cause its Subsidiaries to execute and deliver, such assumptions of contracts and any other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the Excluded Liabilities. All of the foregoing documents contemplated by this Section 2.4(b) and by Sections 2.1(a)(iii) and 2.1(a)(iv) shall be referred to collectively herein as the "SpinCo Transfer Documents" and, together with the NOV Transfer Documents, the "Transfer Documents."

#### 2.5. Approvals and Notifications.

(a) To the extent that the transfer or assignment of any SpinCo Asset, the assumption of any SpinCo Liability, the transfer or assignment of any Excluded Asset, the assumption of any Excluded Liability, or the Separation or the Distribution requires any Approvals or Notifications, the parties shall endeavor to obtain or make such Approvals or Notifications as soon as reasonably practicable; provided, however, that, except to the extent expressly provided in this Agreement or any of the Ancillary Agreements or as otherwise agreed between NOV and SpinCo, neither NOV nor SpinCo shall be obligated to contribute capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Person in order to obtain or make such Approvals or Notifications.

(b) If and to the extent that the valid, complete and perfected transfer or assignment to (i) the SpinCo Group of any SpinCo Assets or assumption by the SpinCo Group of any SpinCo Liabilities or (ii) the NOV Group of any Excluded Asset or assumption by the NOV Group of any Excluded Liability, would be a violation of applicable Law, would result in a breach, or constitute a default (or an event which, with the giving of notice or lapse of time, or both, would become a default) under any contract, agreement or other material instrument or would otherwise adversely affect the rights of a member of the SpinCo Group or the NOV Group thereunder or require any Approvals or Notifications in connection with the Separation or the Distribution that have not been obtained or made by the Effective Time, then, unless the parties hereto shall otherwise mutually determine, the transfer or assignment to the SpinCo Group of such SpinCo Assets or to the NOV Group of such Excluded Assets, or the assumption by the SpinCo Group of such SpinCo Liabilities or the NOV Group of such Excluded Liabilities, as the

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case may be, shall be automatically deemed deferred and any such purported transfer, assignment or assumption shall be null and void until such time as all legal impediments are removed or such Approvals or Notifications have been obtained or made. Notwithstanding the foregoing, any such SpinCo Assets or Excluded Assets or SpinCo Liabilities or Excluded Liabilities shall continue to constitute SpinCo Assets, Excluded Assets, SpinCo Liabilities or Excluded Liabilities, as applicable, for all other purposes of this Agreement.

(c) If any SpinCo Asset or SpinCo Liability is owned or held by any member of the NOV Group after the Effective Time, or any Excluded Asset or Excluded Liability is held by any member of the SpinCo Group after the Effective Time, whether as a result of the provisions of Section 2.5(b) or for any other reason, then, insofar as reasonably possible, the member of the SpinCo Group holding or owning such Excluded Asset or such Excluded Liability, or the member of the NOV Group holding such SpinCo Asset or SpinCo Liability, as the case may be, shall thereafter hold such SpinCo Asset or Excluded Asset or SpinCo Liability or Excluded Liability, as the case may be, for the use and benefit of the member of the NOV Group or SpinCo Group entitled thereto (at the expense of the member of the NOV Group or SpinCo Group entitled thereto). In addition, the member of the SpinCo Group retaining such Excluded Asset or such Excluded Liability, or the member of the NOV Group retaining such SpinCo Asset or SpinCo Liability, shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such SpinCo Asset or Excluded Asset or SpinCo Liability or Excluded Liability in the ordinary course of business in accordance with past practice and take such other actions as may be reasonably requested by the member of the SpinCo Group or NOV Group to whom such SpinCo Asset or Excluded Asset is to be transferred or assigned, or which shall assume such SpinCo Liability or Excluded Liability, as the case may be, in order to place such member of the SpinCo Group or NOV Group in a substantially similar position as if such SpinCo Asset or Excluded Asset or SpinCo Liability or Excluded Liability had been transferred, assigned, assumed or retained in connection with the Separation to or by the party entitled thereto and so that all the benefits and burdens relating to such SpinCo Asset or Excluded Asset or SpinCo Liability or Excluded Liability, as the case may be, including use, risk of loss, potential for gain, and dominion, control and command over such SpinCo Asset or Excluded Asset or SpinCo Liability or Excluded Liability, as the case may be, and all costs and expenses related thereto, shall inure from and after the Effective Time to the SpinCo Group, in the case of any SpinCo Asset or SpinCo Liability, or the NOV Group, in the case of any Excluded Asset or Excluded Liability.

(d) If and when the Approvals or Notifications, the absence of which caused the deferral of transfer or assignment of any SpinCo Asset or Excluded Asset or the deferral of assumption of any SpinCo Liability or Excluded Liability pursuant to Section 2.5(b), are obtained or made, and, if and when any other legal impediments for the transfer or assignment of any SpinCo Asset or Excluded Asset or the assumption of any SpinCo Liability or Excluded Liability have been removed, the transfer or assignment of the applicable SpinCo Asset or Excluded Asset or the assumption of the applicable SpinCo Liability or Excluded Liability, as the case may be, shall be effected in accordance with the terms of this Agreement and/or the applicable Ancillary Agreement.

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(e) Except as otherwise agreed between NOV and SpinCo, (i) any member of the NOV Group retaining a SpinCo Asset or SpinCo Liability (whether as a result of the provisions of Section 2.1(c), Section 2.5(b) or for any other reason) and (ii) any member of the SpinCo Group holding or owning an Excluded Asset or Excluded Liability (whether as a result of the provisions of Section 2.4(a), Section 2.5(b) or for any other reason), shall not be obligated, in order to effect the transfer of such Asset or Liability to the Group member entitled thereto, to expend any money unless the necessary funds are advanced (or otherwise made available) by the Group member entitled thereto, other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by the Group member entitled to such Asset or Liability.

#### 2.6. Novation of SpinCo Liabilities.

(a) Each of NOV and SpinCo, at the request of the other, shall endeavor, if reasonably practicable, to obtain, or to cause to be obtained, if reasonably practicable, any consent, substitution, approval or amendment required to novate or assign all obligations under agreements, leases, licenses and other obligations or Liabilities of any nature whatsoever that constitute SpinCo Liabilities, or to obtain in writing the unconditional release of all parties to such arrangements other than any member of the SpinCo Group, so that, in any such case, the members of the SpinCo Group shall be solely responsible for the SpinCo Liabilities; provided, however, that neither NOV nor SpinCo shall be obligated to contribute any capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any third Person from whom any such consent, substitution, approval, amendment or release is requested.

(b) If NOV or SpinCo is unable to obtain, or to cause to be obtained, any such required consent, substitution, approval, amendment or release, and the applicable member of the NOV Group continues to be bound by such agreement, lease, license or other obligation or Liability (each, an “Unreleased SpinCo Liability”), SpinCo shall, to the extent not prohibited by Law, as indemnitor, guarantor, agent or subcontractor for such member of the NOV Group, as the case may be, (i) pay, perform and discharge fully all the obligations or other Liabilities of such member of the NOV Group that constitute Unreleased SpinCo Liabilities from and after the Effective Time and (ii) use its commercially reasonable efforts to effect such payment, performance or discharge prior to any demand for such payment, performance, or discharge is permitted to be made by the obligee thereunder on any member of the NOV Group. If and when any such consent, substitution, approval, amendment or release shall be obtained or the Unreleased SpinCo Liabilities shall otherwise become assignable or able to be novated, NOV shall promptly assign, or cause to be assigned, and SpinCo or the applicable SpinCo Group member shall assume, such Unreleased SpinCo Liabilities without exchange of further consideration.

#### 2.7. Novation of Excluded Liabilities.

(a) Each of NOV and SpinCo, at the request of the other, shall endeavor, if reasonably practicable, to obtain, or to cause to be obtained, if reasonably practicable, any consent, substitution, approval or amendment required to novate or assign all obligations under agreements, leases, licenses and other obligations or Liabilities of any nature whatsoever that constitute Excluded Liabilities, or to obtain in writing the unconditional release of all parties to such arrangements other than any member of the NOV Group, so that, in any such case, the

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members of the NOV Group shall be solely responsible for such Excluded Liabilities; provided, however, that neither NOV nor SpinCo shall be obligated to contribute any capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any third Person from whom any such consent, substitution, approval, amendment or release is requested.

(b) If NOV or SpinCo is unable to obtain, or to cause to be obtained, any such required consent, substitution, approval, amendment or release and the applicable member of the SpinCo Group continues to be bound by such agreement, lease, license or other obligation or Liability (each, an “Unreleased Excluded Liability”), NOV shall, to the extent not prohibited by Law, as indemnitor, guarantor, agent or subcontractor for such member of the SpinCo Group, as the case may be, (i) pay, perform and discharge fully all the obligations or other Liabilities of such member of the SpinCo Group that constitute Unreleased Excluded Liabilities from and after the Effective Time and (ii) use its commercially reasonable efforts to effect such payment, performance, or discharge prior to any demand for such payment, performance, or discharge is permitted to be made by the obligee thereunder on any member of the SpinCo Group. If and when any such consent, substitution, approval, amendment or release shall be obtained or the Unreleased Excluded Liabilities shall otherwise become assignable or able to be novated, SpinCo shall promptly assign, or cause to be assigned, and NOV or the applicable NOV Group member shall assume, such Unreleased Excluded Liabilities without exchange of further consideration.

#### 2.8. Termination of Agreements.

(a) Except as set forth in Section 2.8(b), in furtherance of the releases and other provisions set forth in Article V, SpinCo and each member of the SpinCo Group, on the one hand, and NOV and each member of the NOV Group, on the other hand, hereby terminate any and all agreements, arrangements, commitments or understandings, whether or not in writing, between or among SpinCo and/or any member of the SpinCo Group and/or any entity that shall be a member of the SpinCo Group as of the Effective Time, on the one hand, and NOV and/or any member of the NOV Group (other than entities that shall be members of the SpinCo Group as of the Effective Time), on the other hand, effective as of the Effective Time. No such terminated agreement, arrangement, commitment or understanding (including any provision thereof which purports to survive termination) shall be of any further force or effect after the Effective Time. Each party shall, at the reasonable request of any other party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 2.8(a) shall not apply to any of the following agreements, arrangements, commitments or understandings (or to any of the provisions thereof): (i) this Agreement and the Ancillary Agreements (and each other agreement or instrument expressly contemplated by this Agreement or any Ancillary Agreement to be entered into by any of the parties hereto or any of the members of their respective Groups, including, for the avoidance of doubt, those agreements and instruments entered into in connection with the SpinCo Financing Arrangements); (ii) any agreements, arrangements, commitments or understandings filed as an exhibit, whether in preliminary or final form, to the Form 10 or otherwise listed or described on Schedule 2.8(b)(ii); (iii) any agreements, arrangements, commitments or understandings to which any Person other than the parties hereto and the



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members of their respective Groups is a party (it being understood that to the extent that the rights and obligations of the parties and the members of their respective Groups under any such agreements, arrangements, commitments or understandings constitute SpinCo Assets or SpinCo Liabilities, they shall be assigned pursuant to Section 2.1); (iv) any intercompany accounts payable or accounts receivable described on Schedule 2.8(b)(iv); (v) any agreements, arrangements, commitments or understandings to which any member of the NOV Group or SpinCo Group, other than NOV, SpinCo or any wholly owned Subsidiary of NOV or SpinCo, as the case may be, is a party (it being understood that directors' qualifying shares or similar interests shall be disregarded for purposes of determining whether a Subsidiary is wholly owned); (vi) any Shared Contracts; and (vii) any other agreements, arrangements, commitments or understandings that this Agreement or any Ancillary Agreement expressly contemplates shall survive the Effective Time.

#### 2.9. Treatment of Shared Contracts.

(a) Without limiting the generality of the obligations set forth in Section 2.1, unless the parties otherwise agree or the benefits of any contract, agreement, arrangement, commitment or understanding described in this Section 2.9 are expressly conveyed to the applicable party pursuant to an Ancillary Agreement, (i) any contract, agreement, arrangement, commitment or understanding that is listed on Schedule 2.9(a) shall be assigned in part to the applicable member(s) of the applicable Group, if so assignable, or appropriately amended prior to, on or after the Effective Time, so that each party or the members of its respective Group shall, as of the Effective Time, be entitled to the rights and benefits, and shall assume the related portion of any Liabilities, inuring to its respective businesses, in each case, in accordance with the allocation of benefits and burdens set forth on Schedule 2.9(a), and (ii) (A) any contract, agreement, arrangement, commitment or understanding that is an Excluded Asset or Excluded Liability but, prior to the Effective Time, inured in part to the benefit or burden of any member of the SpinCo Group, and (B) any contract, agreement, arrangement, commitment or understanding that is a SpinCo Asset or a SpinCo Liability but, prior to the Effective Time, inured in part to the benefit or burden of any member of the NOV Group, shall be assigned in part to the applicable member(s) of the applicable Group, if so assignable, or appropriately amended prior to, on or after the Effective Time, so that each party or the members of its respective Group shall, as of the Effective Time, be entitled to the rights and benefits, and shall assume the related portion of any Liabilities, inuring to its respective businesses (any contract, agreement, arrangement, commitment or understanding referred to in clause (i) or (ii) above, a "Shared Contract"); provided, however, that, in the case of each of clause (i) and (ii), (1) in no event shall any member of any Group be required to assign (or amend) any Shared Contract in its entirety or to assign a portion of any Shared Contract which is not assignable (or cannot be amended) by its terms (including any terms imposing consents or conditions on an assignment where such consents or conditions have not been obtained or fulfilled), and (2) if any Shared Contract cannot be so partially assigned by its terms or otherwise, or cannot be amended or if such assignment or amendment would impair the benefit the parties thereto derive from such Shared Contract, then the parties shall, and shall cause each of their respective Subsidiaries to, take such other reasonable and permissible actions (including by providing prompt notice to the other party with respect to any relevant claim of Liability or other relevant matters arising in connection with a Shared Contract so as to allow such other party the ability to exercise any applicable rights under such Shared Contract) to cause a member of the SpinCo Group or the

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NOV Group, as the case may be, to receive the rights and benefits of that portion of each Shared Contract that relates to the SpinCo Business or the businesses retained by NOV, as the case may be (in each case, to the extent so related), as if such Shared Contract had been assigned to (or amended to allow) a member of the applicable Group pursuant to this Section 2.9, and to bear the burden of the corresponding Liabilities (including any Liabilities that may arise by reason of such arrangement), as if such Liabilities had been assumed by a member of the applicable Group pursuant to this Section 2.9.

(b) Each of NOV and SpinCo shall, and shall cause the members of its Group to, (i) treat for all Tax purposes the portion of each Shared Contract inuring to its respective businesses as Assets owned by, and/or Liabilities of, as applicable, such party, or its subsidiaries, as applicable, not later than the Effective Time, and (ii) neither report nor take any Tax position (on a Tax Return or otherwise) inconsistent with such treatment (unless required by applicable Law).

(c) Nothing in this Section 2.9 shall require any member of any Group to make any material payment (except to the extent advanced, assumed or agreed in advance to be reimbursed by any member of the other Group), incur any material obligation or grant any material concession for the benefit of any member of any other Group in order to effect any transaction contemplated by this Section 2.9.

#### 2.10. Bank Accounts; Cash Balances.

(a) NOV and SpinCo each agrees to take, or cause the respective members of their respective Groups to take, at the Effective Time (or such earlier time as NOV and SpinCo may agree), all actions necessary to amend all contracts or agreements governing each bank and brokerage account owned by SpinCo or any other member of the SpinCo Group (collectively, the “SpinCo Accounts”) so that such SpinCo Accounts, if currently linked (whether by automatic withdrawal, automatic deposit or any other authorization to transfer funds from or to, hereinafter “linked”) to any bank or brokerage account owned by NOV or any other member of the NOV Group (collectively, the “NOV Accounts”), are de-linked from the NOV Accounts.

(b) NOV and SpinCo each agrees to take, or cause the respective members of their respective Groups to take, at the Effective Time (or such earlier time as NOV and SpinCo may agree), all actions necessary to amend all contracts or agreements governing the NOV Accounts so that such NOV Accounts, if currently linked to a SpinCo Account, are de-linked from the SpinCo Accounts.

(c) It is intended that, following consummation of the actions contemplated by Sections 2.10(a) and 2.10(b), there shall be in place a centralized cash management process pursuant to which the SpinCo Accounts shall be managed centrally and funds collected shall be transferred into one or more centralized accounts maintained by SpinCo.

(d) It is intended that, following consummation of the actions contemplated by Sections 2.10(a) and 2.10(b), there shall continue to be in place a centralized cash management process pursuant to which the NOV Accounts shall be managed centrally and funds collected shall be transferred into one or more centralized accounts maintained by NOV.

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(e) With respect to any outstanding payments initiated by NOV, SpinCo, or any of their respective Subsidiaries prior to the Separation, such outstanding payments shall be honored following the Separation by the Person or Group owning the account from which the payment was initiated.

(f) As between NOV and SpinCo (and the members of their respective Groups), all payments made and reimbursements received after the Separation by either party (or member of its Group) that relate to a business, Asset or Liability of the other party (or member of its Group), shall be held by such party for the use and benefit of the party entitled thereto (at the expense of the party entitled thereto). Each party shall maintain an accounting of any such payments and reimbursements, and the parties shall have a monthly reconciliation, whereby all such payments made and reimbursements received by each party are calculated and the net amount owed to NOV or SpinCo shall be paid over with right of set-off. If at any time the net amount owed to either party exceeds \$10,000,000, an interim payment of such net amount owed shall be made to the party entitled thereto within three (3) business days of such amount exceeding \$10,000,000. Notwithstanding the foregoing, neither NOV nor SpinCo shall act as collection agent for the other party, nor shall either party act as surety or endorser with respect to non-sufficient funds checks, or funds to be returned in a bankruptcy or fraudulent conveyance action.

2.11. Other Ancillary Agreements; Effect of Ancillary Agreements. Effective as of the date hereof, each of NOV and SpinCo shall execute and deliver all Ancillary Agreements to which it is a party (other than the Transfer Documents, which shall be executed on or prior to the Distribution Date). The Ancillary Agreements shall include:

(a) The Tax Matters Agreement, which will govern each of the Parties' respective rights, responsibilities and obligations after the Effective Time with respect to Taxes, including ordinary course of business Taxes and Taxes, if any, incurred as a result of any failure of the Distribution to qualify as a tax-free distribution for U.S. federal income tax purposes. The Tax Matters Agreement sets forth the respective obligations of each of the Parties with respect to the filing of Tax Returns, the administration of Tax contests, cooperation, access to information and provision of corporate Records with respect to such matters, and certain other matters, and imposes certain restrictions on each of the Parties' ability to engage in certain actions following the Effective Time. Except as expressly set forth in this Agreement or any Ancillary Agreement, all matters relating to Taxes in connection with the transactions contemplated by this Agreement shall be governed exclusively by the Tax Matters Agreement;

(b) The Employee Matters Agreement, which will govern each of the Parties' respective rights, responsibilities and obligations after the Effective Time relating to, arising out of, or resulting from the employment, service, termination of employment or termination of service of NOV Employees and SpinCo Employees, including with respect to access to information and provision of corporate Records with respect to such matters. Except as expressly set forth in this Agreement or any Ancillary Agreement, all matters relating to the above in connection with the transactions contemplated by this Agreement shall be governed exclusively by the Employee Matters Agreement;

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(c) The Transition Services Agreement, which will govern each of the Parties', or such Parties' Affiliates, respective rights, responsibilities and obligations after the Effective Time relating to, arising out of, or resulting from shared services or common uses of facilities and equipment that will continue for a transitional period after the Effective Time.

(d) The Master Distributor Agreement and the Master Services Agreement, which will govern each of the Parties', or such Parties' Affiliates, respective rights, responsibilities and obligations after the Effective Time relating to, arising out of, or resulting from the Parties' ongoing commercial relationships.

2.12. Intellectual Property.

(a) SpinCo shall have the right to use NOV Name and NOV Marks in connection with the operation of the SpinCo Business for a limited period of 180 days following the Effective Time. After such 180-day period, SpinCo shall discontinue all use of NOV Name and NOV Marks, including any use on stationery or letterhead and any use on other SpinCo Assets. All of SpinCo's use of NOV Name and NOV Marks shall inure to the benefit of NOV. SpinCo agrees to use NOV Name and NOV Marks in accordance with such quality standards established by NOV and communicated to SpinCo, it being understood that the products and services used in association with NOV Name and NOV Marks immediately before the Effective Time are of a quality that is acceptable to NOV and justifies the license granted herein. Except as set forth in this Section 2.12(a), it is expressly agreed that SpinCo is not obtaining any right, title or interest in NOV Name and NOV Marks. SpinCo will not contest the ownership, validity or enforceability of the NOV Name and NOV Marks, and nothing in this Section 2.12(a) shall be construed to limit NOV's ability to use NOV Name and NOV Marks following the Effective Time

2.13. Disclaimer of Representations and Warranties. EACH OF NOV (ON BEHALF OF ITSELF AND EACH MEMBER OF THE NOV GROUP) AND SPINCO (ON BEHALF OF ITSELF AND EACH MEMBER OF THE SPINCO GROUP) UNDERSTANDS AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, NO PARTY TO THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR OTHERWISE, IS REPRESENTING OR WARRANTING IN ANY WAY AS TO THE ASSETS, BUSINESSES OR LIABILITIES TRANSFERRED OR ASSUMED AS CONTEMPLATED HEREBY OR THEREBY, AS TO ANY CONSENTS OR APPROVALS REQUIRED IN CONNECTION THEREWITH, AS TO THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS OF, OR ANY OTHER MATTER CONCERNING, ANY ASSETS OF SUCH PARTY, AS TO, IN THE CASE OF INTELLECTUAL PROPERTY, NON-INFRINGEMENT OR ANY WARRANTY THAT ANY SUCH INTELLECTUAL PROPERTY IS "ERROR FREE," OR AS TO THE ABSENCE OF ANY DEFENSES OR RIGHT OF SET-OFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY CLAIM OR OTHER ASSET, INCLUDING ANY ACCOUNTS RECEIVABLE, OF ANY PARTY, OR AS TO THE LEGAL SUFFICIENCY OF ANY ASSIGNMENT, DOCUMENT OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF. EXCEPT AS MAY EXPRESSLY BE

SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, ALL SUCH ASSETS ARE BEING TRANSFERRED ON AN “AS IS,” “WHERE IS” BASIS (AND, IN THE CASE OF ANY REAL PROPERTY, EXCEPT AS OTHERWISE AGREED BY NOV, BY MEANS OF A QUITCLAIM OR SIMILAR FORM DEED OR CONVEYANCE) AND THE RESPECTIVE TRANSFEREES SHALL BEAR THE ECONOMIC AND LEGAL RISKS THAT (I) ANY CONVEYANCE WILL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE GOOD AND MARKETABLE TITLE, FREE AND CLEAR OF ANY SECURITY INTEREST, AND (II) ANY NECESSARY APPROVALS OR NOTIFICATIONS ARE NOT OBTAINED OR THAT ANY REQUIREMENTS OF LAWS OR JUDGMENTS ARE NOT COMPLIED WITH.

ARTICLE III.  
THE DISTRIBUTION

3.1. Actions Prior to the Distribution. Prior to the Effective Time and subject to the terms and conditions set forth herein, the parties shall take, or cause to be taken, the following actions in connection with the Distribution:

(a) *Notice to NYSE*. NOV shall, to the extent possible, give the NYSE not less than ten (10) days’ advance notice of the Record Date in compliance with Rule 10b-17 under the Exchange Act.

(b) *Securities Law Matters*. SpinCo shall file with the SEC any amendments or supplements to the Form 10 as may be necessary or advisable in order to cause the Form 10 to become and remain effective as required by the SEC or federal, state or other applicable securities Laws. NOV and SpinCo shall cooperate in preparing, filing with the SEC and causing to become effective registration statements or amendments thereof which are required to reflect the establishment of, or amendments to, any employee benefit and other plans necessary or advisable in connection with the transactions contemplated by this Agreement and the Ancillary Agreements. NOV and SpinCo shall take all such action as may be necessary or advisable under the securities or “blue sky” Laws of the United States (and any comparable Laws under any non-U.S. jurisdiction) in connection with the transactions contemplated by this Agreement and the Ancillary Agreements.

(c) *Mailing of Information Statement*. NOV shall, as soon as is reasonably practicable after the Form 10 is declared effective under the Exchange Act and the NOV Board has approved the Distribution, cause the Information Statement to be mailed to the Record Holders.

(d) *The Distribution Agent*. NOV shall enter into a distribution agent agreement with the Agent or otherwise provide instructions to the Agent regarding the Distribution.

(e) *Stock-Based Employee Benefit Plans*. At or prior to the Effective Time, NOV and SpinCo shall take all actions as may be necessary to approve the stock-based employee benefit plans of SpinCo in order to satisfy the requirements of Rule 16b-3 under the Exchange Act and the applicable rules and regulations of the NYSE.

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(f) *Certificate of Incorporation; Bylaws*. NOV and SpinCo shall take all necessary action that may be required to provide for the adoption by SpinCo of the Certificate of Incorporation of SpinCo (the “SpinCo Certificate of Incorporation”) and the Bylaws of SpinCo, each in such form as may be reasonably determined by NOV and SpinCo, and SpinCo shall file the SpinCo Certificate of Incorporation with the Secretary of State of the State of Delaware.

(g) *Financing Arrangements*. SpinCo shall enter into the SpinCo Financing Arrangements, on such terms and conditions as agreed by NOV (including the amount, if any, that shall be borrowed pursuant to the SpinCo Financing Arrangements and the interest rates for such borrowings). NOV and SpinCo shall participate in the preparation of all materials and presentations as may be reasonably necessary to secure funding pursuant to the SpinCo Financing Arrangements, including any marketing efforts or road shows related thereto. The parties agree that NOV shall be responsible for any third-party costs and expenses incurred on or prior to the Distribution Date by, and for reimbursement of such costs and expenses to, any member of the NOV Group or SpinCo Group associated with the SpinCo Financing Arrangements.

(h) *Restructuring Steps Memorandum*. NOV and SpinCo shall take the steps set forth on the Restructuring Steps Memorandum to the extent the Restructuring Steps Memorandum contemplates such steps being taken at or prior to the Effective Time.

(i) *Satisfying Conditions to Distribution*. NOV and SpinCo shall cooperate to cause the conditions to the Distribution set forth in Section 3.3 to be satisfied and to effect the Distribution at the Effective Time.

### 3.2. Effecting the Distribution.

(a) *Delivery of SpinCo Common Stock*. On or prior to the Distribution Date, NOV shall deliver to the Agent, for the benefit of the Record Holders, book-entry transfer authorizations for such number of the outstanding shares of SpinCo Common Stock as is necessary to effect the Distribution.

(b) *Effective Time*. The Effective Time on the Distribution Date shall be 5:00 p.m. Central Standard Time, or such other time as NOV may determine.

(c) *Distribution of Shares and Cash*. NOV shall instruct the Agent to distribute, as soon as practicable following the Effective Time, to each Record Holder the following: (i) one share of SpinCo Common Stock for every four shares of NOV Common Stock held by such Record Holder as of the Record Date and (ii) cash, if applicable, in lieu of fractional shares obtained in the manner provided in Section 3.2(d).

(d) *No Fractional Shares*. No fractional shares shall be distributed or credited to book-entry accounts in connection with the Distribution. As soon as practicable after the Effective Time, NOV shall direct the Agent to determine the number of whole shares and fractional shares of SpinCo Common Stock allocable to each holder of record or beneficial owner of NOV Common Stock as of the Record Date, to aggregate all such fractional shares and to sell the whole shares obtained thereby in open market transactions (with the Agent, in its sole and absolute discretion, determining when, how and through which broker-dealer and at what

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price to make such sales), and to cause to be distributed to each such holder or for the benefit of each such beneficial owner, in lieu of any fractional share, such holder's or owner's ratable share of the proceeds of such sale, after deducting any taxes required to be withheld and after deducting an amount equal to all brokerage charges, commissions and transfer taxes attributed to such sale. Neither NOV nor SpinCo shall be required to guarantee any minimum sale price for the fractional shares of SpinCo Common Stock. Neither NOV nor SpinCo shall be required to pay any interest on the proceeds from the sale of fractional shares.

(e) *Beneficial Owners*. Solely for purposes of computing fractional share interests pursuant to Section 3.2(d), the beneficial owner of NOV Common Stock held of record in the name of a nominee in any nominee account shall be treated as the holder of record with respect to such shares.

(f) *Unclaimed Stock or Cash*. Any SpinCo Common Stock or cash in lieu of fractional shares with respect to SpinCo Common Stock that remains unclaimed by any Record Holder one hundred eighty (180) days after the Distribution Date shall be delivered to SpinCo. SpinCo shall hold such SpinCo Common Stock for the account of such Record Holder, and the parties agree that all obligations to provide such SpinCo Common Stock and cash, if any, in lieu of fractional share interests shall be obligations of SpinCo, subject in each case to applicable escheat or other abandoned property Laws, and NOV shall have no Liability with respect thereto.

(g) *Transfer Authorizations*. SpinCo agrees to provide all book-entry transfer authorizations for shares of SpinCo Common Stock that NOV or the Agent shall require in order to effect the Distribution.

3.3. Conditions to the Distribution. The consummation of the Distribution shall be subject to the satisfaction, or waiver by NOV in its sole and absolute discretion, of the following conditions:

(a) *Approval by NOV Board*. This Agreement and the transactions contemplated hereby, including the declaration of the Distribution, shall have been approved by the NOV Board, and such approval shall not have been withdrawn.

(b) *Completion of the Separation*. The Separation shall have been completed in accordance with the Restructuring Steps Memorandum.

(c) *Opinions of Legal Counsel and Nationally Recognized Accounting Firm*. NOV shall have received an opinion from each of (i) its legal counsel and (ii) a nationally recognized accounting firm in form and substance satisfactory to NOV, in its sole discretion, each to the effect that the Contribution and the Distribution, if effected, taken together, shall qualify as a transaction that is tax-free for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Code.

(d) *Governmental Approvals*. All Governmental Approvals necessary to consummate the Distribution and to permit the operation of the SpinCo Business after the Effective Time substantially as it is conducted at the date hereof shall have been obtained and be in full force and effect.

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(e) *Securities Laws*. The actions and filings necessary or appropriate under applicable securities Laws in connection with the Distribution shall have been taken or made, and, where applicable, have become effective or been accepted by the applicable Governmental Authority.

(f) *No Order or Injunction*. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Distribution or any of the related transactions shall be in effect, and no other event outside the control of NOV shall have occurred or failed to occur that prevents the consummation of the Distribution or any of the related transactions.

(g) *Effectiveness of Form 10; Mailing of Information Statement*. The Form 10 registering the SpinCo Common Stock shall be effective under the Exchange Act, with no stop order in effect with respect thereto, and the Information Statement included therein shall have been mailed to NOV's stockholders as of the Record Date.

(h) *Listing on NYSE*. The SpinCo Common Stock shall have been accepted for listing on the NYSE, subject to official notice of distribution.

(i) *Contribution*. NOV shall have received the SpinCo Common Stock in connection with the Contribution and shall be satisfied in its sole discretion that, as of the Effective Time, it shall have no further Liability whatsoever under the SpinCo Financing Arrangements (including in connection with any guarantees provided by any member of the NOV Group).

(j) *Execution of Ancillary Agreements*. Each of the Ancillary Agreements shall have been duly executed and delivered by the parties thereto.

(k) *No Circumstances Making Distribution Inadvisable*. No events or developments shall have occurred or exist that, in the judgment of the NOV Board, in its sole and absolute discretion, make it inadvisable to effect the Distribution or the other transactions contemplated hereby, or would result in the Distribution or the other transactions contemplated hereby not being in the best interest of NOV or its stockholders.

3.4. Sole Discretion. The foregoing conditions are for the sole benefit of NOV and shall not give rise to or create any duty on the part of NOV or the NOV Board to waive or not waive such conditions or in any way limit NOV's right to terminate this Agreement as set forth in Article IX or alter the consequences of any such termination from those specified in such Article. Any determination made by the NOV Board prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in Section 3.3 shall be conclusive.

3.5. Closing. The closing and consummation of the transactions contemplated by this Agreement to occur prior to or on the Distribution Date shall take place at the principal executive offices NOV located in Houston, Texas.



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ARTICLE IV.  
DISPUTE RESOLUTION

4.1. General Provisions.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement or the Ancillary Agreements (except as otherwise set forth in any such Ancillary Agreements) (a “Dispute”), including (i) the validity, interpretation, breach or termination thereof or (ii) whether any Liability not specifically characterized in this Agreement or its Schedules, whose proper characterization is disputed, is a SpinCo Liability or a NOV Retained Liability, shall be resolved in accordance with the procedures set forth in this Article IV, which shall be the sole and exclusive procedures for the resolution of any such Dispute unless otherwise specified in the applicable Ancillary Agreement or in this Article IV.

(b) THE PARTIES EXPRESSLY WAIVE AND FOREGO ANY RIGHT TO TRIAL BY JURY.

(c) The specific procedures set forth in this Article IV, including the time limits referenced herein, may be modified by agreement of both of the Parties in writing.

(d) All applicable statutes of limitations and defenses based upon the passage of time shall be tolled while the procedures specified in this Article IV are pending. The Parties shall take any necessary or appropriate action required to effectuate such tolling.

(e) Commencing with a request contemplated by Section 4.2, all communications between the parties or their representatives in connection with the attempted resolution of any Dispute shall be deemed to have been delivered in furtherance of a Dispute settlement and shall be exempt from discovery and production, and shall not be admissible into evidence for any reason (whether as an admission or otherwise), in any arbitral or other proceeding for the resolution of any Dispute.

4.2. Consideration by Senior Executives. If a Dispute is not resolved in the normal course of business at the operational level, the Parties shall attempt in good faith to resolve the Dispute by negotiation between executives designated by the parties who hold, at a minimum, the office of Senior Vice President and/or General Counsel (such designated executives, the “Dispute Committee”). Either party may initiate the executive negotiation process by providing a written notice to the other (the “Initial Notice”). Within fifteen (15) days after delivery of the Initial Notice, the receiving party shall submit to the other a written response (the “Response”). The Initial Notice and the Response shall include (a) a statement of the Dispute and of each party’s position and (b) the names and titles of the executive who may represent that party as the Dispute Committee and of any other persons who may accompany the executive. The Parties agree that the Dispute Committee shall have full and complete authority to resolve any Disputes submitted pursuant to this Section 4.2. Such Dispute Committee and other applicable executives shall meet in person or by teleconference or video conference within thirty (30) days of the date of the Initial Notice to seek a resolution of the Dispute. In the event that the Dispute Committee and other applicable executives are unable to agree to a format for such meeting, the meeting shall be convened in person at a mutually acceptable location in Houston, Texas.

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#### 4.3. Arbitration.

(a) In the event any Dispute is not finally resolved pursuant to Section 4.2 within sixty (60) days from the delivery of the Initial Notice, and unless the parties have mutually agreed to mediate or use some other form of alternative dispute resolution in an attempt to resolve the Dispute, then such Dispute may be submitted by either party to be finally resolved by binding arbitration pursuant to the AAA Commercial Arbitration Rules as then in effect (the “AAA Commercial Arbitration Rules”).

(b) Without waiving its rights to any remedy under this Agreement and without first complying with the provisions of Section 4.2, either party may seek any interim or provisional relief that is necessary to protect the rights or property of that party either (i) before any federal or state court in Harris County, Texas, (ii) before a special arbitrator, as provided for under the AAA Commercial Arbitration Rules, or (iii) before the arbitral tribunal established hereunder.

(c) Unless otherwise agreed by the parties in writing, any Dispute to be decided in arbitration hereunder shall be decided (i) before a sole arbitrator if the amount in dispute, inclusive of all claims and counterclaims, totals less than \$10,000,000; or (ii) by an arbitral tribunal of three (3) arbitrators if (A) the amount in dispute, inclusive of all claims and counterclaims, is equal to or greater than \$10,000,000 or (B) either party elects in writing to have such dispute decided by three (3) arbitrators when one of the parties believes, in its sole judgment, the issue could have significant precedential value; however, the party who makes such election under clause (B) shall solely bear the increased costs and expenses associated with a panel of three (3) arbitrators (i.e., the additional costs and expenses associated with the two (2) additional arbitrators).

(d) A panel of three (3) arbitrators shall be chosen as follows: (i) upon the written demand of either party and within fifteen (15) days from the date of receipt of such demand, each party shall name an arbitrator selected by such party in its sole discretion; and (ii) the two (2) party-appointed arbitrators shall thereafter, within thirty (30) days from the date on which the second of the two (2) arbitrators was named, name a third, independent arbitrator who shall act as chairperson of the arbitral tribunal. In the event that either party fails to name an arbitrator within fifteen (15) days from the date of receipt of a written demand to do so, then upon written application by either party, that arbitrator shall be appointed pursuant to the AAA Commercial Arbitration Rules. In the event that the two (2) party-appointed arbitrators fail to appoint the third, independent arbitrator within thirty (30) days from the date on which the second of the two (2) arbitrators was named, then upon written application by either party, the third, independent arbitrator shall be appointed pursuant to AAA Commercial Arbitration Rules. If the arbitration shall be before a sole independent arbitrator, then the sole independent arbitrator shall be appointed by agreement of the parties within fifteen (15) days from the date of receipt of written demand of either party. If the parties cannot agree to a sole independent arbitrator, then upon written application by either party, the sole independent arbitrator shall be appointed pursuant to AAA Commercial Arbitration Rules.

(e) The place of arbitration shall be Houston, Texas. Along with the arbitrator(s) appointed, the parties shall agree to a mutually convenient location, date and time to conduct the arbitration, but in no event shall the final hearing(s) be scheduled more than six (6) months from submission of the Dispute to arbitration unless the parties agree otherwise in writing.

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(f) The arbitral tribunal shall have the right to award, on an interim basis, or include in the final award, any relief that it deems proper in the circumstances, including money damages (with interest on unpaid amounts from the due date), injunctive relief (including specific performance) and attorneys' fees and costs; provided that the arbitral tribunal shall not award any relief not specifically requested by the parties and, in any event, shall not award any damages of the types prohibited under Section 10.18. Upon constitution of the arbitral tribunal following any grant of interim relief by a special arbitrator or court pursuant to Section 4.3(b), the tribunal may affirm or disaffirm that relief, and the parties shall seek modification or rescission of the order entered by the special arbitrator or court as necessary to accord with the tribunal's decision.

(g) Neither party shall be bound by Rule 13 of the Federal Rules of Civil Procedure or any analogous Law or provision in the AAA Commercial Arbitration Rules governing deadlines for compulsory counterclaims; rather, each party shall be free to bring a counterclaim at any time (subject to any applicable statutes of limitation).

(h) So long as either party has a timely claim to assert, the agreement to arbitrate Disputes set forth in this Section 4.3 shall continue in full force and effect subsequent to, and notwithstanding the completion, expiration or termination of, this Agreement.

(i) The interim or final award in an arbitration pursuant to this Article IV shall be conclusive and binding upon the parties, and a party obtaining a final award may enter judgment upon such award in any federal or state court in Harris County, Texas.

(j) It is the intent of the parties that the agreement to arbitrate Disputes set forth in this Section 4.3 shall be interpreted and applied broadly such that all reasonable doubts as to arbitrability of a Dispute shall be decided in favor of arbitration.

(k) The parties agree that any Dispute submitted to arbitration shall be governed by, and construed and interpreted in accordance with Laws of the State of Texas, as provided in Section 10.2 and, except as otherwise provided in this Article IV or mutually agreed to in writing by the parties, the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., shall govern any arbitration between the parties pursuant to this Section 4.3.

(l) Subject to Section 4.3(c)(ii)(B), each party shall bear its own fees, costs and expenses and shall bear an equal share of the costs and expenses of the arbitration, including the fees, costs and expenses of the three (3) arbitrators; provided that the arbitral tribunal may award the prevailing party its reasonable fees and expenses (including attorneys' fees), if it finds that there was no good faith basis for the position taken by the other party in the arbitration.

(m) Notwithstanding anything in this Article IV to the contrary, any disputes relating to the interpretation of Article V or requesting injunctive relief or specific performance shall be conducted according to the fast-track arbitration procedures of the AAA Commercial Arbitration Rules then in effect.

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4.4. Allocation of Undetermined Liabilities and Third-Party Claims.

(a) As of the date of this Agreement, the Parties have not identified any unallocated Liabilities. If a Liability is not explicitly addressed in this Agreement or set forth in the Schedules, the parties shall be presumed to have intended that the Liability be a SpinCo Liability or an NOV Retained Liability. Such presumption may only be overcome by clear and convincing evidence to the contrary.

(b) If either Party or any of its Subsidiaries shall receive notice or otherwise learn of the assertion of a Liability or Third-Party Claim which is not determined to be a SpinCo Liability or an NOV Retained Liability, such Party shall give the other Party written notice thereof promptly (and in any event within 15 days) after such Person becomes aware of such Liability or Third-Party Claim. Thereafter, the Party shall deliver to the other Party, promptly (and in any event within 10 calendar days) after the Party's receipt thereof, copies of all notices and documents (including court papers) received by the Party or the member of such Party's Group relating to the matter. If a dispute shall arise between the Parties as to the proper characterization of any Liability, then any Party may refer that Dispute to the Dispute Committee in accordance with Section 4.2.

(c) NOV may commence defense of any unallocated Third-Party Claims pending decision of the Dispute Committee (or decision regarding an Action, if applicable), but shall not be obligated to do so. If NOV commences any such defense and subsequently SpinCo is determined hereunder to have the exclusive obligation to such Third-Party Claim, then, upon the request of SpinCo, NOV shall promptly discontinue the defense of such matter and transfer the control thereof to SpinCo. In such event, SpinCo will reimburse NOV for all costs and expenses incurred prior to resolution of such dispute in the defense of such Third-Party Claim.

ARTICLE V.  
MUTUAL RELEASES; INDEMNIFICATION; COOPERATION

5.1. Release of Pre-Distribution Claims.

(a) Except as provided in Section 5.1(c), effective as of the Effective Time, SpinCo does hereby, for itself and each other member of the SpinCo Group, their respective Affiliates (other than any member of the NOV Group), successors and assigns, and all Persons who at any time prior to the Effective Time have been directors, officers, agents or employees of any member of the SpinCo Group (in each case, in their respective capacities as such), release and forever discharge NOV and the members of the NOV Group, their respective Affiliates (other than any member of the SpinCo Group), successors and assigns, and all Persons who at any time prior to the Effective Time have been stockholders, directors, officers, agents or employees of any member of the NOV Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at Law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Effective Time, including in connection with the transactions related to or undertaken in connection with the Separation and the Distribution and all other activities to implement the Separation and the Distribution or contemplated hereunder.

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(b) Except as provided in Section 5.1(c), effective as of the Effective Time, NOV does hereby, for itself and each other member of the NOV Group, their respective Affiliates (other than any member of the SpinCo Group), successors and assigns, and all Persons who at any time prior to the Effective Time have been directors, officers, agents or employees of any member of the NOV Group (in each case, in their respective capacities as such), release and forever discharge SpinCo, the respective members of the SpinCo Group, their respective Affiliates (other than any member of the NOV Group), successors and assigns, and all Persons who at any time prior to the Effective Time have been stockholders, directors, officers, agents or employees of any member of the SpinCo Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Effective Time, including in connection with the transactions related to or undertaken in connection with the Separation and the Distribution and all other activities to implement the Separation and the Distribution or contemplated hereunder.

(c) Nothing contained in Section 5.1(a) or (b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings that are specified in Section 2.8(b) or the applicable Schedules thereto as not to terminate as of the Effective Time, in each case in accordance with its terms. Nothing contained in Section 5.1(a) or (b) shall release any Person from:

(i) any Liability provided in or resulting from any agreement among any members of the NOV Group or the SpinCo Group that is specified in Section 2.8(b) or the applicable Schedules thereto as not to terminate as of the Effective Time, or any other Liability specified in such Section 2.8(b) as not to terminate as of the Effective Time;

(ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, this Agreement or any Ancillary Agreement (including any SpinCo Liability and any Excluded Liability, as applicable);

(iii) any Liability for the sale, lease, construction or receipt of goods, property or services purchased, obtained or used in the ordinary course of business by a member of one Group from a member of the other Group prior to the Effective Time;

(iv) any Liability for unpaid amounts for products or services or refunds owing on products or services due on a value-received basis for work done by a member of one Group at the request or on behalf of a member of the other Group;

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(v) any Liability that the parties may have with respect to indemnification or contribution pursuant to this Agreement for claims brought against the Parties by third parties, which Liability shall be governed by the provisions of this Article V and Article VI and any other applicable provisions of this Agreement or any Ancillary Agreement; or

(vi) any Liability the release of which would result in the release of any third Person other than a Person released pursuant to this Section 5.1.

In addition, nothing contained in Section 5.1(a) shall release NOV from honoring its existing obligations to indemnify any director, officer or employee of a member of the SpinCo Group who was a director, officer or employee of a member of the NOV Group on or prior to the Effective Time, to the extent that such director, officer or employee becomes a named defendant in any Action with respect to which such director, officer or employee was entitled to such indemnification pursuant to then-existing obligations, it being understood that, if the underlying obligation giving rise to such Action is a SpinCo Liability, SpinCo shall indemnify NOV for such Liability (including NOV's costs to indemnify the director, officer or employee) in accordance with the provisions set forth in this Article V.

(d) SpinCo covenants that it shall not make, and shall not permit any member of the SpinCo Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against NOV or any member of the NOV Group, or any other Person released pursuant to Section 5.1(a), with respect to any Liabilities released pursuant to Section 5.1(a). NOV covenants that it shall not make, and shall not permit any member of the NOV Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against SpinCo or any member of the SpinCo Group, or any other Person released pursuant to Section 5.1(b), with respect to any Liabilities released pursuant to Section 5.1(b).

(e) It is the intent of each of NOV and SpinCo, by virtue of the provisions of this Section 5.1, to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Effective Time, between or among SpinCo or any member of the SpinCo Group, on the one hand, and NOV or any member of the NOV Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Effective Time), except as expressly set forth in Section 5.1(c). At any time, at the request of any other party to this Agreement, each party shall cause each member of its respective Group to execute and deliver releases in form reasonably satisfactory to the other party reflecting the provisions hereof.

(f) Any breach of the provisions of this Section 5.1 by either NOV or SpinCo shall entitle the other party to recover reasonable fees and expenses of counsel in connection with such breach or any Action resulting from such breach.

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5.2. Indemnification by SpinCo. Subject to Section 5.4, SpinCo shall, and shall cause the other members of the SpinCo Group to, indemnify, defend and hold harmless NOV, each member of the NOV Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "NOV Indemnitees"), from and against any and all Liabilities of the NOV Indemnitees relating to, arising out of or resulting from any of the following items (without duplication):

(a) the failure of SpinCo or any other member of the SpinCo Group or any other Person to pay, perform or otherwise promptly discharge any SpinCo Liabilities or SpinCo Contracts in accordance with their respective terms, whether prior to or after the Effective Time or the date hereof;

(b) the SpinCo Business, any SpinCo Liabilities or any SpinCo Contracts;

(c) the Assumed Actions;

(d) any Corporate Action or Action relating exclusively to the SpinCo Business from which SpinCo is unable to cause a NOV Group party to be removed pursuant to Section 5.6(d);

(e) any failure by SpinCo or a member of the SpinCo Group to use commercially reasonable efforts to obtain the waivers of subrogation contemplated by Section 5.4(c);

(f) any breach by SpinCo or any member of the SpinCo Group of this Agreement or any of the Ancillary Agreements;

(g) any guarantee, indemnification obligation, letter of credit reimbursement obligations, surety, bond or other credit support agreement, arrangement, commitment or understanding for the benefit of SpinCo or its Subsidiaries by NOV or any of its Subsidiaries (other than SpinCo or its Subsidiaries) that survives following the Effective Time; and

(h) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in any of the Form 10 (including in any amendments or supplements thereto), the Information Statement (as amended or supplemented if SpinCo shall have furnished any amendments or supplements thereto), or any marketing materials prepared in connection with the SpinCo Financing Arrangements, other than any such statement or omission in the Form 10, Information Statement or marketing materials based on information furnished by NOV and solely concerning the NOV Group.

5.3. Indemnification by NOV. Subject to Section 5.4, NOV shall, and shall cause the other members of the NOV Group to, indemnify, defend and hold harmless SpinCo, each member of the SpinCo Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "SpinCo Indemnitees"), from and against any and all Liabilities of the SpinCo Indemnitees relating to, arising out of or resulting from any of the following items (without duplication):

(a) the failure of NOV or any other member of the NOV Group or any other Person to pay, perform or otherwise promptly discharge any Excluded Liabilities, whether prior to or after the Effective Time or the date hereof;

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(b) the NOV Business and the Excluded Assets;

(c) the Excluded Liabilities;

(d) any Corporate Action or Action relating exclusively to the NOV Business from which NOV is unable to cause a SpinCo Group party to be removed pursuant to Section 5.6(d);

(e) any failure by NOV or a member of the NOV Group to use commercially reasonable efforts to obtain the waivers of subrogation contemplated by Section 5.4(d);

(f) any breach by NOV or any member of the NOV Group of this Agreement or any Ancillary Agreements; and

(g) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in any of the Form 10 (including in any amendments or supplements thereto), the Information Statement (as amended or supplemented if SpinCo shall have furnished any amendments or supplements thereto), or any marketing materials prepared in connection with the SpinCo Financing Arrangements, in each case based on information furnished by NOV and solely concerning the NOV Group.

#### 5.4. Indemnification Obligations Net of Insurance Proceeds.

(a) The parties intend that any Liability subject to indemnification or reimbursement pursuant to this Article V or Article VI shall be net of Insurance Proceeds that actually reduce the amount of the Liability. Accordingly, the amount that any party (an "Indemnifying Party") is required to pay to any Person entitled to indemnification hereunder (an "Indemnitee") shall be reduced by any Insurance Proceeds theretofore actually recovered by or on behalf of the Indemnitee in respect of the related Liability. If an Indemnitee receives a payment (an "Indemnity Payment") required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds, then the Indemnitee shall pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds had been received, realized or recovered before the Indemnity Payment was made.

(b) An insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other Third Party shall be entitled to a "windfall" (i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions hereof) by virtue of the indemnification provisions hereof.



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(c) Each of NOV and SpinCo shall, and shall cause the members of its Group to, when appropriate, use commercially reasonable efforts to obtain waivers of subrogation for each of the insurance policies described in Sections 6.3 and 6.4. Each of NOV and SpinCo hereby waives, for itself and each member of its Group, its rights to recover against the other party in subrogation or as subrogee for a third Person.

(d) For all claims as to which indemnification is provided under Section 5.2 or 5.3 other than Third-Party Claims (as to which Section 5.5 shall apply), the reasonable fees and expenses of counsel to the Indemnitee for the enforcement of the indemnity obligations shall be borne by the Indemnifying Party.

#### 5.5. Procedures for Indemnification of Third-Party Claims.

(a) If an Indemnitee shall receive written notice from a Person (including any Governmental Authority) who is not a member of the NOV Group or the SpinCo Group (a “Third Party”) of any claim or of the commencement by any such Person of any Action (collectively, a “Third-Party Claim”) with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to Section 5.2 or 5.3, or any other Section of this Agreement or, subject to Section 5.14, any Ancillary Agreement, such Indemnitee shall give such Indemnifying Party written notice thereof within fourteen (14) days of receipt of such written notice. Any such notice shall describe the Third-Party Claim in reasonable detail and include copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third-Party Claim. Notwithstanding the foregoing, the failure of an Indemnitee to provide notice in accordance with this Section 5.5(a) shall not relieve an Indemnifying Party of its indemnification obligations under this Agreement, except to the extent to which the Indemnifying Party shall demonstrate that it was materially prejudiced by the Indemnitee’s failure to provide notice in accordance with this Section 5.5(a).

(b) An Indemnifying Party may elect to defend (and to seek to settle or compromise), at such Indemnifying Party’s own expense and by such Indemnifying Party’s own counsel, any Third Party Claim. Within thirty (30) days after the receipt of notice from an Indemnitee in accordance with Section 5.5(a) (or sooner, if the nature of such Third-Party Claim so requires), the Indemnifying Party shall notify the Indemnitee of its election whether the Indemnifying Party shall assume responsibility for defending such Third-Party Claim. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third-Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnitee except as otherwise expressly set forth herein.

(c) If an Indemnifying Party has elected to assume the defense of a Third-Party Claim, then such Indemnifying Party shall be solely liable for all fees and expenses incurred by it in connection with the defense of such Third-Party Claim and shall not be entitled to seek any indemnification or reimbursement from the Indemnitee for any such fees or expenses incurred during the course of its defense of such Third Party Claim, regardless of any subsequent decision by the Indemnifying Party to reject or otherwise abandon its assumption of such defense. If an Indemnifying Party elects not to assume responsibility for defending any

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Third-Party Claim or fails to notify an Indemnitee of its election within thirty (30) days after receipt of a notice from an Indemnitee, such Indemnitee shall have the right to control the defense of such Third-Party Claim, in which case the Indemnifying Party shall be liable for all reasonable fees and expenses incurred by the Indemnitee in connection with the defense of such Third-Party Claim.

(d) Notwithstanding an election by an Indemnifying Party to defend a Third-Party Claim pursuant to Section 5.5(b), a Indemnitee may, upon notice to the Indemnifying Party, elect to take over the defense of such Third-Party Claim if (i) in its exercise of reasonable business judgment, the Indemnitee determines that the Indemnifying Party is not defending such Third-Party Claim competently or in good faith, (ii) the Indemnitee determines in its exercise of reasonable business judgment that there exists a compelling business reason for such Indemnitee to defend such Third-Party Claim (other than as contemplated by the foregoing clause (i)), (iii) the Indemnifying Party makes a general assignment for the benefit of creditors, has filed against it or files a petition in bankruptcy or insolvency or is declared bankrupt or insolvent or declares that it is bankrupt or insolvent, or (iv) there occurs a change of control of the Indemnifying Party.

(e) An Indemnitee that does not conduct and control the defense of any Third-Party Claim, or an Indemnifying Party that has failed to elect to defend any Third-Party Claim as contemplated hereby, nevertheless shall have the right to employ separate counsel (including local counsel as necessary) of its own choosing to monitor and participate in (but not control) the defense of any Third-Party Claim for which it is a potential Indemnitee or Indemnifying Party, but the fees and expenses of such counsel shall be at the expense of such Indemnitee or Indemnifying Party, as the case may be, and the provisions of Section 5.5(c) shall not apply to such fees and expenses. Notwithstanding the foregoing, subject to Section 7.7, such party shall cooperate with the party entitled to conduct and control the defense of such Third-Party Claim in such defense and make available to the controlling party, at the non-controlling party's expense, all witnesses, information and materials in such party's possession or under such party's control relating thereto as are reasonably required by the controlling party. In addition to the foregoing, if any Indemnitee shall in good faith determine that such Indemnitee and the Indemnifying Party have actual or potential differing defenses or conflicts of interest between them that make joint representation inappropriate, then the Indemnitee shall have the right to employ separate counsel (including local counsel as necessary) and to participate in (but not control) the defense, compromise or settlement thereof, and the Indemnifying Party shall bear the reasonable fees and expenses of such counsel for all Indemnitees.

(f) Neither party may settle or compromise any Third-Party Claim for which either party is seeking to be indemnified hereunder without the prior written consent of the other party, which consent may not be unreasonably withheld, unless such settlement or compromise is solely for monetary damages, does not involve any finding or determination of wrongdoing or violation of Law by the other party and provides for a full, unconditional and irrevocable release of the other party from all Liability in connection with the Third-Party Claim. The parties hereby agree that if a party presents the other party with a written notice containing a proposal to settle or compromise a Third-Party Claim for which either party is seeking to be indemnified hereunder and the party receiving such Proposal does not respond in any manner to the party presenting such proposal within thirty (30) days (or within any such shorter time period that may be required by applicable Law or court order) of receipt of such proposal, then the party receiving such proposal shall be deemed to have consented to the terms of such proposal.

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(g) Schedule 5.5(g) identifies certain pending Third-Party Claims with respect to which Liabilities will be allocated and the other actions taken as set forth therein. With respect to the Third-Party Claims identified in Schedule 5.5(g), in the event of any conflict between the provisions of this Article V and the provisions of Schedule 5.5(g), the latter shall govern. There shall be no requirement under this Section 5.5 to give notice with respect to any Third-Party Claims identified in Schedule 5.5(g), that exist as of the Effective Time.

(h) The provisions of this Section 5.5 (other than this Section 5.5(h)) and the provisions of Section 5.6 shall not apply to Taxes (Taxes being governed by the Tax Matters Agreement).

(i) All Assumed Actions have been tendered by NOV to SpinCo and are deemed to be formally accepted by SpinCo upon the execution of this Agreement.

(j) The Indemnifying Party shall establish a procedure reasonably acceptable to the Indemnitee to keep the Indemnitee reasonably informed of the progress of the Third-Party Claim and to notify the Indemnitee when any such Third-Party Claim is closed, regardless of whether such Third-Party Claim was resolved by settlement, verdict, dismissal or otherwise.

#### 5.6. Additional Matters.

(a) Indemnification payments in respect of any Liabilities for which an Indemnitee is entitled to indemnification under this Article V shall be paid by the Indemnifying Party to the Indemnitee as such Liabilities are incurred upon demand by the Indemnitee, including reasonably satisfactory documentation setting forth the basis for the amount of such indemnification payment, including documentation with respect to calculations made and consideration of any Insurance Proceeds that actually reduce the amount of such Liabilities. THE INDEMNITY AGREEMENTS CONTAINED IN THIS ARTICLE V SHALL REMAIN OPERATIVE AND IN FULL FORCE AND EFFECT, REGARDLESS OF (I) ANY INVESTIGATION MADE BY OR ON BEHALF OF ANY INDEMNITEE, (II) THE KNOWLEDGE BY THE INDEMNITEE OF LIABILITIES FOR WHICH IT MIGHT BE ENTITLED TO INDEMNIFICATION HEREUNDER AND (III) ANY TERMINATION OF THIS AGREEMENT.

(b) Any claim on account of a Liability that does not result from a Third-Party Claim shall be asserted by written notice given by the Indemnitee to the related Indemnifying Party. Such Indemnifying Party shall have a period of thirty (30) days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such thirty (30)-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such thirty (30)-day period or rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Ancillary Agreements.

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(c) In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim or against any other Person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(d) In the event of an Action for which indemnification is sought pursuant to Section 5.2 or 5.3 and in which the Indemnifying Party is not a named defendant, if either the Indemnitee or Indemnifying Party shall so request, the parties shall use commercially reasonable efforts to substitute the Indemnifying Party for the named defendant.

(e) In the event that SpinCo or NOV establishes a risk accrual in an amount of at least \$10,000,000 with respect to any Third-Party Claim for which such party has indemnified the other party pursuant to Section 5.2 or 5.3, as applicable, it shall notify the other party of the existence and amount of such risk accrual (i.e., when the accrual is recorded in the financial statements as an accrual for a potential liability), subject to the parties entering into an appropriate agreement with respect to the confidentiality and/or privilege thereof.

(f) An Indemnitee shall take all reasonable steps to mitigate damages in respect of any claim for which it seeks indemnification hereunder, and shall use reasonable efforts to avoid any costs or expenses associated with such claim and, if such costs and expenses cannot be avoided, to minimize the amount thereof; provided, however, that an Indemnitee shall have no obligation to make a claim for recovery against any of its insurers with respect to any Losses for which it is seeking indemnification.

(g) THE RELEASES AND INDEMNIFICATION OBLIGATIONS OF THE PARTIES IN THIS AGREEMENT ARE EXPRESSLY INTENDED, AND SHALL OPERATE AND BE CONSTRUED, TO APPLY EVEN WHERE THE LOSSES OR LIABILITIES FOR WHICH THE RELEASE AND/OR INDEMNITY ARE GIVEN ARE CAUSED, IN WHOLE OR IN PART, BY THE SOLE, JOINT, JOINT AND SEVERAL, CONCURRENT, CONTRIBUTORY, ACTIVE OR PASSIVE NEGLIGENCE OR THE STRICT LIABILITY OR FAULT OF THE PARTY BEING RELEASED OR INDEMNIFIED.

5.7. Remedies Cumulative. The remedies provided in this Article V shall be cumulative and shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party; provided, however, if a party has recovered any Losses from the other party pursuant to any provision of this Agreement or any Ancillary Agreement or otherwise, it shall not be entitled to recover the same Losses pursuant to any other provision of this Agreement or any Ancillary Agreement or otherwise.

5.8. Survival of Indemnities. The rights and obligations of each of NOV and SpinCo and their respective Indemnitees under this Article V shall survive (a) the sale or other transfer by any party of any Assets or businesses or the assignment by it of any Liabilities, and (b) any merger, consolidation business combination, sale of all or substantially all of the Assets, restructuring, recapitalization, reorganization or similar transaction involving either party or any of its respective Subsidiaries.

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5.9. Guarantees, Letters of Credit and Other Obligations. In furtherance of, and not in limitation of, the obligations set forth in Section 2.6:

(a) On or prior to the Effective Time or as soon as practicable thereafter, SpinCo shall (with the reasonable cooperation of the applicable member(s) of the NOV Group) use its commercially reasonable efforts to have any member(s) of the NOV Group removed as guarantor or obligor for any SpinCo Liability to the extent that they relate to SpinCo Liabilities, including in respect of those guarantees, letters of credit and other obligations set forth on Schedule 5.9(a).

(b) On or prior to the Effective Time, to the extent required to obtain a release from a guarantee, letter of credit or other obligation of any member of the NOV Group, SpinCo shall execute a substitute document in the form of any such existing guarantee or letter of credit, as applicable, or such other form as is agreed to by the relevant parties to such guarantee agreement, letter of credit or other obligation, except to the extent that such existing guarantee contains representations, covenants or other terms or provisions either (i) with which SpinCo would be reasonably unable to comply or (ii) which would be reasonably expected to be breached.

(c) If the parties are unable to obtain, or to cause to be obtained, any such required removal as set forth in clauses (a) and (b) of this Section 5.9, (i) SpinCo shall, and shall cause the other members of the SpinCo Group to, indemnify, defend and hold harmless each of the NOV Indemnitees for any Liability arising from or relating to such guarantee, letter of credit or other obligation, as applicable, and shall, as agent or subcontractor for the applicable NOV Group guarantor or obligor, pay, perform and discharge fully all of the obligations or other Liabilities of such guarantor or obligor thereunder, and (ii) SpinCo shall not, and shall cause the other members of the SpinCo Group not to, agree to renew or extend the term of, increase any obligations under, or transfer to a third Person, any loan, guarantee, letter of credit, lease, contract or other obligation for which a member of the NOV Group is or may be liable unless all obligations of the members of the NOV Group with respect thereto are thereupon terminated by documentation satisfactory in form and substance to NOV in its sole and absolute discretion.

5.10. Right of Contribution.

(a) *Contribution*. If any right of indemnification contained in this Article V is held unenforceable or is unavailable for any reason, or is insufficient to hold harmless an Indemnitee in respect of any Liability for which such Indemnitee is entitled to indemnification hereunder, then the Indemnifying Party shall contribute to the amounts paid or payable by the Indemnitees as a result of such Liability (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and its Subsidiaries, on the one hand, and the Indemnitees entitled to contribution, on the other hand, as well as any other relevant equitable considerations.

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(b) *Allocation of Relative Fault*. Solely for purposes of determining relative fault pursuant to this Section 5.10: (i) any fault associated with the business conducted with the SpinCo Assets or SpinCo Liabilities (except for the gross negligence or intentional misconduct of NOV or a NOV Subsidiary) or with the ownership, operation or activities of the SpinCo Business prior to the Effective Time, shall be deemed to be the fault of SpinCo and the SpinCo Subsidiaries, and no such fault shall be deemed to be the fault of NOV or a NOV Subsidiary; and (ii) any fault associated with the business conducted with the Excluded Assets or Excluded Liabilities (except for the gross negligence or intentional misconduct of SpinCo or a SpinCo Subsidiary) or with the ownership, operation or activities of the NOV Business prior to the Effective Time, shall be deemed to be the fault of NOV and the NOV Subsidiaries, and no such fault shall be deemed to be the fault of SpinCo or a SpinCo Subsidiary. For purposes of this Section 5.10, with respect to any Liability relating to matters covered by Section 5.2(h) or 5.3(g) or otherwise relating to misstatements or omissions under securities or antifraud Laws, the relative fault of a member of the SpinCo Group, on the one hand, and of a member of the NOV Group, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact (i) relates to a member of the SpinCo Group or a member of the NOV Group and (ii) relates to information that was supplied by a member of the SpinCo Group or a member of the NOV Group.

(c) *Contribution Procedures*. The provisions of Sections 5.5 and 5.6 shall govern any contribution claims.

5.11. No Impact on Third Parties. For the avoidance of doubt, except as expressly set forth in this Agreement, the indemnifications provided for in this Article V are made only for purposes of allocating responsibility for Liabilities between the NOV Group, on the one hand, and the SpinCo Group, on the other hand, and are not intended to, and shall not, affect any obligations to, or give rise to any rights of, any third parties.

5.12. No Cross-Claims or Third-Party Claims. Each of SpinCo and NOV agrees that it shall not, and shall not permit the members of its respective Group to, in connection with any Third-Party Claim, assert as a counterclaim or third-party claim against any member of the NOV Group or SpinCo Group, respectively, any claim (whether sounding in contract, tort or otherwise) that arises out of or relates to this Agreement, any breach or alleged breach hereof, the transactions contemplated hereby (including all actions taken in furtherance of the transactions contemplated hereby on or prior to the date hereof), or the construction, interpretation, enforceability or validity hereof, which in each such case shall be asserted only as contemplated by Article IV.

5.13. Severability. If any indemnification provided for in this Article V is determined by a Texas federal or state court to be invalid, void or unenforceable, the liability shall be apportioned between the Indemnitee and the Indemnifying Party as determined in a separate proceeding in accordance with Article IV.

5.14. Ancillary Agreements. Notwithstanding anything in this Agreement to the contrary, to the extent any Ancillary Agreement contains any indemnification obligation or contribution obligation relating to any SpinCo Liability, Excluded Liability, SpinCo Asset or

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Excluded Asset contributed, assumed, retained, transferred, delivered, conveyed or governed pursuant to such Ancillary Agreement, the indemnification obligations and contribution obligations contained herein shall not apply to such SpinCo Liability, Excluded Liability, SpinCo Asset or Excluded Asset and instead the indemnification obligations and/or contribution obligations set forth in such Ancillary Agreement shall govern with regard to such SpinCo Liability, Excluded Liability, SpinCo Asset or Excluded Asset.

5.15. Cooperation in Defense and Settlement.

(a) With respect to any Third-Party Claim that implicates both parties in a material fashion due to the allocation of Liabilities, responsibilities for management of defense and related indemnities pursuant to this Agreement or any of the Ancillary Agreements, the parties agree to use commercially reasonable efforts to cooperate fully and maintain a joint defense (in a manner that will preserve for the parties the attorney-client privilege, joint defense or other privilege with respect thereto).

(b) To the extent there are documents, other materials, access to employees or witnesses related to or from a Party that is not responsible for the defense or Liability of a particular Action, such Party shall provide to the other Party reasonable access to documents, other materials, employees, and shall permit employees, officers and directors to cooperate as witnesses in the defense of such Action.

(c) Each of NOV and SpinCo agrees that at all times from and after the Effective Time, if an Action currently exists or is commenced by a third party with respect to which a party (or one of its Subsidiaries) is a named defendant, but the defense of such Action and any recovery in such Action is otherwise not a Liability allocated under this Agreement or any Ancillary Agreement to that party, then the other party shall use commercially reasonable efforts to cause the named but not liable defendant to be removed from such Action and such defendants shall not be required to make any payments or contributions therewith.

(d) In the case of any Action involving a matter contemplated by Section 5.15(c), (i) if there is a conflict of interest that under applicable rules of professional conduct would preclude legal counsel for one party or one of its Subsidiaries representing another party or one of its Subsidiaries or (ii) if any Third-Party Claim seeks equitable relief that would restrict or limit the future conduct of the non-responsible party or one of its Subsidiaries or such party's business or operations of a party or its Subsidiaries, then the non-responsible party shall be entitled to retain, at its expense, separate legal counsel to represent its interest and to participate in the defense, compromise, or settlement of that portion of the Third-Party Claim against that party or one of its Subsidiaries.

ARTICLE VI.  
INSURANCE MATTERS

6.1. Policies and Rights Included Within Assets.

(a) The SpinCo Assets shall include (i) the SpinCo Policies, if any, and (ii) any and all rights of any member of the SpinCo Group under each of the Shared Policies, subject to the terms of such Shared Policies and any limitations or obligations of any member of

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the SpinCo Group contemplated by this Article VI. The rights under the Shared Policies allocated under this provision specifically include rights of indemnity and the right to be defended by or at the expense of the insurer if the Shared Policies contain such right: (x) with respect to all alleged wrongful acts, claims, suits, actions, proceedings, injuries, losses, Liabilities, damages and expenses incurred or claimed to have been incurred and reported or notified to the insurer per any claims-made policy reporting provision prior to the Distribution Date by any Person in or in connection with the conduct of the SpinCo Business and (y) any other claim made against SpinCo or any of its Subsidiaries that may arise out of an insured or insurable occurrence or wrongful act covered under one or more of such Shared Policies. Nothing in this provision shall be deemed to constitute (or to reflect) an assignment of the Shared Policies, or any of them, to any member of the SpinCo Group.

(b) The NOV Assets shall include (i) the NOV Business Policies and (ii) the Shared Policies, excluding any rights under the Shared Policies allocated to the SpinCo Group pursuant to Section 6.1(a) above.

#### 6.2. Claims Made Policies.

(a) NOV shall maintain for a period that is six years after the effective date directors and officers liability insurance policies to provide total limits of \$120 million, consisting of \$100 million of traditional A/B/C coverage and \$20 million in side A DIC coverage. Such D&O policies (i) shall cover all Persons insured by those policies who become employees of SpinCo comprising the NOV directors and officers liability insurance program that began on April 21, 2013, and (ii) shall have material terms and conditions no less favorable than those contained in the 2013 – 2014 policies, except for the policy period, premium and provisions excluding coverage for wrongful acts postdating the Distribution Date. NOV shall provide SpinCo with copies of the D&O Policies upon request within a reasonable time after the D&O policies are issued.

(b) NOV shall maintain for a period that is six years after the effective date fiduciary liability insurance policies, to provide total limits of \$15 million. Such fiduciary policies (i) shall cover all Persons insured by those policies who become employees of SpinCo comprising the NOV fiduciary liability insurance program commencing on August 17, 2013, and (ii) shall have material terms and conditions no less favorable than those contained in the 2013 – 2014 policies, except for the policy period, premium and provisions excluding coverage for wrongful acts post-dating the Distribution Date. NOV shall provide SpinCo with copies of such fiduciary policies upon request within a reasonable time after the Fiduciary Policies are issued.

(c) With respect to any D&O policies or endorsements and any fiduciary policies or endorsements secured under Section 6.2(a) and Section 6.2(b), respectively, the associated premiums incurred shall be apportioned amongst the Parties in the same manner as expenses are allocated among the Parties' pursuant to Section 10.9 herein.

(d) To the extent that NOV is unable prior to the Distribution Date to obtain any of the policies or endorsements as provided for in paragraphs (a) and (b) of this Section 6.2, then, with respect to claims based on wrongful acts on or before the Distribution Date, NOV shall use commercially reasonable efforts to secure alternative insurance arrangements on



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applicable standalone insurance policies for SpinCo to provide benefits on terms and conditions (including policy limits) in favor of SpinCo and the other Persons to be insured no less favorable than the benefits (including policy limits) that were to be afforded by the policies described in paragraphs (a) and (b) of this Section 6.2. With respect to such alternative insurance arrangements, NOV and SpinCo shall be responsible for the premium and any other costs under their applicable standalone insurance policies. NOV shall not under any circumstances purchase any such alternative coverage containing an exclusion for claims based on wrongful acts up to and including the Distribution Date to the extent such exclusion would preclude coverage for SpinCo and other Persons to be insured under the stand alone policies, if NOV has obtained substantially similar insurance coverage for itself on a standalone basis without that exclusion.

(e) With respect to the D&O policies and fiduciary policies, NOV and SpinCo shall be severally responsible for bearing the full amount of any deductibles, retentions, co-payments and/or any claims, costs and expenses that are not covered under or are required by such insurance policies, to the extent attributable to claims against each or reasonably allocated to each based on the nature of such claim (i.e., primarily related to the SpinCo Business or any of the NOV Business), or if such claim is not primarily related to the SpinCo Business or any of the NOV Business, in the proportion that the premium of such D&O policy or fiduciary policy or endorsements has been allocated pursuant to Section 6.2(c).

### 6.3. Occurrence-Based Policies.

(a) With respect to the occurrence-based Shared Policies, which include workers' compensation/employer's liability, certain excess/umbrella liability, certain punitive damages liability, automobile liability and general liability, including products and completed operations liability, for claims against any member of the SpinCo Group that occur prior to the Distribution Date, NOV will continue to provide the Spinco Group with access to such Shared Policies.

(b) NOV shall reasonably cooperate with the SpinCo Group and take commercially reasonable actions as may be necessary or advisable to assist the SpinCo Group in submitting such claims to which such occurrence-based Shared Policies are responsive; *provided*, that SpinCo shall be responsible for any premium adjustments, third party claims handling fees, claims fees, deductibles, deposits, cash collateral or co-payments legally due and owing or required relating to such claims and NOV shall not be required to maintain such occurrence-based Shared Policies beyond their current terms. SpinCo and NOV shall take commercially reasonable actions as may be necessary for claims settlements, defense selection, and claims strategy within the respective deductibles of the Shared Policies.

### 6.4. Claims-Made or Similarly Based Policies.

(a) With respect to the claims-made Shared Policies, which include certain excess/umbrella liability, for claims against any member of the SpinCo Group which arise from occurrences and lawsuits noticed to the Shared Policies' insurers prior to the Distribution Date, NOV will continue to provide the SpinCo Group with access to such Shared Policies.

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(b) NOV shall reasonably cooperate with the SpinCo Group and take commercially reasonable actions as may be necessary or advisable to assist the SpinCo Group in submitting such notices prior to the Distribution Date to which such claims-made Shared Policies are responsive; *provided*, that SpinCo shall be responsible for any premium adjustments, deductibles, retentions, claims fees, claims preparation costs, deposits, cash collateral or co-payments legally due and owing or required relating to claims arising from such occurrences and lawsuits noticed and NOV shall not be required to maintain such claims-made Shared Policies beyond their current terms except as required under Section 6.2.

6.5. Administration; Exceeding Policy Limits; Allocation of Insurance Proceeds .

(a) Except as otherwise provided in Section 6.3 and Section 6.4 hereof, from and after the Effective Time, NOV shall be responsible for (i) Insurance Administration of the Shared Policies and (ii) claims administration of the Shared Policies with respect to NOV Retained Liabilities and SpinCo Liabilities; *provided*, that the retention of such responsibilities by NOV is in no way intended to limit, inhibit or preclude any right to insurance coverage for any Insured Claim of SpinCo under the Shared Policies as contemplated by the terms of this Agreement; and *provided, further*, that NOV's retention of the administrative responsibilities for the Shared Policies shall not relieve the party (or member of its Group) submitting any Insured Claim of the primary responsibility for reporting such Insured Claim accurately, completely, in a timely manner and in accordance with the Shared Policies reporting provisions or of such party (or member of its Group's) authority to settle any such Insured Claim within any period permitted or required by the relevant policy. NOV may discharge its administrative responsibilities under this Section 6.5 by contracting for the provision of services by independent parties. Each of the applicable Parties shall pay any costs relating to defending its respective Insured Claims under Shared Policies to the extent such costs, including defense, out-of-pocket expenses, and direct and indirect costs of employees or agents of NOV related to claims administration and Insurance Administration are not covered under such Shared Policies. In the absence of another agreed arrangement for a claim or particular claims, NOV shall determine and invoice the costs to be paid by SpinCo using commercially reasonable methods consistently applied. Each of the Parties shall be responsible for obtaining or reviewing the appropriateness of releases upon settlement of its respective Insured Claims under Shared Policies.

(b) Where NOV Retained Liabilities and/or SpinCo Liabilities, as applicable, are specifically covered under the same Shared Policy for periods prior to the Distribution Date, or where such Shared Policies cover claims made after the Distribution Date with respect to an occurrence or wrongful act committed and/or noticed or reported as applicable wholly prior to the Distribution Date, then from and after the Distribution Date, a member of the NOV Group and/or the SpinCo Group may claim coverage for Insured Claims under such Shared Policy as and to the extent that such insurance is available up to the full extent of the applicable limits of liability of such Shared Policy (and may receive any Insurance Proceeds with respect thereto as contemplated by Section 6.2, Section 6.3, Section 6.4 or Section 6.5(c) hereof), subject to the terms of this Section 6.5. Except as set forth in this Section 6.5, NOV and SpinCo shall not be liable to one another for claims not reimbursed by insurers for any reason, including coinsurance provisions, deductibles, quota share deductibles, self-insured retentions, bankruptcy or insolvency of an insurance carrier, Shared Policy limitations or restrictions, any coverage disputes, any failure to timely claim by NOV and SpinCo or any defect in such claim or its processing. It is expressly understood that the foregoing shall not limit any party's liability to any Indemnitee for indemnification pursuant to ARTICLE VII.

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(c) Except as otherwise provided in Section 6.3 and Section 6.4, and where not in conflict with or prohibited by specific insurance policy conditions, Insurance Proceeds received with respect to claims, costs and expenses under the Shared Policies shall be paid to or on behalf of NOV, which shall thereafter administer the Shared Policies by paying the Insurance Proceeds, as appropriate, to NOV with respect to NOV Retained Liabilities or, to SpinCo with respect to SpinCo Liabilities. Payment of the allocable portions of indemnity costs of Insurance Proceeds resulting from such Shared Policies will be made by NOV to the appropriate party upon receipt from the insurance carrier. In the event that the aggregate limits on any Shared Policies are exceeded by the aggregate of outstanding Insured Claims by members of the two Groups, the relevant Parties agree to allocate the Insurance Proceeds received for those Insured Claims based upon which relevant Group had such Insured Claim, or if the relevant Group is undeterminable, based upon which relevant Group was originally allocated the insurance premium (their “Allocable Portion of Insurance Proceeds”), and any party who has received Insurance Proceeds in excess of such party’s Allocable Portion of Insurance Proceeds shall pay to the other party the appropriate amount so that each party will have received its Allocable Portion of Insurance Proceeds pursuant hereto. The Parties agree to use commercially reasonable efforts to maximize available coverage under those Shared Policies applicable to it, and to take all commercially reasonable steps to recover from all other responsible parties in respect of an Insured Claim to the extent coverage limits under a Shared Policy have been exceeded or would be exceeded as a result of such Insured Claim. In the event that the aggregate limits on any Shared Policies are exceeded by the aggregate of outstanding Insured Claims, the Parties will negotiate with the Shared Policies’ insurers or other insurance markets for a full reinstatement or replacement of such Shared Policies’ aggregate limits for their mutual benefit, if the cost of such reinstatement or replacement is commercially reasonable. Costs for such reinstatement to be borne by the Parties based on their Allocated Portion of the Insurance Proceeds attributable to that policy’s Insured Claims.

6.6. Agreement for Waiver of Conflict and Shared Defense. In the event that Insured Claims or self-insured claims by members of more than one Group exist relating to the same occurrence, the Parties shall jointly defend to the extent permitted by applicable Law and rules of professional responsibility applicable to legal counsel for the defense. Nothing in this Section 6.6 shall be construed to limit or otherwise alter in any way the obligations of the Parties to this Agreement, including those created by this Agreement, by operation of Law or otherwise.

6.7. Cooperation on Insurance Matters. The Parties agree to use their commercially reasonable efforts to cooperate with respect to the various insurance matters contemplated by this Agreement.

6.8. Miscellaneous Insurance Matters.

(a) Nothing in this Agreement shall be deemed to restrict NOV or SpinCo, or any members of their respective Groups, from acquiring at its own expense any Insurance Policy in respect of any Liabilities or covering any period. Except as otherwise provided in this ARTICLE VI, from and after the Distribution Date, NOV and SpinCo shall be responsible for

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obtaining and maintaining their respective insurance programs for their risk of loss and such insurance arrangements shall be separate programs apart from each other and each will be responsible for its own premium payments, deductibles and/or retentions for such insurance programs. Further, NOV and SpinCo shall be responsible individually after the Distribution Date for qualifying, obtaining and maintaining their respective self-insurance permits as applicable or procuring such insurance as may be deemed appropriate for their own risk.

(b) Each of the Parties intends by this Agreement that a third-party Person, including a third-party insurer or reinsurer, or other third-party Person that, in the absence of the Agreement would otherwise be obligated to pay any claim or satisfy any indemnity or other obligation, shall not be relieved of the responsibility with respect thereto and shall not be entitled to a “windfall” (i.e., avoidance of the obligation that such Person would have in the absence of this Agreement). To the extent that any such Person would receive such a windfall, the Parties shall negotiate in good faith concerning an amendment of this Agreement.

## ARTICLE VII. EXCHANGE OF INFORMATION; CONFIDENTIALITY

7.1. Agreement for Exchange of Information. Except as otherwise provided in any Ancillary Agreement, each of NOV and SpinCo, on behalf of itself and the members of its respective Group, shall use commercially reasonable efforts to provide or make available, or cause to be provided or made available, to the other party, at any time before or after the Effective Time, as soon as reasonably practicable after written request therefor, any Information (or a copy thereof) in the possession or under the control of either party or any of its Subsidiaries to the extent that: (i) such Information relates to the SpinCo Business or any SpinCo Asset or SpinCo Liability, if SpinCo is the requesting party, or to the NOV Business or any Excluded Asset or Excluded Liability, if NOV is the requesting party; (ii) such Information is required by the requesting party to comply with its obligations under this Agreement or any Ancillary Agreement; or (iii) such Information is required by the requesting party to comply with any obligation imposed by any Governmental Authority; provided, however, that, in the event that the party to whom the request has been made determines that any such provision of Information could be commercially detrimental, violate any Law or agreement or waive any attorney-client privilege, then the parties shall use commercially reasonable efforts to permit compliance with such obligations to the extent and in a manner that avoids any such harm or consequence. The party providing Information pursuant to this Section 7.1 shall only be obligated to provide such Information in the form, condition and format in which it then exists and in no event shall such party be required to perform any improvement, modification, conversion, updating or reformatting of any such Information, and nothing in this Section 7.1 shall expand the obligations of the parties under Section 7.4.

7.2. Ownership of Information. Any Information owned by one Group that is provided to a requesting party pursuant to Section 7.1 or 7.7 shall remain the property of the providing party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

7.3. Compensation for Providing Information. The party requesting Information agrees to reimburse the other party for the reasonable out-of-pocket costs, if any, of creating, gathering and copying such Information or otherwise complying with the request with respect to such Information.

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7.4. Record Retention.

(a) The parties agree and acknowledge that it is not practicable to separate all Tangible Information belonging to the parties, and that following the Effective Time, each party will have some of the Tangible Information of the other party stored at its facilities or at Third Party records storage locations arranged for by such party (each, a “Records Facility”).

(b) Each party shall use the same degree of care (but no less than a reasonable degree of care) as it takes to preserve confidentiality for its own similar Information: (i) to maintain the Stored Records as to which it is the Custodial Party in accordance with its regular records retention policies and procedures and the terms of this Section 7.4; and (ii) to comply with the requirements of any “litigation hold” that relates to Stored Records as to which it is the Custodial Party that relates to (x) any Action that is pending as of the Effective Time or (y) any Action that arises or becomes threatened or reasonably anticipated after the Effective Time as to which the Custodial Party has received a written notice of the applicable “litigation hold” from the Non-Custodial Party.

7.5. Limitations of Liability. No party shall have any liability to any other party in the event that any Information exchanged or provided pursuant to this Agreement is found to be inaccurate in the absence of willful misconduct by the party providing such Information. No party shall have any liability to any other party if any Information is destroyed after commercially reasonable efforts by such party to comply with the provisions of Section 7.4.

7.6. Other Agreements Providing for Exchange of Information.

(a) The rights and obligations granted under this Article VII are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange, retention or confidential treatment of Information set forth herein or any Ancillary Agreement.

(b) Either party that receives, pursuant to a request for Information in accordance with this Article VII, Tangible Information that is not relevant to its request shall (i) return it to the providing party or, at the providing party’s request, destroy such Tangible Information and (ii) deliver to the providing party a certificate certifying that such Tangible Information was returned or destroyed, as the case may be, which certificate shall be signed by an authorized Representative of the requesting party.

(c) When any Tangible Information provided by one party to the other party (other than Tangible Information provided pursuant to Section 7.4) is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement or is no longer required to be retained by applicable Law, the receiving party shall promptly, after request of the other party, either return to the other party all Tangible Information in the form in which it was originally provided (including all copies thereof and all notes, extracts or summaries based thereon) or, if the providing party has requested that the other party destroy such Tangible Information, certify to the other party that it has destroyed such Tangible Information (and such copies thereof and such notes, extracts or summaries based thereon); provided, that this obligation to return or destroy such Tangible Information shall not apply to any Tangible Information solely related to the receiving party’s business, Assets, Liabilities, operations or activities.

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7.7. Auditors and Audits; Annual and Quarterly Financial Statements and Accounting.

(a) Each party agrees that during the period ending 180 days following the Effective Time (and with the consent of the other party, which consent shall not be unreasonably withheld or delayed, during any period of time after such 180-day period reasonably requested by such requesting party, so long as there is a reasonable business purpose for such request) and in any event solely with respect to the preparation and audit of each of the party's financial statements for any of the fiscal years 2013 and 2014, the printing, filing and public dissemination of such financial statements, the audit of each party's internal control over financial reporting and such party's management's assessment thereof, and each party's management's assessment of such party's disclosure controls and procedures:

(i) Each party shall provide or provide access to the other party on a timely basis, all information reasonably required to meet its schedule for the preparation, printing, filing, and public dissemination of its annual financial statements and for management's assessment of the effectiveness of its disclosure controls and procedures and its internal control over financial reporting in accordance with Items 307 and 308, respectively, of Regulation S-K promulgated by the SEC and, to the extent applicable to such party, its auditor's audit of its internal control over financial reporting and management's assessment thereof in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the Commission's and Public Company Accounting Oversight Board's rules and auditing standards thereunder (such assessments and audit being referred to as the "Internal Control Audit and Management Assessments"). Without limiting the generality of the foregoing, each party will provide all required financial and other information with respect to itself and its Subsidiaries to its auditors in a sufficient and reasonable time and in sufficient detail to permit its auditors to take all steps and perform all reviews necessary to provide sufficient assistance to each Other Party's Auditor with respect to information to be included or contained in such other party's annual financial statements and to permit such other party's auditor and management to complete the Internal Control Audit and Management Assessments;

(ii) Each audited party shall authorize, and use its commercially reasonable efforts to cause, its respective auditors to make available to each other party's auditor (each such other Party's auditors, the "Other Party's Auditor") both the personnel who performed or are performing the annual audits of such audited party (such party with respect to its own audit, the "Audited Party") and work papers related to the annual audits of such Audited Party, in all cases within a reasonable time prior to such Audited Party's auditors' opinion date, so that the Other Party's Auditor is able to perform the procedures it considers necessary to take responsibility for the work of the Audited Party's auditor as it relates to its auditor's report on such other party's financial statements, all within sufficient time to enable such other party to meet its timetable for the printing, filing and public dissemination of its annual financial statements. Each party shall make available to the Other Party's Auditor and management its personnel and Records in a reasonable time prior to the Other Party's Auditor's opinion date and other party's management's

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assessment date so that the Other Party's Auditor and other party's management are able to perform the procedures they consider necessary to conduct the Internal Control Audit and Management Assessments.

(b) In the event a party restates any of its financial statements that includes such party's audited or unaudited financial statements with respect to any balance sheet date or period of operation as of the end of and for the fiscal years 2013 and 2014, such party will deliver to the other party a substantially final draft, as soon as the same is prepared, of any report to be filed by such first party with the SEC that includes such restated audited or unaudited financial statements (the "Amended Financial Report"); provided, however, that such first party may continue to revise its Amended Financial Report prior to its filing thereof with the SEC, which changes will be delivered to the other party as soon as reasonably practicable; provided, further, however, that such first Party's financial personnel will actively consult with the other party's financial personnel regarding any changes which such first party may consider making to its Amended Financial Report and related disclosures prior to the anticipated filing of such report with the SEC, with particular focus on any changes which would have an effect upon the other party's financial statements or related disclosures. Each party will reasonably cooperate with, and permit and make any necessary employees available to, the other party, in connection with the other party's preparation of any Amended Financial Reports.

(c) If either party or member of its respective Group is required, pursuant to Rule 3-09 of Regulation S-X promulgated by the SEC or otherwise, to include in its Exchange Act filings audited financial statements or other information of the other Party or member of the other party's Group, the other party shall use its commercially reasonable efforts (i) to provide such audited financial statements or other information, and (ii) to cause its outside auditors to consent to the inclusion of such audited financial statements or other information in the party's Exchange Act filings.

(d) Nothing in this Section 7.7 shall require any Party to violate any agreement with any third party regarding the confidentiality of confidential and proprietary information relating to that third party or its business; provided, however, that in the event that a Party is required under this Section 7.7 to disclose any such information, such Party shall use commercially reasonable efforts to seek to obtain such third party's consent to the disclosure of such information.

7.8. Cooperation. Without limiting any other provision of this Agreement, the parties agree to consult and cooperate to the extent reasonably necessary with respect to any Actions, and, upon reasonable written request of the other party, shall use reasonable efforts to make available to such other party the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group (whether as witnesses or otherwise). The requesting party shall bear all costs and expenses in connection therewith. Notwithstanding the foregoing, this Section 7.8 shall not require a party to take any step that would significantly interfere, or that such party reasonably determines could significantly interfere, with its business.

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7.9. Privileged Matters.

(a) The parties recognize that legal and other professional services that have been and shall be provided prior to the Effective Time have been and shall be rendered for the collective benefit of the parties and their respective Subsidiaries, and that each party and its respective Subsidiaries should be deemed to be the client with respect to such services for the purposes of asserting all privileges and immunities that may be asserted under applicable Law in connection therewith.

(b) The parties agree as follows: (i) NOV shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to the NOV Business, whether or not the Privileged Information is in the possession or under the control of a member of the NOV Group or the SpinCo Group; NOV shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to any Excluded Liabilities resulting from any Actions that are now pending or may be asserted in the future, whether or not the Privileged Information is in the possession or under the control of a member of the NOV Group or the SpinCo Group; and (ii) SpinCo shall be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to the SpinCo Business, whether or not the Privileged Information is in the possession or under the control of a member of the NOV Group or the SpinCo Group; SpinCo shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges and immunities in connection with any Privileged Information that relates solely to any SpinCo Liabilities resulting from any Actions that are now pending or may be asserted in the future, whether or not the Privileged Information is in the possession or under the control of a member of the NOV Group or the SpinCo Group.

(c) Subject to Sections 7.9(d) and 7.9(e), the parties agree that they shall have a shared privilege or immunity with respect to all privileges not allocated pursuant to Section 7.9(b) and all privileges and immunities relating to any Actions or other matters that involve both parties (or one or more of their respective Subsidiaries) and in respect of which both parties have Liabilities under this Agreement, and that no such shared privilege or immunity may be waived by either party without the consent of the other party.

(d) If any dispute arises between NOV and SpinCo, or any of their respective Subsidiaries, regarding whether a privilege or immunity should be waived to protect or advance the interests of either party and/or their respective Subsidiaries, each party agrees that it shall: (i) negotiate with the other party in good faith, (ii) endeavor to minimize any prejudice to the rights of the other party and (iii) not unreasonably withhold consent to any request for waiver by the other party. Further, each party specifically agrees that it shall not withhold its consent to the waiver of a privilege or immunity for any purpose except to protect its own legitimate interests.

(e) Upon receipt by SpinCo or by any of the SpinCo Subsidiaries of any subpoena, discovery or other request that may reasonably be expected to result in the production or disclosure of Information subject to a shared privilege or immunity or as to which NOV or any of the NOV Subsidiaries has the sole right hereunder to assert a privilege or immunity, or if SpinCo obtains knowledge that any of its, or a SpinCo Subsidiary's, current or former directors,



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officers, agents or employees have received any subpoena, discovery or other requests that may reasonably be expected to result in the production or disclosure of such Privileged Information, SpinCo shall promptly provide written notice to NOV of the existence of the request (which notice shall be delivered to NOV no later than five (5) business days following the receipt of any such subpoena, discovery or other request) and shall provide NOV a reasonable opportunity to review the Information and to assert any rights it or they may have, including under this [Section 7.8](#) or otherwise, to prevent the production or disclosure of such Privileged Information.

(f) Upon receipt by NOV or by any of the NOV Subsidiaries of any subpoena, discovery or other request that may reasonably be expected to result in the production or disclosure of Information subject to a shared privilege or immunity or as to which SpinCo or any of the SpinCo Subsidiaries has the sole right hereunder to assert a privilege or immunity, or if NOV obtains knowledge that any of its, or a NOV Subsidiary's, current or former directors, officers, agents or employees have received any subpoena, discovery or other requests that may reasonably be expected to result in the production or disclosure of such Privileged Information, NOV shall promptly provide written notice to SpinCo of the existence of the request (which notice shall be delivered to SpinCo no later than five (5) business days following the receipt of any such subpoena, discovery or other request) and shall provide SpinCo a reasonable opportunity to review the Information and to assert any rights it or they may have, including under this [Section 7.8](#) or otherwise, to prevent the production or disclosure of such Privileged Information.

(g) Any furnishing of, or access to, Information pursuant to this Agreement and the transfer of the Asset and retention of the Excluded Assets are made and done in reliance on the agreement of the parties set forth in this [Section 7.9](#) and in [Section 7.10](#) to maintain the confidentiality of Privileged Information and to assert and maintain all applicable privileges and immunities. The parties further agree that: (i) the exchange or retention by one party to the other party of any Privileged Information that should not have been transferred or retained, as the case may be, pursuant to the terms of this [Article VII](#) shall not be deemed to constitute a waiver of any privilege or immunity that has been or may be asserted under this Agreement or otherwise with respect to such Privileged Information; and (ii) the party receiving or retaining such Privileged Information shall promptly return or transfer, as the case may be, such Privileged Information to the party who has the right to assert the privilege or immunity.

(h) In furtherance of, and without limitation to, the parties' agreement under this [Section 7.9](#), NOV and SpinCo shall, and shall cause their applicable Subsidiaries to, use reasonable efforts to maintain their respective separate and joint privileges and immunities, including by executing joint defense and/or common interest agreements where necessary or useful for this purpose.

#### 7.10. Confidentiality.

(a) *Confidentiality.* From and after the Effective Time, subject to [Section 7.11](#) and except as contemplated by or otherwise provided in this Agreement or any Ancillary Agreement, NOV, on behalf of itself and each of the NOV Subsidiaries, and SpinCo, on behalf of itself and each of the SpinCo Subsidiaries, agrees to hold, and to cause its respective Representatives to hold, in strict confidence, with at least the same degree of care that applies to

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NOV's confidential and proprietary information pursuant to policies in effect as of the Effective Time, all confidential and proprietary Information concerning the other party (or its business) and the other party's Subsidiaries (or their respective businesses) that is either in its possession (including confidential and proprietary Information in its possession prior to the Effective Time) or furnished by the other party or the other party's Subsidiaries or their respective Representatives at any time pursuant to this Agreement or any Ancillary Agreement, and shall not use any such confidential and proprietary Information other than for such purposes as may be expressly permitted hereunder or thereunder, except, in each case, to the extent that such confidential and proprietary Information has been: (i) in the public domain or generally available to the public, other than as a result of a disclosure by such party or any of its Subsidiaries or any of their respective Representatives in violation of this Agreement, (ii) later lawfully acquired from other sources by such party or any of its Subsidiaries, which sources are not themselves bound by a confidentiality obligation or other contractual, legal or fiduciary obligation of confidentiality with respect to such confidential and proprietary Information or (iii) independently developed or generated without reference to or use of the respective proprietary or confidential Information of the other party or any of its Subsidiaries. If any confidential and proprietary Information of one party or any of its Subsidiaries is disclosed to another party or any of its Subsidiaries in connection with providing services to such first party or any of its Subsidiaries under this Agreement or any Ancillary Agreement, then such disclosed confidential and proprietary Information shall be used only as required to perform such services.

(b) *No Release; Return or Destruction*. Each party agrees not to release or disclose, or permit to be released or disclosed, any confidential or proprietary Information of the other party addressed in Section 7.10(a) to any other Person, except its Representatives who need to know such Information in their capacities as such, and except in compliance with Section 7.11. Without limiting the foregoing, when any Information furnished by the other party after the Effective Time pursuant to this Agreement or any Ancillary Agreement is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement, each party shall, at its option, promptly after receiving a written notice from the disclosing party, either return to the disclosing party all such Information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the disclosing party that it has destroyed such Information (and such copies thereof and such notes, extracts or summaries based thereon); provided, however, that a party shall not be required to destroy or return any such Information to the extent that (i) the party is required to retain the Information in order to comply with any applicable Law, (ii) the Information has been backed up electronically pursuant to the party's standard document retention policies and will be managed and ultimately destroyed consistent with such policies or (iii) it is kept in the party's legal files for purposes of resolving any dispute that may arise under this Agreement or any Ancillary Agreement.

(c) *Third-Party Information; Privacy or Data Protection Laws*. Each party acknowledges that it and its respective Subsidiaries may presently have and, following the Effective Time, may gain access to or possession of confidential or proprietary Information of, or personal Information relating to, Third Parties: (i) that was received under confidentiality or non-disclosure agreements entered into between such Third Parties, on the one hand, and the other party or the other party's Subsidiaries, on the other hand, prior to the Effective Time or (ii) that, as between the two parties, was originally collected by the other party or the other party's Subsidiaries and that may be subject to and protected by privacy, data protection or other

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applicable Laws. As may be provided in more detail in an applicable Ancillary Agreement, each party agrees that it shall hold, protect and use, and shall cause its Subsidiaries and its and their respective Representatives to hold, protect and use, in strict confidence the confidential and proprietary Information of, or personal Information relating to, Third Parties in accordance with privacy, data protection or other applicable Laws and the terms of any agreements that were either entered into before the Effective Time or affirmative commitments or representations that were made before the Effective Time by, between or among the other party or the other party's Subsidiaries, on the one hand, and such Third Parties, on the other hand.

7.1.1. Protective Arrangements. In the event that either party or any of its Subsidiaries is requested or required (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) by any Governmental Authority or pursuant to applicable Law or the rules of any stock exchange on which the shares of the party or any member of its Group are traded to disclose or provide any confidential or proprietary Information of the other party (other than with respect to any such Information furnished pursuant to the provisions of Sections 7.1 through 7.10, as applicable), that is subject to the confidentiality provisions hereof, such party shall provide the other party with written notice of such request or demand as promptly as practicable under the circumstances so that such other party shall have an opportunity to seek an appropriate protective order, at such other party's own cost and expense. In the event that such other party fails to receive such appropriate protective order in a timely manner and the party receiving the request or demand reasonably determines that its failure to disclose or provide such Information shall actually prejudice the party receiving the request or demand, then the party that received such request or demand may thereafter disclose or provide Information to the extent required by such Law (as so advised by counsel) or by lawful process or such Governmental Authority.

ARTICLE VIII.  
FURTHER ASSURANCES AND ADDITIONAL COVENANTS

8.1. Further Assurances.

(a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties hereto shall use its commercially reasonable efforts, prior to, on and after the Effective Time, to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable on its part under applicable Laws, regulations and agreements, to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.

(b) Without limiting the foregoing, prior to, on and after the Effective Time, each party hereto shall cooperate with each other party hereto, and without any further consideration, but at the expense of the requesting party, to execute and deliver, or use its commercially reasonable efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain or make any Approvals or Notifications of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument (including any Third-Party consents or Governmental Approvals), and to take all such other actions as such party may reasonably be requested to take by any other party hereto from time to time, consistent with the

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terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the transfers of the SpinCo Assets and the assignment and assumption of the SpinCo Liabilities and the other transactions contemplated hereby and thereby. Without limiting the foregoing, each party shall, at the reasonable request, cost and expense of any other party, take such other actions as may be reasonably necessary to vest in such other party all of the transferring party's right, title and interest to the Assets allocated to such party by this Agreement or any Ancillary Agreement, in each case, if and to the extent it is practicable to do so.

(c) On or prior to the Effective Time, NOV and SpinCo in their respective capacities as direct and indirect stockholders of their respective Subsidiaries, shall each ratify any actions that are reasonably necessary or desirable to be taken by any Subsidiary of NOV or Subsidiary of SpinCo, as the case may be, to effectuate the transactions contemplated by this Agreement and the Ancillary Agreements.

(d) Prior to the first anniversary of the Distribution Date, if one or more of the parties identifies any commercial or other service that is needed to assure a smooth and orderly transition of the businesses in connection with the consummation of the transactions contemplated hereby, and that is not otherwise governed by the provisions of this Agreement or any Ancillary Agreement, the parties will cooperate in determining whether there is a mutually acceptable basis on which the other party will provide such service; provided, that if such service is to extend beyond the first anniversary of the Distribution Date, the terms and conditions upon which the services are to be provided beyond the first anniversary of the Distribution Date shall be market and arm's-length terms and conditions.

8.2. Performance. NOV shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement or in any Ancillary Agreement to be performed by any member of the NOV Group. SpinCo shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement or in any Ancillary Agreement to be performed by any member of the SpinCo Group. Each party (including its permitted successors and assigns) further agrees that it shall (a) give timely notice of the terms, conditions and continuing obligations contained in this Section 8.2 to all of the other members of its Group, and (b) cause all of the other members of its Group not to take, or omit to take, any action which action or omission would violate or cause such party to violate this Agreement or any Ancillary Agreement.

8.3. Order of Precedence. Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreement, in the case of any conflict between the provisions of this Agreement and the provisions of any Ancillary Agreement, the provisions of this Agreement shall prevail; provided, however, that in relation to any matters concerning Taxes, the Tax Matters Agreement shall prevail over this Agreement and any other Ancillary Agreement, and in relation to any matters governed by the Employee Matters Agreement, the Employee Matters Agreement shall prevail over this Agreement and any other Ancillary Agreement.

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ARTICLE IX.  
TERMINATION

9.1. Termination. This Agreement and any Ancillary Agreement may be terminated and the terms and conditions of the Separation and the Distribution may be amended, modified or abandoned at any time prior to the Effective Time by and in the sole and absolute discretion of the NOV Board without the approval of any Person, including SpinCo or the stockholders of NOV. In the event that this Agreement is terminated, this Agreement shall become null and void and no party, nor any party's directors, officers or employees, shall have any liability of any kind to any Person by reason of this Agreement. After the Distribution, this Agreement may not be terminated except by an agreement in writing signed by Parent and SpinCo; provided, notwithstanding the foregoing, Article VII shall not be terminated or amended after the Effective Time in a manner adverse to the third-party beneficiaries thereof without the Consent of any such Person.

ARTICLE X.  
MISCELLANEOUS

10.1. Counterparts; Entire Agreement; Corporate Power.

(a) This Agreement and each Ancillary Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each party and delivered to each other party.

(b) This Agreement and the Ancillary Agreements, and the exhibits, annexes and schedules hereto and thereto, contain the entire agreement between the parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter and there are no agreements or understandings between the parties with respect to such subject matter other than those set forth or referred to herein or therein.

(c) NOV represents on behalf of itself and each other member of the NOV Group, and SpinCo represents on behalf of itself and each other member of the SpinCo Group, as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and each Ancillary Agreement to which it is a party and to consummate the transactions contemplated hereby and thereby; and

(ii) this Agreement and each Ancillary Agreement to which it is a party have been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof.

(d) Each party hereto acknowledges that it and each other party hereto may execute this Agreement and the Ancillary Agreements by facsimile, stamp or mechanical signature. Each party hereto expressly adopts and confirms each such facsimile, stamp or

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mechanical signature made in its respective name as if it were a manual signature, agrees that it shall not assert that any such signature is not adequate to bind such party to the same extent as if it were signed manually and agrees that at the reasonable request of any other party hereto at any time it shall as promptly as reasonably practicable cause this Agreement and each Ancillary Agreement to be manually executed (any such execution to be as of the date of the initial date thereof).

10.2. Governing Law. This Agreement and, unless expressly provided therein, each Ancillary Agreement (and any claims or disputes arising out of or related hereto or thereto or to the transactions contemplated hereby and thereby or to the inducement of any party to enter herein and therein, whether for breach of contract, tortious conduct or otherwise and whether predicated on common law, statute or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of Texas, irrespective of the choice of laws principles of the State of Texas, including all matters of validity, construction, effect, enforceability, performance and remedies.

10.3. Assignability. Except as set forth in any Ancillary Agreement, this Agreement and each Ancillary Agreement shall be binding upon and inure to the benefit of the parties hereto and thereto, respectively, and their respective successors and permitted assigns; provided, however, that no party hereto or thereto may assign its respective rights or delegate its respective obligations under this Agreement or any Ancillary Agreement without the express prior written consent of the other parties hereto or thereto and provided, further, that a Party may assign its rights and delegate its obligations under this Agreement or any Ancillary Agreement in connection with a change of control of such Party or a sale or disposition of all or substantially all of the Assets or Liabilities or lines of business of such Party, provided, that no such assignment or delegation shall release such Party from any Liability or obligation under this Agreement or any Ancillary Agreement and that the surviving entity of such change of control or the transferee of such Assets shall agree in writing, reasonably satisfactory to the other Party, to be bound by the terms of this Agreement as if named as a "Party" hereto.

10.4. Third-Party Beneficiaries. Except for the release and indemnification rights under this Agreement or any Ancillary Agreement of any NOV Indemnitee or SpinCo Indemnitee in their respective capacities as such, (a) the provisions of this Agreement and each Ancillary Agreement are solely for the benefit of the parties and are not intended to confer upon any Person (including, without limitation, any stockholders of NOV or stockholders of SpinCo) except the parties hereto and thereto any rights or remedies hereunder or thereunder; and (b) there are no third-party beneficiaries of this Agreement or any Ancillary Agreement, and neither this Agreement nor any Ancillary Agreement shall provide any third Person (including, without limitation, any stockholders of NOV or stockholders of SpinCo) with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement or any Ancillary Agreement.

10.5. Notices. All notices, requests, claims, demands or other communications under this Agreement and, to the extent applicable and unless otherwise provided therein, under each of the Ancillary Agreements, shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile or electronic transmission with receipt confirmed (followed by delivery of an

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original via overnight courier service), or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.5):

If to NOV, to:

National Oilwell Varco, Inc.  
7909 Parkwood Circle Drive  
Houston, Texas 77036  
Attention: General Counsel

If to SpinCo, to:

NOW Inc.  
7402 North Eldridge Parkway  
Houston, Texas 77041  
Attention: General Counsel

Any party may, by notice to the other party, change the address and contact person to which any such notices are to be given.

10.6. Severability. If any provision of this Agreement or any Ancillary Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the parties.

10.7. Force Majeure. Neither party shall be deemed in default of this Agreement or any Ancillary Agreement for failure to fulfill any obligation, other than a delay or failure to make a payment, so long as and to the extent to which any delay or failure in the fulfillment of such obligations is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. In the event of any such excused delay, the time for performance shall be extended for a period equal to the time lost by reason of the delay. A party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event, (a) provide written notice to the other party of the nature and extent of any such Force Majeure condition; and (b) use commercially reasonable efforts to remove any such causes and resume performance under this Agreement or any Ancillary Agreement, as applicable, as soon as reasonably practicable.

10.8. Publicity. From and after the Effective Time for a period of 180 days, SpinCo and NOV shall consult with each other before issuing, and give each other the opportunity to review and comment upon, any press release or other public statements with respect to the transactions contemplated by this Agreement and the Ancillary Agreements, and shall not issue any such press release or make any public statement prior to such consultation, except as may be required by applicable Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or national securities quotation system.

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10.9. Expenses.

(a) Except as otherwise expressly provided (x) in this Agreement (including Section 3.1, and paragraphs (a)(ii), (b) and (c) of this Section 10.9) or (y) in any Ancillary Agreement, the Parties agree that all out-of-pocket costs, fees and expenses (including the costs to obtain any Consents) incurred and directly related to the transactions contemplated hereby, including any Liability incurred following the Separation as a result of the consummation of the Separation, shall be borne and paid by the Person incurring such cost or Liability, and (ii) the costs and expenses described on Schedule 10.9(a)(ii) shall be paid by the party to which such costs and expenses are allocated thereon.

(b) NOV shall pay all fees earned, and all costs and expenses incurred, on or prior to the Distribution Date directly related to the Separation, and thereafter each party shall be responsible for payment of its respective outside advisors for all work performed, whether in connection with the Separation or otherwise, after the Distribution Date.

(c) With respect to any expenses incurred pursuant to a request for further assurances granted under Section 8.1(b), the parties agree that such expenses shall be borne and paid by the party incurring such expense in complying with such request; it being understood that no party shall be obliged to incur any third-party accounting, consulting, advisor, banking or legal fees, costs or expenses, and the requesting party shall not be obligated to pay such fees, costs or expenses, unless such fee, cost or expense shall have had the prior written approval of the requesting party.

10.10. Late Payments. Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount not paid when due pursuant to this Agreement or any Ancillary Agreement (and any amounts billed or otherwise invoiced or demanded and properly payable that are not paid within sixty (60) days of such bill, invoice or other demand) shall accrue interest at a rate per annum equal to the Prime Rate plus two percent (2%).

10.11. Headings. The article, section and paragraph headings contained in this Agreement and in the Ancillary Agreements are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement or any Ancillary Agreement.

10.12. Survival of Covenants. Except as expressly set forth in any Ancillary Agreement, the covenants, representations and warranties contained in this Agreement and each Ancillary Agreement, and liability for the breach of any obligations contained herein or therein, shall survive the Separation and the Distribution and shall remain in full force and effect.

10.13. Waivers of Default. Waiver by any party of any default by the other party of any provision of this Agreement or any Ancillary Agreement shall not be deemed a waiver by the waiving party of any subsequent or other default, nor shall it prejudice the rights of such party. No failure or delay by any party in exercising any right, power or privilege under this Agreement or any Ancillary Agreement shall operate as a waiver thereof nor shall a single or partial exercise thereof prejudice any other or further exercise thereof or the exercise of any other right, power or privilege.



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10.14. Specific Performance. Subject to the provisions of Article IV, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement or any Ancillary Agreement, the party or parties who are, or are to be, thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief (on an interim or permanent basis) in respect of its or their rights under this Agreement or such Ancillary Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The parties agree that the remedies at law for any breach or threatened breach, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived by each of the parties to this Agreement.

10.15. Amendments. No provisions of this Agreement or any Ancillary Agreement shall be deemed waived, amended, supplemented or modified by any party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom such waiver, amendment, supplement or modification is sought to be enforced; *provided*, at any time prior to the Effective Time, the terms and conditions of this Agreement, including terms relating to the Separation and the Distribution, may be amended, modified or abandoned by and in the sole and absolute discretion of the NOV Board without the approval of any Person, including SpinCo or the stockholders of NOV; and *provided, further*, notwithstanding the foregoing, Article VII shall not be terminated or amended after the Effective Time in a manner adverse to the third-party beneficiaries thereof without the Consent of any such Person.

10.16. Interpretation. In this Agreement and any Ancillary Agreement, (a) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires; (b) the terms “hereof,” “herein,” “herewith” and words of similar import, and the terms “Agreement” and “Ancillary Agreement” shall, unless otherwise stated, be construed to refer to this Agreement or the applicable Ancillary Agreement as a whole (including all of the Schedules, Exhibits and Appendices hereto and thereto) and not to any particular provision of this Agreement or such Ancillary Agreement; (c) Article, Section, Exhibit, Schedule and Appendix references are to the Articles, Sections, Exhibits, Schedules and Appendices to this Agreement (or the applicable Ancillary Agreement) unless otherwise specified; (d) the word “including” and words of similar import when used in this Agreement (or the applicable Ancillary Agreement) means “including, without limitation”; (e) the word “or” shall not be exclusive; (f) unless expressly stated to the contrary in this Agreement or in any Ancillary Agreement, all references to “the date hereof,” “the date of this Agreement,” “hereby” and “hereupon” and words of similar import shall all be references to the date first stated in the preamble to this Agreement, regardless of any amendment or restatement hereof; (g) unless otherwise provided, all references to “\$” or “dollars” are to United States dollars; and (h) references to the performance, discharge or fulfillment of any Liability in accordance with its terms shall have meaning only to the extent such Liability has terms, and if the Liability does not have terms, the reference shall mean performance, discharge or fulfillment of such Liability.

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10.17. Limitations of Liability. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, NEITHER SPINCO NOR ITS AFFILIATES, ON THE ONE HAND, NOR NOV NOR ITS AFFILIATES, ON THE OTHER HAND, SHALL BE LIABLE UNDER THIS AGREEMENT TO THE OTHER FOR ANY SPECIAL, INDIRECT, PUNITIVE, EXEMPLARY, REMOTE, SPECULATIVE OR SIMILAR DAMAGES IN EXCESS OF COMPENSATORY DAMAGES OF THE OTHER ARISING IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY (OTHER THAN ANY SUCH LIABILITY WITH RESPECT TO A THIRD-PARTY CLAIM).

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives.

NATIONAL OILWELL VARCO, INC.

By: /s/ Dwight W. Rettig

Name: Dwight W. Rettig

Title: Executive Vice President

NOW INC.

By: /s/ Daniel L. Molinaro

Name: Daniel L. Molinaro

Title: Senior Vice President and CFO

SEPARATION AND DISTRIBUTION AGREEMENT  
SIGNATURE PAGE

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
NOW INC.**

NOW Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware ("DGCL"), for the purpose of amending and restating the Corporation's certificate of incorporation, does hereby submit the following:

A. The name of the Corporation is NOW Inc.

B. The date of filing of the Corporation's original Certificate of Incorporation was November 22, 2013, and was filed under the name NOW Inc.

C. The Board of Directors of the Corporation and the sole stockholder of the Corporation have duly adopted this Amended and Restated Certificate of Incorporation as set forth on Exhibit A hereto in accordance with Sections 103, 228, 242 and 245 of the DGCL.

D. This Amended and Restated Certificate of Incorporation shall become effective upon filing with the Secretary of State of the State of Delaware.

**IN WITNESS WHEREOF**, this Amended and Restated Certificate of Incorporation has been executed by a duly authorized officer of the Corporation on this 29th day of May, 2014.

NOW INC.

By: /s/ Raymond W. Chang  
Name: Raymond W. Chang  
Title: Vice President and General Counsel

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**EXHIBIT A**

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
NOW INC.**

**FIRST: NAME.**

The name of the Corporation is NOW Inc.

**SECOND: REGISTERED AGENT.**

The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle 19801. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

**THIRD: CORPORATE PURPOSE.**

The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful business, act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

**FOURTH: CAPITAL STOCK.**

The following is a statement of the powers, preferences and rights, and the qualifications, limitations and restrictions, of the classes of stock of the corporation, and the authority with respect thereto expressly vested in the Board of Directors of the Corporation (the "Board"):

**I. AUTHORIZED SHARES.**

The total number of shares of stock that the Corporation shall have authority to issue is, 350,000,000 shares of capital stock, consisting of (i) 330,000,000 shares of common stock, par value \$0.01 per share (the "Common Stock") and (ii) 20,000,000 shares of preferred stock, par value \$0.01 per share (the "Preferred Stock"). All holders of Common Stock shall be entitled to one vote per share on all matters to be voted on by the Corporation's stockholders.

**II. PREFERRED STOCK.**

The Preferred Stock may be issued from time to time in one or more classes or series, the shares of each class or series to have any designations and powers, preferences, and rights, and qualifications, limitations, and restrictions thereof as are stated and expressed in this Part II of this Article Fourth and in the resolution or resolutions providing for the issue of such class or series adopted by the Board as hereinafter prescribed. The authority of the Board with respect to each such class or series will include, without limiting the generality of the foregoing, the determination of any or all of the following:

- (i) whether or not the class or series is to have voting rights, special, or limited, or is to be without voting rights, and whether or not such class or series is to be entitled to vote as a separate class either alone or together with the holders of one or more other classes or series of stock;

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- (ii) the number of shares to constitute the class or series and the designations thereof;
  - (iii) the preferences and relative, participating, optional, or other special rights, if any, and the qualifications, limitations, or restrictions thereof, if any, with respect to any class or series;
  - (iv) whether or not the shares of any class or series shall be redeemable at the option of the Corporation or the holders thereof or upon the happening of any specified event, and, if redeemable, the redemption price or prices (which may be payable in the form of cash, notes, securities, or other property), and the time or times at which, and the terms and conditions upon which, such shares shall be redeemable and the manner of redemption;
  - (v) whether or not the shares of a class or series shall be subject to the operation of retirement or sinking funds to be applied to the purchase or redemption of such shares for retirement, and, if such retirement or sinking fund or funds are to be established, the periodic amount thereof, and the terms and provisions relative to the operation thereof;
  - (vi) the dividend rate, whether dividends are payable in cash, stock of the Corporation, or other property, the conditions upon which and the times when such dividends are payable, the preference to or the relation to the payment of dividends payable on any other class or classes or series of stock, whether or not such dividends shall be cumulative or noncumulative, and if cumulative, the date or dates from which such dividends shall accumulate;
  - (vii) the preferences, if any, and the amounts thereof which the holders of any class or series thereof shall be entitled to receive upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Corporation;
  - (viii) whether or not the shares of any class or series, at the option of the Corporation or the holder thereof or upon the happening of any specified event, shall be convertible into or exchangeable for the shares of any other class or classes or of any other series of the same or any other class or classes of stock, securities, or other property of the Corporation and the conversion price or prices or ratio or ratios of the rate or rates at which such conversion or exchange may be made, with such adjustments, if any, as shall be stated and expressed or provided for in such resolution or resolutions; and
  - (ix) any other special rights and protective provisions with respect to any class or series as may to the Board seem advisable.

The shares of each class or series of the Preferred Stock may vary from the shares of any other class or series thereof in any or all of the foregoing respects and in any other manner. The Board may increase the number of shares of the Preferred Stock designated for any existing class

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or series by a resolution adding to such class or series authorized and unissued shares of the Preferred Stock not designated for any other class or series. The Board may decrease the number of shares of the Preferred Stock designated for any existing class or series by a resolution subtracting from such class or series authorized and unissued shares of the Preferred Stock designated for such existing class or series, and the shares so subtracted shall become authorized, unissued, and undesignated shares of the Preferred Stock.

Except as required by the DGCL, any Preferred Stock designation or this Amended and Restated Certificate of Incorporation, a series of Preferred Stock may be authorized, and the terms of any series of Preferred Stock may be amended, without the consent, approval or other action of the holders of Common Stock, of any other series of Preferred Stock or any other class of capital stock of the Corporation.

### III. NO PREEMPTIVE RIGHTS.

No holder of shares of Common Stock or Preferred Stock of the Corporation shall have any preemptive or other rights, except such rights as are expressly provided by contract, to purchase or subscribe for or receive any shares of any class, or series thereof, of stock of the Corporation, whether now or hereafter authorized, or any warrants, options, bonds, debentures or other securities convertible into, exchangeable for or carrying any right to purchase any shares of any class, or series thereof, of stock; but such additional shares of stock and such warrants, options, bonds, debentures or other securities convertible into, exchangeable for or carrying any right to purchase any shares of any class, or series thereof, of stock may be issued or disposed of by the Board to such persons, and on such terms and for such lawful consideration, as in its discretion it shall deem advisable or as to which the Corporation shall have by binding contract agreed.

### IV. NO CUMULATIVE VOTING.

Cumulative voting of shares of any class or series of stock of the Corporation is prohibited.

### V. GENERAL.

Subject to the foregoing provisions of this Amended and Restated Certificate of Incorporation, the Corporation may issue shares of its Preferred Stock and Common Stock from time to time for such consideration (not less than the par value thereof) as may be fixed by the Board, which is expressly authorized to fix the same in its absolute discretion subject to the foregoing conditions. Shares so issued for which the consideration shall have been paid or delivered to the Corporation shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon, and the holders of such shares shall not be liable for any further payments in respect of such shares.

The Corporation shall have authority to create and issue rights and options entitling their holders to purchase shares of the Corporation's capital stock of any class or series or other securities of the Corporation, and such rights and options shall be evidenced by instrument(s) approved by the Board. The Board shall be empowered to set the exercise price, duration, times for exercise, and other terms of such rights or options; provided, however, that the consideration to be received for any shares of capital stock subject thereto shall not be less than the par value thereof.

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## FIFTH: MANAGEMENT OF CORPORATION.

The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

### I. DIRECTORS.

The number, classification, and terms of the Board and the procedures to elect directors, to remove directors, and to fill vacancies in the Board shall be as follows:

(a) Subject to the rights of holders of a series of shares of Preferred Stock to elect one or more directors pursuant to any provisions of any certificate of designation relating to any such series, the number of directors will be fixed exclusively by a majority of the entire Board of Directors from time to time. In no event shall the number of directors that constitute the Board be fewer than three. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director. Directors of the Corporation need not be elected by written ballot unless the bylaws of the Corporation otherwise provide.

(b) The Board shall be divided into three classes designated Class I, Class II, and Class III, respectively, all as nearly equal in number as possible, with each director then in office receiving the classification that at least a majority of the Board designates. The number of directors in each class shall be the whole number contained in the quotient derived by dividing the authorized number of directors by three, and if a fraction is also contained in the quotient, then if that fraction is one-third ( $1/3$ ) then the extra director shall be a member of Class III, and if the fraction is two-thirds ( $2/3$ ) then one of the extra directors shall be a member of Class III and the other shall be a member of Class II. Each director shall serve for a term ending on the third annual meeting following the annual meeting at which such director was elected; provided, however, that the directors first elected to Class I shall serve for a term ending on the annual meeting following their first election as directors, the directors first elected to Class II shall serve for a term ending on the second annual meeting following their first election as directors, and the directors first elected to Class III shall serve a full term as hereinabove provided. The foregoing notwithstanding, each director shall serve until his or her successor shall have been qualified, or until he or she becomes disabled or is otherwise removed. At each annual meeting of stockholders, directors will be elected to succeed the class of directors whose terms have expired. If for any reason the number of directors in the various classes shall not conform with the formula set forth in the preceding paragraph, the Board may (but shall not be required to) redesignate any director into a different class in order that the balance of directors in such classes shall conform thereto.

(c) Vacancies in the Board resulting from death, resignation, retirement, disqualification, removal from office, or other cause and newly-created directorships resulting from any increase in the authorized number of directors may be filled by no less than a majority vote of the remaining directors then in office, though less than a quorum, who are designated to



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represent the same class or classes of stockholders that the vacant position, when filled, is to represent or by the sole remaining director (but not by the stockholders except as required by law), and each director so chosen shall receive the classification of the vacant directorship to which such director has been appointed or, if that is a newly-created directorship, shall receive the classification that at least a majority of the Board designates and shall hold office until the first meeting of stockholders held after such director's election for the purpose of electing directors of that classification and until such director's successor is elected and qualified or until his earlier death, resignation, or removal from office.

(d) The number, qualifications, terms of office, manner of election, time and place of meeting, compensation and powers and duties of the directors may be prescribed from time to time by the bylaws of the Corporation, and the bylaws of the Corporation may also contain any other provisions for the regulation and management of the affairs of the Corporation not inconsistent with law or this Amended and Restated Certificate of Incorporation.

(e) A director of any class of directors of the Corporation may be removed before the expiration date of that director's term of office, only for cause, by an affirmative vote of the holders of not less than eighty percent (80%) of the votes of the outstanding shares of the class or classes or series of stock then entitled to be voted at an election of directors of that class or series, voting together as a single class, cast at the annual meeting of stockholders or at any special meeting of stockholders called by a majority of the Board for this purpose.

## II. POWER TO AMEND BYLAWS.

The bylaws may be altered or repealed and new bylaws may be adopted (a) at any annual or special meeting of stockholders if notice of the proposed alteration, repeal or adoption of the new bylaw or bylaws be contained in the notice of such annual or special meeting by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote thereat, voting together as a single class, or (b) by the affirmative vote of a majority of the members present at any regular meeting of the Board, or at any special meeting of the Board, without any action on the part of the stockholders, if notice of the proposed alteration, repeal or adoption of the new bylaw or bylaws be contained in the notice of such regular or special meeting.

Notwithstanding the foregoing, the affirmative vote of the holders of at least eighty percent (80%) of the votes of the outstanding shares of the class or classes or series of stock then entitled to be voted shall be required to alter, amend or repeal Article II, Section Four (Special Meetings), Article II, Section 14 (Action Without Meeting), Article III, Section 1 (Power; Number; Term of Office), Article III, Section 7 (Resignation and Removal), Article III, Section 7 (Vacancies; Increases in the Number of Directors), Article VI (Indemnification of Directors, Officers, Employees and Agents), and Article IX (Amendments) of the Corporation's bylaws.

## III. NO STOCKHOLDER ACTION BY WRITTEN CONSENT; SPECIAL MEETINGS OF STOCKHOLDERS.

Subject to the rights, if any, of holders of Preferred Stock as set forth in a Preferred Stock designation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by those stockholders.

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Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time by (i) the Chief Executive Officer of the Corporation, or (ii) the Board, pursuant to a resolution approved by a majority of the directors which the Corporation would have if there were no vacancies.

**SIXTH: ELIMINATION OF CERTAIN LIABILITY OF DIRECTORS AND INDEMNIFICATION.**

**I. ELIMINATION OF CERTAIN LIABILITY OF DIRECTORS.**

No director shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty by such director as a director, except for liability (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL, or (d) for any transaction from which the director derived an improper personal benefit. Any amendment or repeal of this Part I of this Article Sixth shall be prospective only, and neither the amendment nor repeal of this Part I of this Article Sixth shall eliminate or reduce the effect of this Part I of this Article Sixth in respect to any matter occurring, or any cause of action, suit or claim that, but for this Part I of this Article Sixth would accrue or arise, prior to such amendment or repeal. If the DGCL hereafter is amended to authorize corporate action further eliminating or limiting the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended from time to time.

**II. INDEMNIFICATION.**

To the fullest extent authorized or permitted by the DGCL (as now in effect or as amended), and as further specified in the Corporation's bylaws, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that such person, or a person of whom he or she is the legal representative, is or was the Corporation's director or officer, or by reason of the fact that the Corporation's director or officer is or was serving, at the Corporation's request, as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation.

**SEVENTH: AMENDMENTS TO THIS CERTIFICATE**

Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least eighty percent (80%) of the votes of the outstanding shares of the class or classes or series of stock then entitled to be voted shall be required to alter, amend or repeal Part I, II and III of Article Fifth, or Article Seventh of this Amended and Restated Certificate of Incorporation.

**AMENDED AND RESTATED BYLAWS**

**OF**

**NOW INC.**

**A Delaware Corporation**

**Date of Adoption:**

**May 29, 2014**

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**AMENDED AND RESTATED BYLAWS**

**OF**

**NOW INC.**

**ARTICLE I  
OFFICES**

Section 1. Registered Office. The registered office of the Corporation required by the General Corporation Law of the State of Delaware (the "DGCL") to be maintained in the State of Delaware, shall be the registered office named in the Certificate of Incorporation of the Corporation, as may be amended and/or restated from time to time, or such other office as may be designated from time to time by the Board of Directors in the manner provided by law. Should the Corporation maintain a principal office within the State of Delaware such registered office need not be identical to such principal office of the Corporation.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II  
STOCKHOLDERS**

Section 1. Place of Meetings. All meetings of the stockholders shall be held at the principal office of the Corporation, or at such other place within or without the State of Delaware as shall be specified or fixed in the notices or waivers of notice thereof. In lieu of holding a meeting of stockholders at a designated place, the Board may, in its sole discretion, determine that any meeting of stockholders may be held solely by means of remote communication.

Section 2. Quorum; Adjournment of Meetings.

(a) Unless otherwise required by law or provided in the Certificate of Incorporation or these bylaws, the holders of a majority of the stock issued and outstanding and entitled to vote in the election of directors, present in person or represented by proxy, shall constitute a quorum at any meeting of stockholders for the transaction of business, except that when specified business is to be voted on by a class or series of stock voting separately as a class, the holders of a majority of the voting power of all outstanding shares of such class or series represented in person or by proxy shall constitute a quorum of such class or series for the transaction of such business and all questions with respect to a subject matter, except the election of directors which is set forth in Section 10(e) of Article II of these bylaws, shall be decided by a vote of the holders of shares having a majority of the voting power so represented at any meeting of stockholders at which a quorum is present. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

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(b) Notwithstanding the other provisions of the Certificate of Incorporation or these bylaws, the chairman of the meeting or the holders of a majority of the issued and outstanding stock, present in person or represented by proxy, at any meeting of stockholders, whether or not a quorum is present, shall have the power to adjourn such meeting from time to time. No notice of the time and place of adjourned meeting need be given if (A) the time and place, if any, thereof, and (B) the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting, are announced at the meeting at which adjournment is taken. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at such meeting. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally called.

Section 3. Annual Meetings. An annual meeting of the stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, within or without the State of Delaware, on such date, and at such time as the Board of Directors shall fix and set forth in the notice of the meeting, which date shall be within thirteen (13) months subsequent to the later of the date of incorporation or the last annual meeting of stockholders.

Section 4. Special Meetings. Unless otherwise provided in the Certificate of Incorporation, special meetings of the stockholders for any purpose or purposes may be called at any time by the (i) the Chief Executive Officer of the Corporation, or (ii) the Board of Directors pursuant to a resolution adopted by a majority of the directors which the Corporation would have if there were no vacancies.

Section 5. Record Date.

(a) For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders, or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors of the Corporation may fix, in advance, a date as the record date for any such determination of stockholders, which date shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

(b) If the Board of Directors does not fix a record date for any meeting of the stockholders, the record date for determining stockholders entitled to notice of or to vote at such meeting shall be at the close of business on the day next preceding the day on which notice is given, or, if in accordance with Article VIII, Section 3 of these bylaws notice is waived, at the close of business on the day next preceding the day on which the meeting is held. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

(c) A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.



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Section 6. Notice of Meetings. Written notice of the place, date and hour of all meetings and the means of remote communication, if any, by which stockholders and proxy holders may be deemed present in person and vote at such meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by or at the direction of the Chairman of the Board (if any) or the President, the Secretary or the other person(s) calling the meeting to each stockholder entitled to vote thereat not less than ten (10) nor more than sixty (60) days before the date of the meeting. Such notice may be delivered either personally or by mail. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided by Sections 222 and 232 of the DGCL. Meetings may be held without notice if all stockholders entitled to vote are present (without being present for the purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened), or if notice is waived by those not present in accordance with Article VIII, Section 3 of these bylaws. The Board may cancel, reschedule or postpone any previously scheduled annual or special meeting.

Section 7. Stock List.

(a) A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in the name of such stockholder, shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, (1) at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, (2) or if not so specified, at the place where the meeting is to be held, (3) on a reasonably accessible electronic network, provided that the information required to gain access to such list is furnished with the notice of the meeting or (4) during ordinary business hours, at the principal place of business of the Corporation.

(b) If the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time and may be inspected by any stockholder who is present at that meeting. If the meeting is to be held solely by means of remote communication, then the list also shall be open to the examination of any stockholder during the whole time of that meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of that meeting. Nothing contained in this Section 7 shall require the Corporation to include electronic mail addresses or other electronic contact information on that list. The stock list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

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Section 8. Notice of Stockholder Proposals.

(a) At any annual or special meeting of stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual or special meeting, business must be: (A) specified in the notice of meeting given by or at the direction of the Board of Directors, (B) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (C) otherwise properly brought before the meeting by a stockholder. In order for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such proposal must be a proper matter for stockholder action under the DGCL. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than the ninety (90) days and not more than one hundred twenty (120) days prior to the anniversary of the date on which the proxy materials for the immediately preceding annual meeting of stockholders were first mailed; provided, however, that in the event no annual meeting was held in the previous year or the date of the annual meeting is more than thirty (30) days before or more than thirty (30) days after the first anniversary of the preceding year's annual meeting of stockholders, notice by the stockholder must be so received not later than the close of business on the later of one hundred twenty (120) calendar days in advance of such annual meeting or ten (10) calendar days following the date on which public announcement of the date of the meeting is first made. In the event the Chief Executive Officer or the Board of Directors calls a special meeting of stockholders for the election of directors, a stockholder proposing to nominate a person for that election must give in writing to the Secretary of the Corporation notice of the proposal not earlier than one hundred and twenty (120) days and not later than ninety (90) days prior to the special meeting, or ten (10) days after public announcement of the date of the special meeting and the proposed nominees.

(b) A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposals to be brought before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the Corporation that are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business, and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in his capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act.

(c) Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 8. The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 8, and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

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Section 9. Proxies.

(a) Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy. Proxies for use at any meeting of stockholders shall be filed with the Secretary, or such other officer as the Board of Directors may from time to time determine by resolution, before or at the time of the meeting. All proxies shall be received and taken charge of and all ballots shall be received and canvassed by the secretary of the meeting who shall decide all questions touching upon the qualification of voters, the validity of the proxies, and the acceptance or rejection of votes, unless an inspector or inspectors shall have been appointed by the chairman of the meeting, in which event such inspector or inspectors shall decide all such questions.

(b) No proxy shall be valid after three (3) years from its date, unless the proxy provides for a longer period. Each proxy shall be revocable unless expressly provided therein to be irrevocable and coupled with an interest sufficient in law to support an irrevocable power.

(c) Should a proxy designate two or more persons to act as proxies, unless such instrument shall provide the contrary, a majority of such persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting thereby conferred, or if only one be present, then such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, each proxy so attending shall be entitled to exercise such powers in respect of the same portion of the shares as he is of the proxies representing such shares.

Section 10. Voting; Elections; Inspectors.

(a) Unless otherwise required by law, provided in the Certificate of Incorporation or provided in a preferred stock designation, each stockholder shall have one vote for each share of stock entitled to vote which is registered in his name on the record date for the meeting. Shares registered in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the bylaw (or comparable instrument) of such corporation may prescribe, or in the absence of such provision, as the Board of Directors (or comparable body) of such corporation may determine. Shares registered in the name of a deceased person may be voted by his executor or administrator, either in person or by proxy.

(b) All voting, except as required by the Certificate of Incorporation or where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefor by stockholders holding a majority of the issued and outstanding stock present in person or by proxy at any meeting a stock vote shall be taken. Every stock vote shall be taken by written ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. All elections of directors shall be by ballot, unless otherwise provided in the Certificate of Incorporation.

(c) At any meeting at which a vote is taken by ballots, the chairman of the meeting may appoint one or more inspectors, each of whom shall subscribe an oath or affirmation to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. Such inspector shall receive the ballots, count the votes and make and sign a certificate of the result thereof. The chairman of the meeting may appoint any person to serve as inspector, except no candidate for the office of director shall be appointed as an inspector.

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(d) Unless otherwise provided in the Certificate of Incorporation, cumulative voting of shares of any class or series of stock of the Corporation is prohibited.

(e) Unless otherwise provided in the Certificate of Incorporation, a nominee for director shall be elected to the Board if the votes cast for such nominee's election exceed the votes cast against such nominee's election at any meeting for the election of directors at which a quorum is present, *provided that* if as of a date that is fourteen (14) days in advance of the date the Corporation files its definitive proxy statement with the Securities and Exchange Commission (regardless of whether or not the proxy statement is thereafter revised or supplemented) the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. The Nominating/Corporate Governance Committee has established procedures under which any director who is not elected shall offer his or her resignation to the Board. The Nominating/Corporate Governance Committee will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Committee's recommendation and publicly disclose its decision and the rationale behind it within ninety (90) days from the date of certification of the election results.

Section 11. Conduct of Meetings.

(a) The meetings of the stockholders shall be presided over by the Chairman of the Board (if any), or if he is not present, by the President, or if neither the Chairman of the Board (if any), nor President is present, by a chairman elected at the meeting. The Secretary of the Corporation, if present, shall act as secretary of such meetings, or if he is not present, an Assistant Secretary shall so act; if neither the Secretary nor an Assistant Secretary is present, then a secretary shall be appointed by the chairman of the meeting. The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him in order. Such rules, regulations, or procedures, whether adopted by the Board or prescribed by the chair of the meeting, may include, without limitation, the following: (1) the establishment of an agenda or order of business for the meeting; (2) rules and procedures for maintaining order at the meeting and the safety of those present; (3) limitations on attendance at or participation in the meeting to stockholders of record, their duly authorized and constituted proxies, or such other persons as the chair of the meeting shall determine; (4) restrictions on entry to the meeting after the time fixed for the commencement; and (5) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board or the chair of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 12. Meetings by Remote Communication. If authorized by the Board, and subject to such guidelines and procedures as the Board may adopt, stockholders and proxy holders not physically present at a meeting of stockholders may, by means of remote communication, participate in the meeting and be deemed present in person and vote at the

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meeting, whether such meeting is to be held in a designated place or solely by means of remote communication, provided that (1) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxy holder, (2) the Corporation shall implement reasonable measures to provide such stockholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including the opportunity to read or hear the proceedings in the meeting substantially concurrently with such proceedings and (3) if the stockholder or proxy holder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

Section 13. Treasury Stock. The Corporation shall not vote, directly or indirectly, shares of its own stock owned by it and such shares shall not be counted for quorum purposes.

Section 14. Action Without Meeting. Unless otherwise provided in the Certificate of Incorporation, the stockholders shall not be entitled to consent to corporate action in writing without a meeting.

### **ARTICLE III BOARD OF DIRECTORS**

Section 1. Power; Number; Term of Office.

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, and subject to the restrictions imposed by law or the Certificate of Incorporation, they may exercise all the powers of the Corporation.

(b) Subject to the rights of holders of a series of shares of Preferred Stock to elect one or more directors pursuant to any provisions of any certificate of designation relating to any such series, the number of directors will be fixed exclusively by a majority of the entire Board of Directors from time to time. If the Board of Directors makes no such determination, the number of directors shall be the number set forth in the Certificate of Incorporation. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director.

(c) The classes of the Board and their respective terms shall be as set forth in the Certificate of Incorporation.

(d) Unless otherwise provided in the Certificate of Incorporation, directors need not be stockholders nor residents of the State of Delaware.

Section 2. Quorum. Unless otherwise provided in the Certificate of Incorporation, a majority of the total number of directors shall constitute a quorum for the transaction of business of the Board of Directors and the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3. Place of Meetings; Order of Business. The directors may hold their meetings and may have an office and keep the books of the Corporation, except as otherwise provided by law, in such place or places, within or without the State of Delaware, as the Board of

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Directors may from time to time determine by resolution. At all meetings of the Board of Directors business shall be transacted in such order as shall from time to time be determined by the Chairman of the Board (if any), or in his absence by the President, or by resolution of the Board of Directors.

Section 4. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of such regular meetings shall not be required.

Section 5. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board (if any), the President or, on the written request of any two directors, by the Secretary, in each case on at least twenty four (24) hours personal, written, telegraphic, cable or wireless notice to each director. Such notice, or any waiver thereof pursuant to Article VIII, Section 3 hereof, need not state the purpose or purposes of such meeting, except as may otherwise be required by law or provided for in the Certificate of Incorporation or these bylaws.

Section 6. Resignation and Removal. Any director may resign at any time, by giving notice in writing or by electronic transmission to the Chairman of the Board, the Chief Executive Officer, the President, or the Secretary. Any such resignation shall take effect at the time specified in the notice of resignation or, if no time is specified, immediately upon receipt of the notice. Unless otherwise specified in the notice of resignation, acceptance of the resignation shall not be necessary to make it effective. A director of any class of directors of the Corporation may be removed before the expiration date of that director's term of office, only for cause, by an affirmative vote of the holders of not less than eighty percent (80%) of the votes of the outstanding shares of the class or classes or series of stock then entitled to be voted at an election of directors of that class or series, voting together as a single class, cast at the annual meeting of stockholders or at any special meeting of stockholders called by a majority of the board of directors for this purpose.

Section 7. Vacancies; Increases in the Number of Directors. Unless otherwise provided in the Certificate of Incorporation, any vacancies in the Board resulting from death, resignation, retirement, disqualification, removal from office, or other cause and newly-created directorships resulting from any increase in the authorized number of directors may be filled by no less than a majority vote of the remaining directors then in office, though less than a quorum, who are designated to represent the same class or classes of stockholders that the vacant position, when filled, is to represent or by the sole remaining director (but not by the stockholders except as required by law), and each director so chosen shall receive the classification of the vacant directorship to which such director has been appointed or, if that is a newly-created directorship, shall receive the classification that at least a majority of the Board designates and shall hold office until the first meeting of stockholders held after such director's election for the purpose of electing directors of that classification and until such director's successor is elected and qualified or until his earlier death, resignation, or removal from office.

Section 8. Compensation. Unless otherwise restricted by the Certificate of Incorporation, the Board of Directors shall have the authority to fix the compensation of directors.

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Section 9. Action Without a Meeting: Telephone Conference Meeting.

(a) Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors, or any committee designated by the Board of Directors, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee. Such consent shall have the same force and effect as a unanimous vote at a meeting, and may be stated as such in any document or instrument filed with the Secretary of State of Delaware.

(b) Unless otherwise restricted by the Certificate of Incorporation, subject to the requirement for notice of meetings, members of the Board of Directors, or members of any committee designated by the Board of Directors, may participate in a meeting of such Board of Directors or committee, as the case may be, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 10. Approval or Ratification of Acts or Contracts by Stockholders. The Board of Directors in its discretion may submit any act or contract for approval or ratification at any annual meeting of the stockholders, or at any special meeting of the stockholders called for the purpose of considering any such act or contract, and any act or contract that shall be approved or be ratified by the vote of the stockholders holding a majority of the issued and outstanding shares of stock of the Corporation entitled to vote and present in person or by proxy at such meeting (provided that a quorum is present), shall be as valid and as binding upon the Corporation and upon all the stockholders as if it has been approved or ratified by every stockholder of the Corporation.

**ARTICLE IV  
COMMITTEES**

Section 1. Designation Powers. The Board of Directors may, by resolution passed by a majority of the whole board, designate one or more committees, including, if they shall so determine, an executive committee, each such committee to consist of one or more of the directors of the Corporation. Any such designated committee shall have and may exercise such of the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation as may be provided in such resolution, except that no such committee shall have the power or authority of the Board of Directors in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution of the Corporation, or amending, altering or repealing the bylaws or adopting new bylaws for the Corporation and, unless such resolution or the Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Any such designated committee may

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authorize the seal of the Corporation to be affixed to all papers that may require it. In addition to the above such committee or committees shall have such other powers and limitations of authority as may be determined from time to time by resolution adopted by the Board of Directors.

Section 2. Procedure; Meetings; Quorum. Any committee designated pursuant to Section 1 of this Article IV shall have a committee chair designated by the Board of Directors (or if not so designated by the Board of Directors, by the members of the committee by majority vote of the committee members), shall keep regular minutes of its proceedings and report the same to the Board of Directors when requested, shall fix its own rules or procedures, and shall meet at such times and at such place or places as may be provided by such rules, or by resolution of such committee or resolution of the Board of Directors. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution.

Section 3. Substitution of Members. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

## **ARTICLE V OFFICERS**

Section 1. Number, Titles and Term of Office. The officers of the Corporation shall be a President, one or more Vice Presidents (any one or more of whom may be designated Executive Vice President or Senior Vice President), a Treasurer, a Secretary and, if the Board of Directors so elects, a Chairman of the Board and such other officers as the Board of Directors may from time to time elect or appoint. Each officer shall hold office until his successor shall be duly elected and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same person, unless the Certificate of Incorporation provides otherwise. No officer need be a director.

Section 2. Salaries. The salaries or other compensation of the officers and agents of the Corporation shall be fixed from time to time by the Board of Directors.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed, either with or without cause, by the vote of a majority of the whole Board of Directors at a special meeting called for the purpose, or at any regular meeting of the Board of Directors, provided the notice for such meeting shall specify that the matter of any such proposed removal will be considered at the meeting but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.



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Section 4. Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 5. Powers and Duties of the Chief Executive Officer. The President shall be the Chief Executive Officer of the Corporation unless the Board of Directors designates the Chairman of the Board as Chief Executive Officer. Subject to the control of the Board of Directors and the executive committee (if any), the Chief Executive Officer shall have general executive charge, management and control of the properties, business and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; he may agree upon and execute all leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation and may sign all certificates for shares of capital stock of the Corporation; and shall have such other powers and duties as designated in accordance with these bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 6. Powers and Duties of the Chairman of the Board. If elected, the Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors; and he shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 7. Powers and Duties of the President. Unless the Board of Directors otherwise determines, the President shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation; and, unless the Board of Directors otherwise determines, he shall, in the absence of the Chairman of the Board or if there be no Chairman of the Board, preside at all meetings of the stockholders and (should he be a director) of the Board of Directors; and he shall have such other powers and duties as designated in accordance with these bylaws and as from time to time may be assigned to him by the Board of Directors.

Section 8. Vice Presidents. In the absence of the President, or in the event of his inability or refusal to act, a Vice President designated by the Board of Directors shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. In the absence of a designation by the Board of Directors of a Vice President to perform the duties of the President, or in the event of his absence or inability or refusal to act, the Vice President who is present and who is senior in terms of time as a Vice President of the Corporation shall so act. The Vice Presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 9. Treasurer. The Treasurer shall have responsibility for the custody and control of all the funds and securities of the Corporation, and he shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the Board of Directors. He shall perform all acts incident to the position of Treasurer, subject to the control of the Chief Executive Officer and the Board of Directors; and he shall, if required by the Board of Directors, give such bond for the faithful discharge of his duties in such form as the Board of Directors may require.

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Section 10. Assistant Treasurers. Each Assistant Treasurer shall have the usual powers and duties pertaining to his office, together with such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the Chief Executive Officer or the Board of Directors. The Assistant Treasurers shall exercise the powers of the Treasurer during that officer's absence or inability or refusal to act.

Section 11. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors, committees of directors and the stockholders, in books provided for that purpose; he shall attend to the giving and serving of all notices; he may in the name of the Corporation affix the seal of the Corporation to all contracts of the Corporation and attest the affixation of the seal of the Corporation thereto; he may sign with the other appointed officers all certificates for shares of capital stock of the Corporation; he shall have charge of the certificate books, transfer books and stock ledgers, and such other books and papers as the Board of Directors may direct, all of which shall at all reasonable times be open to inspection of any director upon application at the office of the Corporation during business hours; he shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the Board of Directors; and he shall in general perform all acts incident to the office of Secretary, subject to the control of the Chief Executive Officer and the Board of Directors.

Section 12. Assistant Secretaries. Each Assistant Secretary shall have the usual powers and duties pertaining to his office, together with such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the Chief Executive Officer or the Board of Directors. The Assistant Secretaries shall exercise the powers of the Secretary during that officer's absence or inability or refusal to act.

Section 13. Action with Respect to Securities of Other Corporations. Unless otherwise directed by the Board of Directors, the Chief Executive Officer shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of security holders of or with respect to any action of security holders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

## **ARTICLE VI INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS**

Section 1. Right to Indemnification. Each person who was or is, made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative, is or was or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving or having agreed to serve as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, (but, in the case of

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any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expense, liability and loss (including without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Article VI shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the DGCL requires, the payment of such expenses incurred by a current, former or proposed director or officer in his or her capacity as a director or officer or proposed director or officer (and not in any other capacity in which service was or is or has been agreed to be rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnified person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Section or otherwise.

Section 2. Indemnification of Employees and Agents. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation, individually or as a group, with the same scope and effect as the indemnification of directors and officers provided for in this Article.

Section 3. Right of Claimant to Bring Suit. If a written claim received by the Corporation from or on behalf of an indemnified party under this Article VI is not paid in full by the Corporation within ninety days after such receipt, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

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Section 4. Non-exclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any law (common or statutory), provision of the Certificate of Incorporation of the Corporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Section 5. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any person who is or was serving as a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 6. Savings Clause. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director and officer of the Corporation, as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the fullest extent permitted by applicable law.

Section 7. Definitions. For purposes of this Article, reference to the "Corporation" shall include, in addition to the Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger prior to (or, in the case of an entity specifically designated in a resolution of the Board of Directors, after) the adoption hereof and which, if its separate existence had continued, would have had the power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

## **ARTICLE VII CAPITAL STOCK**

### Section 1. Certificates of Stock.

(a) The shares of the capital stock of the Corporation may be certificated or uncertificated, as provided under Delaware law, and shall be entered in the books of the Corporation and registered as they are issued. Any certificates representing shares of stock shall be in such form, not inconsistent with that required by law and the Certificate of Incorporation, as shall be approved by the Board of Directors, setting forth the number and class of shares of the stock of the Corporation owned by the stockholder. Any certificates issued to any shareholder of the Corporation shall bear the name of the Corporation and state that it is organized under the laws of the State of Delaware, the name of the shareholder, and the number of shares (and, if the stock of the Corporation shall be divided into classes or series, the class and

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series of such shares) represented. Each certificate shall be signed either manually or by facsimile, by (i) the Chairman of the Board (if any), President or a Vice President and (ii) by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer and shall be sealed with the seal of the Corporation or a facsimile thereof if the Board of Directors shall have provided for such seal. In case any officer, transfer agent or registrar who shall have signed or whose facsimile signature or signatures shall have been placed upon any such certificate or certificates shall have ceased to be such officer, transfer agent or registrar before such certificate is issued by the Corporation, such certificate may nevertheless be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The stock record books and the blank stock certificate books shall be kept by the Secretary, or at the office of such transfer agent or transfer agents as the Board of Directors may from time to time by resolution determine.

(b) Within a reasonable time after the issuance of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice that shall set forth the name of the Corporation, that the Corporation is organized under the laws of the State of Delaware, the name of the stockholder, and the number of shares (and, if the stock of the Corporation shall be divided into classes or series, the class and series of such shares) represented, and any restrictions on the transfer or registration of such shares of stock imposed by the Corporation's Certificate of Incorporation, these Bylaws, any agreement among stockholders or any agreement between stockholders and the Corporation.

#### Section 2. Transfer of Stock.

(a) Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation, or authority to transfer, it shall be the duty of the Corporation to issue a new certificate or evidence of the issuance of uncertificated shares to the stockholder entitled thereto, cancel the old certificate and record the transaction upon the Corporation's books. Upon the surrender of any certificate for transfer of stock, such certificate shall at once be conspicuously marked on its face "Cancelled" and filed with the permanent records of the Corporation.

(b) Upon receipt of proper transfer instructions from the registered owner of uncertificated shares, such uncertificated shares shall be cancelled, issuance of new equivalent uncertificated shares or certificated shares shall be made to the stockholder entitled thereto and the transaction shall be recorded upon the books of the Corporation. If the Corporation has a transfer agent or registrar acting on its behalf, the signature of any officer or representative thereof may be in facsimile.

(c) The Board of Directors may appoint a transfer agent and one or more co-transfer agents and registrar and one or more co-registrars and may make or authorize such agent to make all such rules and regulations deemed expedient concerning the issue, transfer and registration of shares of stock.

Section 3. Ownership of Stock. The Corporation shall be entitled to treat the holder of record of any share or shares of capital stock of the Corporation as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

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Section 4. Regulations Regarding Stock. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration or the replacement of (i) certificates for shares and (ii) uncertificated shares of capital stock of the Corporation.

Section 5. Lost or Destroyed Certificates. The Board of Directors may determine the conditions upon which a new certificate of stock or an uncertificated share may be issued in place of a certificate which is alleged to have been lost, stolen or destroyed; and may, in their discretion, require the owner of such certificate or his legal representative to give bond, with sufficient surety, to indemnify the Corporation and each transfer agent and registrar against any and all losses or claims that may arise by reason of the issue of (i) a new certificate or (ii) an uncertificated share in the place of the certificate so lost, stolen or destroyed.

## **ARTICLE VIII MISCELLANEOUS PROVISIONS**

Section 1. Fiscal Year. The fiscal year of the Corporation shall be such as established from time to time by the Board of Directors.

Section 2. Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation. The Secretary shall have charge of the seal (if any). If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by the Assistant Secretary or Assistant Treasurer.

Section 3. Notice and Waiver of Notice.

(a) Whenever any notice is required to be given by law, the Certificate of Incorporation or under the provisions of these bylaws, said notice shall be deemed to be sufficient if given (i) by telegraphic, cable or wireless transmission or (ii) by deposit of the same in a post office box in a sealed prepaid wrapper addressed to the person entitled thereto at his post office address, as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such transmission or mailing, as the case may be.

(b) Whenever notice is required to be given by law, the Certificate of Incorporation or under any of the provisions of these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or the bylaws.

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Section 4. Facsimile Signatures. In addition to the provisions for the use of facsimile signatures elsewhere specifically authorized in these bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors.

Section 5. Reliance upon Books, Reports and Records. Each director and each member of any committee designated by the Board of Directors shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or reports made to the Corporation by any of its officers, or by an independent certified public accountant, or by an appraiser selected with reasonable care by the Board of Directors or by any such committee, or in relying in good faith upon other records of the Corporation.

Section 6. Electronic Transmissions. For purposes of these bylaws, “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient, and that may be directly reproduced in paper form by such recipient through an automated process.

Section 7. Exclusive Forum. Unless the Board otherwise determines, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer of the Corporation to the Corporation or the Corporation’s stockholders, creditors or other constituents, (iii) any action asserting a claim against the Corporation or any director or officer of the Corporation arising pursuant to any provision of the DGCL or the Certificate of Incorporation or these bylaws (as either may be amended from time to time), or (iv) any action asserting a claim against the Corporation or any director or officer of the Corporation governed by the internal affairs doctrine; provided, that, if and only if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state court sitting in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware.

## **ARTICLE IX AMENDMENTS**

The bylaws may be altered or repealed and new bylaws may be adopted (a) at any annual or special meeting of stockholders if notice of the proposed alteration, repeal or adoption of the new bylaw or bylaws be contained in the notice of such annual or special meeting by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote thereat, voting together as a single class, or (b) by the affirmative vote of a majority of the members present at any regular meeting of the Board, or at any special meeting of the Board, without any action on the part of the stockholders, if notice of the proposed alteration, repeal or adoption of the new bylaw or bylaws be contained in the notice of such regular or special meeting.

Notwithstanding the foregoing, the affirmative vote of the holders of at least eighty percent (80%) of the votes of the outstanding shares of the class or classes or series of stock then entitled to be voted shall be required to alter, amend or repeal Article II, Section Four (Special

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Meetings), Article II, Section 14 (Action Without Meeting), Article III, Section 1 (Power; Number; Term of Office), Article III, Section 6 (Resignation and Removal), Article III, Section 7 (Vacancies; Increases in the Number of Directors), Article VI (Indemnification of Directors, Officers, Employees and Agents), and Article IX (Amendments) of the bylaws.



**TRANSITION SERVICES AGREEMENT**

**BETWEEN**

**NATIONAL OILWELL VARCO, INC.**

**AND**

**NOW INC.**

**DATED AS OF May 29, 2014**

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## TRANSITION SERVICES AGREEMENT

This Transition Services Agreement (this “Agreement”), made and entered into effective as of May 29, 2014, is by and between National Oilwell Varco, Inc., a Delaware corporation (“NOV”), and NOW Inc., a Delaware corporation (“SpinCo”). NOV and SpinCo are sometimes herein referred to individually as a “Party” and collectively as the “Parties”. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in Article I.

### RECITALS

WHEREAS, NOV has determined that it would be appropriate, desirable and in the best interests of NOV and the shareholders of NOV to separate the SpinCo Business from NOV;

WHEREAS, NOV and SpinCo have entered into the Separation and Distribution Agreement, dated May 29, 2014 (the “Separation Agreement”), in connection with the separation of the SpinCo Business from NOV and the Distribution of SpinCo Common Stock to shareholders of NOV;

WHEREAS, the Separation Agreement also provides for the execution and delivery of certain other agreements (collectively, the “Ancillary Agreements”), including this Agreement, in order to facilitate and provide for the separation of SpinCo and its subsidiaries from NOV; and

WHEREAS, in order to ensure an orderly transition under the Separation Agreement, it will be necessary for NOV, or its Affiliates, to provide to Spinco and for Spinco, or its Affiliates, to provide to NOV, certain corporate, general and administrative services described herein on an interim, transitional basis.

NOW, THEREFORE, for and in consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, NOV and SpinCo hereby agree as follows:

### ARTICLE I.

#### DEFINITIONS

**Section 1.1. Definitions.** As used herein, the following terms shall have the following meanings, unless context clearly requires otherwise, and capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Separation Agreement:

“Additional Services” has the meaning ascribed to such term in Section 2.1(c).

“Affiliate” means, when used with respect to a specified Person, a Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For the purpose of this definition, “control” (including with correlative meanings, “controlled by” and “under common control with”), when used with respect to any specified Person, means the possession, directly or indirectly, of the power to

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direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment, undertaking or otherwise. It is expressly agreed that, from and after the Effective Time and for purposes of this Agreement and the Ancillary Agreements, no member of the SpinCo Group shall be deemed to be an Affiliate of any member of the NOV Group, and no member of the NOV Group shall be deemed to be an Affiliate of any member of the SpinCo Group.

“Applicable Rate” means the Prime Rate plus two percent (2.0%), or such lower rate as may from time to time represent the maximum rate of interest payable under applicable law.

“Applicable Services Termination Date” shall have the meaning ascribed to such term in Section 2.1(e)(i).

“Expiration Date” means the date which is eighteen (18) months after the Distribution Date.

“Distribution Date” means the date on which NOV, through the Agent, distributes all of the issued and outstanding shares of SpinCo Common Stock to holders of NOV Common Stock in the Distribution.

“Effective Time” means 5:00 p.m. Central Standard Time, or such other time as NOV may determine, on the Distribution Date.

“Group” means either NOV Group or Spinco Group.

“Governmental Authority” means any nation or government, any state, municipality or other political subdivision thereof, and any entity, body, agency, commission, department, board, bureau, court, tribunal or other instrumentality, whether federal, state, local, domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory, administrative or other similar functions of, or pertaining to, government and any official thereof.

“NOV Group” means NOV, each Subsidiary of NOV immediately after the Effective Time and each Affiliate of NOV immediately after the Effective Time (in each case other than any member of the SpinCo Group).

“Person” means any individual, general or limited partnership, corporation, business trust, joint venture, association, company, limited liability company, unincorporated organization, a limited liability entity, any other entity and any Governmental Authority.

“Service” means any one of the services listed in Section 2.1(a), and any Additional Services, with two or more of such Services collectively referred to as “Services.”

“Service Provider” means a member of the NOV Group or the SpinCo Group, as applicable, when it is providing Services to a member of the other Party’s Group.

“Service Provider Group” means the NOV Group or the SpinCo Group, as applicable, when it is providing Services to a member of the other Party’s Group.

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“Service Recipient” means a member of the SpinCo Group or the NOV Group, as applicable, when it is receiving Services from a member of the other Party’s Group.

“Service Recipient Group” means the SpinCo Group or the NOV Group, as applicable, when it is receiving Services from a member of the other Party’s Group.

“SpinCo Group” means SpinCo, each Subsidiary of SpinCo immediately after the Effective Time and each Affiliate of SpinCo immediately after the Effective Time.

**Section 1.2. Rules of Construction.** The Recitals to this Agreement are made a part hereof for all purposes. In this Agreement, terms defined in the singular have the corresponding meanings in the plural, and vice versa. All references to Sections and Articles refer to sections and articles of this Agreement, and all references to Annexes, Exhibits, Schedules or Attachments refer to annexes, exhibits, schedules or attachments to this Agreement, which are attached hereto and made a part hereof for all purposes. The word “including” means “including, but not limited to.” The words “hereof,” “hereby,” “herein,” “hereunder” and similar terms in this Agreement shall refer to this Agreement as a whole and not any particular section or article in which such words appear.

## ARTICLE II.

### PROVISION OF SERVICES

#### Section 2.1. Provision of Services

(a) Services to be Provided. Commencing on the Distribution Date, subject to the other provisions of this Agreement and each Annex, the NOV Group agrees to provide, or to cause to be provided, the Services set forth in the Annexes to this Agreement to the applicable member of the SpinCo Group, and the Spinco Group agrees to provide, or to cause to be provided, the Services set forth in the Annexes to this Agreement to the applicable member of the NOV Group.

(b) Nature and Quality of Services. The Service Provider warrants that the quality of the Services performed shall be at the same general level as those provided by NOV to other Affiliates of NOV, and, where applicable, substantially consistent with the quantity and scope of the Services provided to SpinCo by NOV prior to the Distribution Date. If any of such Services were not performed within NOV prior to the Distribution Date, then such Services shall be performed with the same degree of care and with substantially the same service levels as the Service Provider performs comparable services for itself.

(c) Additional Services. Prior to the first anniversary of the Distribution Date, if one of the Parties identifies any commercial or other service that is needed by it to assure a smooth and orderly transition of the businesses in connection with the consummation of the transactions contemplated by the Separation Agreement, and that is not otherwise governed by the provisions of the Separation Agreement or any Ancillary Agreement, the Parties will cooperate in determining whether there is a mutually acceptable basis on which the other Party will provide such service. Any such additional services that the Service Provider Group may provide to the Service Recipient Group are herein referred to as “Additional Services.” Except as expressly set

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forth in any Annex hereto, NOV and SpinCo shall not be obligated to provide Services from or at any other location other than their respective corporate headquarters located at 7909 Parkwood Circle Drive, Houston, Texas and 7402 North Eldridge Parkway, Houston, Texas.

(d) Limitations: Resource Allocations. Service Recipients acknowledge that Service Providers provide to themselves and other members of the Service Provider Group services that are similar to the Services. Consequently, the Service Provider may, from time to time, experience competing demands for its various services. Accordingly, Service Recipients agree that Service Providers may use reasonable discretion in prioritizing requests for service delivery among the Service Recipient and other members of the Service Provider Group, in each case consistent with past practices; provided that the Service Provider communicates scheduling issues associated with the delivery of any particular service hereunder with the relevant Service Recipient personnel, and that the Service Provider makes reasonable efforts to accommodate requests for services provided such services requested are consistent with services provided prior to the Distribution Date. No Service Provider shall be required to add or retain staff, equipment, facilities or other resources in order to provide any Service. The Service Provider shall have the right to outsource all or portions of some Services to qualified third parties if the Service Provider deems it necessary in order to enable the Service Provider Group's personnel to continue to adequately perform their other job functions.

(e) Cancellation of Services prior to Expiration Date.

(i) Subject to clause (ii) of this Section 2.1(e), Service Provider shall have no obligation to provide any Service beyond (A) the termination date for such Service as provided in the applicable Annex for such Service or, if the applicable Annex does not specify a termination date for the Service, then (B) the Expiration Date. As to each Service, the earliest of the foregoing dates shall be referred to herein as the "Applicable Services Termination Date."

(ii) Each Party shall have the option to terminate any one or more of the Services provided by the other Party at any time prior to the Expiration Date, provided that such Party gives the other Party at least 30 days prior written notice of its election to exercise such option.

(iii) Following the Applicable Services Termination Date and except as otherwise agreed to by the NOV Group and the SpinCo Group, neither Party will be under any further obligation with respect to any Service so terminated; provided that the Service Recipient will remain obligated for any Service Fees for the terminated Service through the Applicable Services Termination Date and any Direct Charges related to such Service.

**Section 2.2. Fees for Services.**

(a) Service Fees.

(i) Each Party shall pay to the other Party a monthly fee (each a "Service Fee") for each of the Services as specified on the applicable Annex for each Service (subject to adjustment as set forth in clause (iii) immediately below) for each month up to and including the month in which the Applicable Services Termination Date for each such Service occurs. Notwithstanding the foregoing, certain Service Fees are identified on the Annexes as being

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payable on other than a monthly basis, in which case each such Service Fee shall be payable as set forth on the applicable Annex. The Service Recipient shall be responsible for all applicable taxes imposed on the performance of the Services, other than any taxes imposed on the Service Provider's income.

(ii) Except as otherwise noted on the Annexes, the Service Fee for each Service shall be increased on the first anniversary of the Distribution Date by a percentage amount equal to the most recently implemented general annual merit increase (expressed as a percentage) for NOV employees working at NOV's corporate headquarters. For example, assuming that NOV employees receive their annual merit increase on January 1 of each calendar year, the percentage increase in the Service Fees that takes effect on the first anniversary of the Distribution Date shall equal the general merit increase percentage for NOV employees that went into effect on January 1, 2015.

(iii) For any Service Fee based upon full time employee (FTE) calculations or estimated total annual hours for a particular Service, NOV has provided an estimated FTE number or and estimated total annual hours number ("Basis") in the applicable Annex that is based upon 2013 calculations for such Service. On an annual basis, or earlier if requested by either Party, the Parties shall meet to discuss and modify Basis calculations. Any modifications to the Service Fees and or Basis shall be commemorated by an amendment to applicable Annex(es) signed by both Parties.

(b) Direct Charges. In addition to the fees set forth above, and except as may otherwise be set forth in any Ancillary Agreement, to the extent practicable, the following items will be directly charged to the Service Recipient ("Direct Charges"): (1) all third party expenses directly related to the Service Recipient, including, but not limited to, outside legal fees, outside accounting fees, and fees and expenses of external advisors and consultants, (2) costs associated with any telecommunications contracts or information service licenses to the extent related or arising out of the assignment of any such contracts or licenses to the Service Recipient, and (3) insurance costs, including but not limited to, general liability, automobile liability, comprehensive liability, excess liability, property and directors and officers.

### **Section 2.3. Payment of Fees.**

(a) Except where other billing and/or payment terms are expressly set forth in any Annex hereto, on or before the 15th day of each month during the term of this Agreement, the Service Provider shall make a diligent effort to submit to the Service Recipient an invoice for the Services provided hereunder during the immediately preceding calendar month. Except for amounts being disputed by the Service Recipient in good faith in accordance with Section 2.5, the Service Recipient shall remit payment within thirty (30) days after its receipt of such invoice. Unless otherwise agreed to in writing, the Service Recipient shall remit all funds due under this Agreement to the Service Provider either by wire transfer or Automated Clearing House (ACH) in immediately available funds. Each Party's wiring instructions shall be provided to the other party in writing (each Party may revise these from time to time upon notice to the other Party).

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(b) To the extent reasonably practicable, all third party invoices for Direct Charges shall be promptly submitted to the Service Recipient for payment. For Direct Charges not paid directly by the Service Recipient, if any, the Service Provider shall include such amounts in its monthly invoice to the Service Recipient.

**Section 2.4. Records Maintenance and Audits.** Each Party shall, for the time period required by applicable law after the termination of this Agreement, maintain records and other evidence sufficient to accurately and properly reflect the performance of the Services hereunder and the amounts due determined in accordance with Section 2.2. Service Recipients or their representatives shall have reasonable access, after requesting such access in writing in advance, during normal business hours to such records for the purpose of auditing and verifying the accuracy of the invoices submitted regarding such amounts due. Any such audits shall be at the sole cost and expense of the Party performing or requesting such audits. The Service Recipient shall have the right to audit the Service Provider's books for a period of two (2) years after the month in which the Services were rendered, except in those circumstances where contracts by the Service Provider Group with third parties limit the audit period to a shorter period.

**Section 2.5. Disputed Amounts.** In the event of a good-faith dispute as to the amount and/or propriety of any invoices or any portions thereof submitted pursuant to Section 2.3, if any, the Service Recipient shall pay all undisputed charges on such invoice, but shall be entitled to withhold payment of any amount in dispute and shall promptly notify the Service Provider in writing of such disputed amounts and the reasons each such charge is disputed. Upon written request, the Service Provider shall use commercially reasonable efforts to provide the Service Recipient with sufficient records relating to the disputed charge so as to enable the Parties to

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resolve the dispute. In the event the Parties are unable to resolve the dispute within 30 days after the invoice becomes due, the matter shall be submitted to a nationally recognized accounting firm agreed to by the Parties. The fees and expenses related to such resolution of the dispute by such firm shall be borne 50% by the Service Recipient and 50% by the Service Provider. The Service Recipient shall remit payment of the amount determined by such firm to be properly payable not later than ten (10) days following such determination, together with interest thereon calculated daily at the Applicable Rate. In the event of any overpayments by the Service Recipient, the Service Provider agrees to promptly (a) refund any such overpaid amount to the Service Recipient, as well as (b) pay interest on the overpayment calculated daily at the Applicable Rate. The determination of such accounting firm in resolution of the dispute shall be final and binding upon the Parties and enforceable by either Party in any court of competent jurisdiction, absent fraud or manifest error. So long as the Parties are attempting in good faith to resolve the dispute, neither Party shall be entitled to terminate the Services related to, or the cause of, the disputed amounts.

**Section 2.6. Undisputed Amounts** . Any statement or payment not disputed in writing by either Party within one year of the date of such statement or payment shall, absent fraud or manifest error, be considered final and binding and no longer subject to dispute or adjustment.

### ARTICLE III.

#### CONFIDENTIALITY

**Section 3.1.** Each Party acknowledges that in connection with its performance under this Agreement, it may gain access to confidential material and information that is proprietary to the other Party. Unless otherwise required by applicable law, each Party agrees:

(a) to hold such material and information in strict confidence and not make use thereof other than for performance under or enforcement of this Agreement or the operation of the receiving Party's business;

(b) to reveal such material and information only to those employees, advisors and contractors requiring such information in connection with the performance of the Services or the operation of the receiving Party's business only after such employees, advisors or contractors agree to be bound by this confidentiality provision; and

(c) not to reveal such material and information to any third person, except as necessary in connection with the performance or evaluation of the Services or the operation of the receiving Party's business, and then only to the extent that such persons agree to be bound by the confidentiality obligations set forth herein.

**Section 3.2.** Notwithstanding the provisions of Section 3.1, a Party may disclose confidential information it has received from the other Party where required in any legal proceedings or by any governmental authority having jurisdiction, but in such event, the receiving Party will provide the disclosing Party with prompt prior notice so that the disclosing Party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. In the event that the disclosing Party is unable to obtain such



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protective order or other appropriate remedy, the receiving Party will furnish only that portion of the confidential information which it is advised by a written opinion of its counsel is legally required, and will give the disclosing Party written notice of the information to be disclosed as far in advance as practicable, and will exercise its best efforts to obtain a protective order or other reliable assurance that confidential treatment will be accorded the confidential information so disclosed.

**Section 3.3.** This confidentiality provision shall survive for a period of two (2) years following the expiration or termination of this Agreement.

#### ARTICLE IV.

#### MISCELLANEOUS

**Section 4.1. Termination.** This Agreement shall terminate on the Expiration Date, unless terminated earlier pursuant to Section 2.1(e).

**Section 4.2. No Third Party Beneficiaries.** The provisions of this Agreement are enforceable solely by the Parties to the Agreement and no assignee or other person shall have the right, separate and apart from the Parties hereto, to enforce any provisions of this Agreement or to compel any Party to this Agreement to comply with the terms of this Agreement; provided, however, that the limitations of liability in Section 4.4 shall inure to the benefit of, and be enforceable by, the Service Provider and each of its Affiliates.

**Section 4.3. No Fiduciary Duties.** It is expressly understood and agreed that this Agreement is a purely commercial transaction between NOV and SpinCo and that nothing stated herein shall operate to create any special or fiduciary duty that either Party or any of its Affiliates shall owe to the other Party or vice versa. Nothing stated herein shall obligate or require either Party to do anything which such Party deems to be detrimental or injurious to any other business or commercial activities of itself or any of its Affiliates, and it is expressly understood and agreed that the Service Provider shall be obliged to exert only commercially reasonable efforts in providing Services hereunder.

**Section 4.4. Limited Warranty; Limitation of Liability.**

The Service Provider represents that it will use reasonable care in providing Services to the Service Recipient, and such Services shall be provided by the Service Provider in accordance with all applicable laws, rules, and regulations. EXCEPT AS SET FORTH IN THE IMMEDIATELY PRECEDING SENTENCE AND IN SECTION 2.1(B), ALL SERVICES AND PRODUCTS ARE RENDERED AND PROVIDED TO THE SERVICE RECIPIENT AS IS, WHERE IS, WITH ALL FAULTS, AND THE SERVICE PROVIDER MAKES NO (AND HEREBY DISCLAIMS AND NEGATES ANY AND ALL) REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE SERVICES RENDERED OR PRODUCTS OBTAINED FOR THE SERVICE RECIPIENT. FURTHERMORE, THE SERVICE RECIPIENT MAY NOT RELY UPON ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING THE

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WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE MADE TO THE SERVICE PROVIDER BY ANY PARTY (INCLUDING, AN AFFILIATE OF THE SERVICE PROVIDER) PERFORMING SERVICES ON BEHALF OF THE SERVICE PROVIDER HEREUNDER, UNLESS SUCH PARTY MAKES AN EXPRESS WARRANTY TO THE SERVICE RECIPIENT.

IT IS EXPRESSLY UNDERSTOOD BY THE SERVICE RECIPIENT THAT THE SERVICE PROVIDER GROUP SHALL HAVE NO LIABILITY FOR ANY SERVICES PROVIDED HEREUNDER AND FURTHER THAT THE SERVICE PROVIDER GROUP SHALL HAVE NO LIABILITY WHATSOEVER FOR THE SERVICES PROVIDED BY ANY THIRD PARTY, UNLESS IN EITHER EVENT SUCH SERVICES ARE PROVIDED IN A MANNER THAT CONSTITUTES GROSS NEGLIGENCE OR WILLFUL MISCONDUCT ON THE PART OF THE SERVICE PROVIDER OR ITS AFFILIATES. THE SERVICE RECIPIENT AGREES THAT THE REMUNERATION PAID TO THE SERVICE PROVIDER HEREUNDER FOR THE SERVICES TO BE PERFORMED REFLECT THIS LIMITATION OF LIABILITY AND DISCLAIMER OF WARRANTIES. IN NO EVENT SHALL THE SERVICE PROVIDER BE LIABLE TO THE SERVICE RECIPIENT OR ANY OTHER PERSON FOR ANY INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES, LOST PROFITS, LOSS OF GOODWILL, OR LOST OPPORTUNITIES, RESULTING FROM ANY ERROR IN THE PERFORMANCE OF SERVICES OR FROM THE BREACH OF THIS AGREEMENT, REGARDLESS OF THE FAULT OF THE SERVICE PROVIDER GROUP, OR ANY THIRD PARTY PROVIDER OR WHETHER THE SERVICE PROVIDER GROUP, OR THE THIRD PARTY PROVIDER ARE CONCURRENTLY, PARTIALLY, OR SOLELY NEGLIGENT. TO THE EXTENT ANY THIRD PARTY PROVIDER HAS LIMITED ITS LIABILITY TO THE SERVICE PROVIDER OR ITS AFFILIATE FOR SERVICES UNDER AN OUTSOURCING OR OTHER AGREEMENT, THE SERVICE RECIPIENT AGREES TO BE BOUND BY SUCH LIMITATION OF LIABILITY FOR ANY PRODUCT OR SERVICE PROVIDED TO THE SERVICE RECIPIENT BY SUCH THIRD PARTY PROVIDER UNDER THE SERVICE PROVIDER'S OR SUCH AFFILIATE'S AGREEMENT. EXCEPT IN CASES OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, THE SERVICE PROVIDER GROUP'S COLLECTIVE MAXIMUM LIABILITY TO THE SERVICE RECIPIENT WITH RESPECT TO ALL CLAIMS ARISING OUT OF THIS AGREEMENT SHALL BE LIMITED IN THE AGGREGATE TO THE AMOUNT PAYABLE HEREUNDER BY THE SERVICE RECIPIENT (EXCLUDING DIRECT CHARGES).

**Section 4.5. Force Majeure.** If any Party to this Agreement is rendered unable by force majeure to carry out its obligations under this Agreement, other than a Party's obligation to make payments as provided for herein, that Party shall give the other Party prompt written notice of the force majeure with reasonably full particulars concerning it. Thereupon, the obligations of the Party giving the notice, insofar as they are affected by the force majeure, shall be suspended during, but no longer than the continuance of, the force majeure. The affected Party shall use all reasonable diligence to remove or remedy the force majeure situation as quickly as practicable.

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The requirement that any force majeure situation be removed or remedied with all reasonable diligence shall not require the settlement of strikes, lockouts or other labour difficulty by the Party involved, contrary to its wishes. Rather, all such difficulties may be handled entirely within the discretion of the Party concerned.

The term “force majeure” means any one or more of: (a) an act of God, (b) a strike, lockout, labour difficulty or other industrial disturbance, (c) an act of a public enemy, war, blockade, insurrection or public riot, (d) lightning, fire, storm, flood or explosion, (e) governmental action, delay, restraint or inaction, (f) judicial order or injunction, (g) material shortage or unavailability of equipment, or (h) any other cause or event, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the Party claiming suspension.

**Section 4.6. Further Assurances.** In connection with this Agreement and all transactions contemplated by this Agreement, each Party hereto agrees to execute and deliver such additional documents and instruments as may be required for a Party to provide the services hereunder and to perform such other additional acts as may be necessary or appropriate to effectuate, carry out, and perform all of the terms and provisions of this Agreement.

**Section 4.7. Notices.** Any notice, request, demand, direction or other communication required or permitted to be given or made under this Agreement to a Party shall be in writing and may be given by hand delivery, postage prepaid first-class mail delivery, delivery by a reputable international courier service guaranteeing next business day delivery or by confirmed facsimile to such Party at its address noted below:

(a) in the case of NOV, to:

National Oilwell Varco, Inc.  
7909 Parkwood Circle Drive  
Houston, Texas 77036  
Attention: General Counsel

(b) in the case of SpinCo, to:

NOW Inc.  
7402 North Eldridge Parkway  
Houston, Texas 77041  
Attention: General Counsel

or at such other address of which notice may have been given by such Party in accordance with the provisions of this Section 4.7.

**Section 4.8. Counterparts.** This Agreement may be executed in several counterparts, no one of which needs to be executed by all of the Parties. Such counterpart shall be deemed to be an original and shall have the same force and effect as an original. All counterparts together shall constitute but one and the same instrument. Signed counterparts delivered via facsimile or via a “pdf” or other legible image file transmitted by electronic mail shall have the same binding effects as originals.

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**Section 4.9. Applicable Law.** The provisions of this Agreement shall be construed in accordance with the laws of the State of Texas, excluding any conflicts of law rule or principle that might refer the construction or interpretation hereof to the laws of another jurisdiction.

**Section 4.10. Dispute Resolution.** Except as provided in Section 2.5 with respect to disputed amounts, the dispute resolution procedures set forth in Article IV of the Separation Agreement shall apply to any dispute, controversy or claim (whether sounding in contract, tort or otherwise) that arises out of or relates to this Agreement, any breach or alleged breach hereof, the transactions contemplated hereby (including all actions taken in furtherance of the transactions contemplated hereby on or prior to the date hereof), or the construction, interpretation, enforceability or validity hereof.

**Section 4.11. Binding Effect; Assignment.** Except for the ability of the Service Provider to cause one or more of the Services to be performed by a third party provider or an Affiliate of the Service Provider, no Party shall have the right to assign or delegate its rights or obligations under this Agreement without the consent of the other Party.

**Section 4.12. Invalidity of Provisions.** In the event that one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or impaired thereby.

**Section 4.13. Compliance with Law.** The Service Recipient Group represents and agrees that it will use the Services provided hereunder only in accordance with all applicable law, and in accordance with the conditions, rules, regulations and specifications which may be set forth in any manuals, materials, documents or instructions made available or communicated by the Service Provider to the Service Recipient or any of its Affiliates on an ongoing basis throughout the term of this Agreement. In performing the Services, the Service Provider Group will comply with all applicable law. The Service Provider reserves the right to take all actions, including termination of any particular Service or Services, that such Service Provider reasonably believes to be necessary to assure compliance with applicable law (including specifically, but without limitation, any applicable antitrust laws and regulations); provided, however, that such Service Provider will endeavor to provide the Service Recipient with as much prior notice as is reasonably practical before taking any such action.

**Section 4.14. Modification; Amendment.** This Agreement may not be amended or modified except by a written instrument signed by both Parties hereto.

**Section 4.15. Waiver.** No waiver by either Party of any term or breach of this Agreement shall be construed as a waiver of any other term or breach hereof or of the same or a similar term or breach on any other occasion.

**Section 4.16. Entire Agreement.** This Agreement constitutes the whole and entire agreement between the Parties hereto and supersedes any prior agreement, undertaking, declarations, commitments or representations, verbal or oral, in respect of the subject matter hereof.

*[Signatures of Parties on Next Page]*

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement with effect as of the date first above written.

NATIONAL OILWELL VARCO, INC.

By: /s/ Dwight W. Rettig

Name: Dwight W. Rettig

Title: Executive Vice President

NOW INC.

By: /s/ Daniel L. Molinaro

Name: Daniel L. Molinaro

Title: Senior Vice President and CFO

SIGNATURE PAGE TO SERVICES AGREEMENT

**TAX MATTERS AGREEMENT**

**By and Between**

**NATIONAL OILWELL VARCO, INC.**

**and**

**NOW INC.**

**Dated as of May 29, 2014**

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## TAX MATTERS AGREEMENT

This TAX MATTERS AGREEMENT (this "Agreement"), dated as of May 29, 2014, by and between National Oilwell Varco, Inc., a Delaware corporation ("NOV"), and NOW Inc., a Delaware corporation whose sole shareholder is NOV ("SpinCo" and, together with NOV, each, a "Party" and collectively, the "Parties").

### RECITALS

WHEREAS, the Board of Directors of NOV has determined that it will be appropriate and desirable to separate the SpinCo Business from NOV;

WHEREAS, as of the date of this Agreement, the NOV affiliated group for U.S. federal income tax purposes includes SpinCo and its subsidiaries;

WHEREAS, the Parties (or their predecessors-in-interest) have entered into the Separation and Distribution Agreement (as defined herein), pursuant to which NOV has contributed to SpinCo the stock and assets associated with the SpinCo Business (as defined herein) in exchange for shares of common stock of SpinCo (the "Contribution");

WHEREAS, NOV intends to distribute on a pro rata basis to its shareholders all of the shares of stock of SpinCo (the "Distribution");

WHEREAS, in order to effect the Contribution and Distribution, the Parties have engaged in various internal transfers of assets and stock including, without limitation, the Internal Spins (as defined below);

WHEREAS, the Parties intend that the Contribution, Distribution and each of the Internal Spins qualify for non-recognition of gain or loss pursuant to one or more of Sections 368(a), 351, 354, 355, 361 or 1032 of the U.S. Internal Revenue Code of 1986, as amended (the "Code");

WHEREAS, as a result of and upon the Distribution, SpinCo and its subsidiaries will cease to be members of the NOV Group (as defined herein); and

WHEREAS, the Parties desire to allocate the Tax responsibilities, liabilities and benefits of transactions that occur on or prior to, and that may occur after, the date on which the Distribution occurs (the "Distribution Date") and to provide for and address certain other Tax matters.

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NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties (each on behalf of itself and each of its Affiliates) hereby agree as follows:

## **ARTICLE I DEFINITIONS**

**Definition of Terms.** For purposes of this Agreement (including the recitals hereof) the following terms shall have the following meanings (such meanings to apply equally to both the singular and the plural forms of the terms defined). All Section and Exhibit references are to this Agreement unless otherwise stated. Capitalized terms used in this Agreement but not defined herein shall have the meanings ascribed to such terms in the Separation and Distribution Agreement.

**“Active Trade or Business”** means the active trade or business of SpinCo and its subsidiaries as conducted immediately prior to the Distribution and that form the basis of the Tax Opinions.

**“Adjustment Request”** means any formal or informal claim or request filed with any Governmental Authority for any Refund, underpayment or overpayment of Tax, or any change in available Tax Attributes.

**“Affiliate”** of any Person means any other Person that, immediately after the Distribution, is directly or indirectly “controlled” by any of (i) the Person in question, (ii) any Person of which the Person in question is an Affiliate under clause (i), or (iii) any Affiliate under clause (i) of a Person described in clause (ii). For purposes of this definition, **“control”** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities or other interests, by contract or otherwise.

**“Agreement”** has the meaning provided in the first sentence of this Agreement.

**“Ancillary Agreement”** has the meaning set forth in the Separation and Distribution Agreement.

**“Code”** has the meaning set forth in the recitals.

**“Contribution”** has the meaning set forth in the recitals.

**“Controlled Corporation”** means, with respect to each Spin-Off, the corporation the stock of which is distributed by the Distributing Corporation for such Spin-Off to the shareholder(s) of such Distributing Corporation. The Controlled Corporation for each Spin-Off is either SpinCo or Foreign SpinCo.

**“Distributing Corporation”** means, with respect to each Spin-Off, the corporation that distributes to its shareholder(s) the stock of the Controlled Corporation for such Spin-Off.

**“Distribution”** has the meaning set forth in the recitals.

**“Distribution Date”** has the meaning set forth in the recitals.

**“External Spin”** means the Contribution and Distribution, taken together.

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“Final Determination” means the final resolution of liability for any Tax for any taxable period by or as a result of (i) a final and unappealable decision, judgment, decree or other order by any court of competent jurisdiction; (ii) a final settlement with the IRS, a closing agreement or accepted offer in compromise under Code Sections 7121 or 7122, or a comparable arrangement under the laws of another jurisdiction; (iii) any allowance of a Refund in respect of an overpayment of Tax, but only after the expiration of all periods during which such amount may be recovered by the Taxing Authority imposing the Tax; or (iv) any other final disposition, including by reason of the expiration of the applicable statute of limitations or by mutual agreement of the applicable Party, on one hand, and the IRS or other applicable Governmental Authority, on the other hand.

“Foreign SpinCo” has the meaning set forth in the Representation Letter.

“Governmental Authority” means any federal, state, local, foreign or international court, government, department, commission, board, bureau or agency, or any other regulatory, self-regulatory, administrative or governmental organization or authority.

“Group” means the NOV Group and/or the SpinCo Group, as the context requires.

“Income Taxes” means all federal, state, local, and foreign income or franchise Taxes or other Taxes based on income or net worth.

“Indemnifying Party” has the meaning set forth in Section 5.01.

“Indemnitee” has the meaning set forth in Section 5.01.

“Internal Spin” means any of (i) the First Domestic Contribution and First Domestic Distribution (as such terms are defined in the Representation Letter), taken together, (ii) the Foreign Contribution and Foreign Distribution (as such terms are defined in the Representation Letter), taken together or (iii) the Second Domestic Contribution and Second Domestic Distribution (as such terms are defined in the Representation Letter), taken together.

“IRS” means the U.S. Internal Revenue Service.

“Joint Return” means any Return that includes both a member of the NOV Group and a member of the SpinCo Group.

“Law” means any applicable foreign, federal, national, state, provincial or local law (including common law), statute, ordinance, rule, regulation, code or other requirement enacted, promulgated, issued or entered into, or act taken, by a Governmental Authority.

“NOV” has the meaning provided in the first sentence of this Agreement.

“NOV Group” means NOV and each of its Affiliates as of the date hereof, and any corporation or other entity that may become part of such Group from time to time. For the avoidance of doubt, the NOV Group excludes any entity that is a member of the SpinCo Group.

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“Other Taxes” means all Taxes other than Income Taxes, including (but not limited to) transfer, sales, use, excise, payroll, property, and unemployment Taxes.

“Party” or “Parties” has the meaning provided in the first sentence of this Agreement.

“Past Practices” has the meaning set forth in Section 3.03(a).

“Person” means any natural person, corporation, general or limited partnership, limited liability company or partnership, joint stock company, joint venture, association, trust, bank, trust company, land trust, business trust or other organization, whether or not a legal entity, or any Governmental Authority, without regard to whether any entity is treated as disregarded for U.S. federal income tax purposes.

“Post-Distribution Tax Period” means any taxable period (or portion thereof) beginning after the Distribution Date.

“Pre-Distribution Tax Period” means any taxable period (or portion thereof) ending on or before the Distribution Date.

“Prime Rate” means the “prime rate” published in the “Money Rates” section of *The Wall Street Journal*. If *The Wall Street Journal* ceases to publish the “prime rate,” then the Parties shall mutually agree to an equivalent publication that publishes such “prime rate,” and if such “prime rate” is no longer generally published or is limited, regulated or administered by a Governmental Authority, then a comparable interest rate index mutually agreed to by the Parties.

“Proposed Acquisition Transaction” has the meaning set forth in Section 4.02(b)(i).

“Refund” means any cash refund of Taxes or reduction of Taxes by means of credit, deduction, offset or otherwise.

“Reportable Transaction” means a reportable or listed transaction as defined in Section 6011 of the Code or the Treasury Regulations promulgated thereunder.

“Representation Letter” means that certain letter provided by NOV and SpinCo in connection with the Tax Opinions regarding “Certificate of Facts and Representations for the National Oilwell Varco Spin-Off Opinion” and dated on or about May 29, 2014.

“Restricted Period” means the period beginning on the date of this Agreement and ending on, and including, the last day of the two-year period following the Distribution Date.

“Ruling” means all private letter rulings granted by the IRS or any other taxing authority relating to the Transactions (whether granted prior to, on or after the date hereof), requests for such rulings, including all supplemental ruling requests and information submissions, and any exhibit to any of the foregoing.

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“Satisfactory Guidance” means either a ruling from the IRS or an Unqualified Tax Opinion, at the election of SpinCo, in either case reasonably satisfactory to NOV in both form and substance, including with respect to any underlying assumptions or representations. For the avoidance of doubt, this definition is intended to allow NOV to prevent SpinCo from taking the action that is the subject of a ruling from the IRS or an Unqualified Tax Opinion, if NOV determines in good faith that there is any Tax risk to it from such action based upon either (1) any uncertainty concerning any underlying assumptions or representations in such ruling or opinion or (2) any legal uncertainty referred to in advice it receives from its counsel.

“Separate Return” means (i) in the case of the SpinCo Group, a Tax Return of any member of that Group (including any consolidated, combined, affiliated or unitary Return) that does not include, for all or any portion of the relevant taxable period, any member of the NOV Group and (ii) in the case of the NOV Group, a Tax Return of any member of that Group (including any consolidated, combined, affiliated or unitary Return) that does not include, for all or any portion of the relevant taxable period, any member of the SpinCo Group.

“Separation and Distribution Agreement” means the Separation and Distribution Agreement, as amended from time to time, by and between NOV and SpinCo dated as of May 29, 2014.

“SpinCo” has the meaning provided in the first sentence of this Agreement.

“SpinCo Business” has the meaning set forth in the Separation and Distribution Agreement.

“SpinCo Capital Stock” means (i) all classes or series of capital stock of SpinCo, including common stock and all other instruments treated as equity in SpinCo for U.S. federal Income Tax purposes and (ii) all options, warrants and other rights to acquire such capital stock.

“SpinCo Group” means SpinCo and each of its Affiliates as of the date hereof, and any corporation or other entity that may become part of such Group from time to time. For the avoidance of doubt, the SpinCo Group excludes any entity that is a member of the NOV Group.

“Spin-Off” means each of the External Spin and the Internal Spins.

“Spin-Off Taxes” means all (i) Taxes of any member of the NOV Group or the SpinCo Group resulting from, or arising in connection with, the failure of any Spin-Off to have Tax-Free Status, (ii) Taxes of the type described in clause (i) of any third party for which any member of the NOV Group or the SpinCo Group is or becomes liable, and (iii) reasonable out of pocket legal, accounting and other advisory and court fees in connection with liability for Taxes described in clauses (i) or (ii).

“Straddle Period” means any taxable period beginning on or before the Distribution Date and ending after the Distribution Date.

“Tax Advisor” means a U.S. Tax counsel or other Tax advisor of recognized national standing reasonably acceptable to both Parties.

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“Tax Attribute” means a net operating loss, net capital loss, investment credit, foreign Tax credit, excess charitable contribution, general business credit or any other item of loss, deduction or credit that could reduce a Tax liability.

“Tax Contest” means an audit, review, examination or any other administrative or judicial proceeding with the purpose or effect of determining or redetermining Taxes (including any administrative or judicial review of any Adjustment Request).

“Tax Dispute” means any dispute arising in connection with this Agreement.

“Tax-Free Status” means the qualification of each Spin-Off (A) as a transaction qualifying for non-recognition of gain pursuant to Code Sections 355(a) and 368(a)(1)(D), (B) as a transaction in which the stock of the Controlled Corporation for such Spin-Off is “qualified property” for purposes of Code Sections 355(c) and 361(c), (C) in which the Distributing Corporation for such Spin-Off and the shareholders of such Distributing Corporation recognize no income or gain for U.S. federal Income Tax purposes pursuant to Code Sections 354, 355, 361 and 1032 and (D) for tax-free treatment under comparable provisions of state and local law. For the avoidance of doubt, recognition of income or gain that relates to intercompany items shall not cause a Spin-Off to fail to achieve Tax-Free Status.

“Tax Item” means any item of income, gain, loss, deduction, credit, recapture of credit, or any other item (including the basis or adjusted basis of property) which increases or decreases Income Taxes paid or payable in any taxable period.

“Tax Opinions” means the Tax opinions rendered by Locke Lord LLP and NOV’s tax advisors relating to the Transactions.

“Tax Return” or “Return” means, with regard to Taxes, any return, filing, report, questionnaire, information statement, claim for Refund, or other document required or permitted to be filed, including any amendments that may be filed, for any taxable period with any Taxing Authority.

“Taxes” means any income, gross income, gross receipts, profits, capital stock, franchise, withholding, payroll, social security, workers compensation, unemployment, disability, property, ad valorem, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, value added, alternative minimum, estimated or other tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax but excluding, for the avoidance of doubt, any assessment under applicable escheat, abandoned property or unclaimed property laws) imposed by any Governmental Authority or political subdivision thereof, and any interest, penalties, additions to tax, or additional amounts in respect of the foregoing.

“Taxing Authority” means any Governmental Authority imposing Taxes.

“Transactions” means the Spin-Offs, the transactions contemplated by the Separation and Distribution Agreement, and any other transfer of assets (whether by contribution, sale or otherwise) between any member of the NOV Group and any member of the SpinCo Group in connection with the Contribution or the Distribution.

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“Unqualified Tax Opinion” means an unqualified “will” opinion of a Tax Advisor that permits reliance by NOV. The Tax Advisor, in issuing its opinion, shall be permitted to rely on the validity and correctness, as of the date given, of any previously issued Tax Opinions or Rulings (if any), unless such reliance would be unreasonable under the circumstances.

## **ARTICLE II PAYMENT OF TAXES**

### Section 2.01 Income Taxes.

(a) Except as otherwise provided hereinafter in this Section 2.01 and in Sections 2.02 and 2.04, NOV shall be responsible for, and shall indemnify and hold harmless the SpinCo Group from and against any liability for, all Income Taxes (i) of SpinCo and its Affiliates for any Pre-Distribution Tax Period; (ii) of SpinCo and its Affiliates for any Straddle Period, but only to the extent allocated to NOV pursuant to Section 2.05; or (iii) imposed under Treasury Regulation Section 1.1502-6 or under any comparable or similar provision of state, local or foreign laws or regulations on SpinCo or an Affiliate solely as a result of such company being a member of a consolidated, combined, or unitary group with NOV or any NOV Affiliate during any Tax period.

(b) SpinCo shall be responsible for, and shall indemnify and hold harmless the NOV Group from and against any liability for, all Income Taxes (i) of SpinCo and its Affiliates which are not the responsibility of NOV pursuant to Section 2.01(a) (including, without limitation, Income Taxes for Post-Distribution Tax Periods of SpinCo and its Affiliates); and (ii) of NOV and its Affiliates attributable to acts or omissions of SpinCo or its Affiliates taken after the Distribution (other than acts or omissions that are (A) in the ordinary course of business, (B) otherwise contemplated by the Separation and Distribution Agreement or any Ancillary Agreement or (C) specifically addressed in Section 2.02 below, which shall govern liability for Spin-Off Taxes).

### Section 2.02 Spin-Off Taxes.

(a) SpinCo shall be liable, and shall indemnify and hold harmless the NOV Group from and against any liability, for any Spin-Off Taxes that are attributable to (i) any inaccurate statement or representation of fact or intent (or omission to state a material fact) in a letter or certificate that is provided by any member of the SpinCo Group prior to, on or after the date hereof, and that forms the basis for the Tax Opinions or Rulings (if any); (ii) any act or omission by the SpinCo Group after the date of this Agreement inconsistent with the covenants set forth in this Agreement, any other Ancillary Agreement or the Separation and Distribution Agreement; or (iii) any other act or omission by the SpinCo Group after the date of this Agreement, including any act or omission that would have resulted in SpinCo being in breach of Section 4.01(b) but for the receipt by SpinCo of a Ruling from the IRS, an Unqualified Tax Opinion or consent of NOV.

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(b) NOV shall be liable, and shall indemnify and hold harmless the SpinCo Group from and against any liability, for any Spin-Off Taxes attributable to (i) any inaccurate statement or representation of fact or intent (or omission to state a material fact) in a letter or certificate that is provided by any member of the NOV Group prior to, on or after the date hereof and that forms the basis for the Tax Opinions or Rulings (if any); (ii) any act or omission by the NOV Group after the date of this Agreement inconsistent with the covenants set forth in this Agreement, the Separation and Distribution Agreement or any Ancillary Agreement; or (iii) any other act or omission by the NOV Group after the date of this Agreement.

(c) To the extent that liability for any Spin-Off Taxes is subject to indemnity under both paragraphs (a) and (b) above, such liability shall be shared by NOV and SpinCo according to relative fault. If neither Party is at fault, they shall share the liability equally.

Section 2.03 Other Taxes.

(a) Subject to Section 2.03(c), below, NOV shall be responsible for all Other Taxes attributable to NOV and its Affiliates (other than SpinCo and its Affiliates) and to its business activities other than the SpinCo Business, or resulting from the Transactions, for all Pre-Distribution Tax Periods, Straddle Periods, and Post-Distribution Tax Periods.

(b) Subject to Section 2.03(c), below, SpinCo shall be responsible for all Other Taxes attributable to SpinCo and its Affiliates or to the SpinCo Business for all Pre-Distribution Tax Periods, Straddle Periods, and Post-Distribution Tax Periods.

(c) In each case the responsibilities of 2.03(a) and 2.03(b) shall be consistent with the principles described below:

(i) Transfer Taxes.

(A) The NOV Group shall be liable, and shall indemnify the SpinCo Group, for any stamp, sales, use, gross receipts, value-added, real estate transfer or other transfer Taxes imposed in connection with the Transactions.

(B) If business operations or assets of a NOV Group entity are transferred to a SpinCo Group entity as part of the Transactions, the transferee shall assume any and all liabilities for stamp, sales, use, gross receipts, value-added, real estate transfer and other transfer Taxes associated with such transferred operations (but not such liabilities specifically relating to the Transactions) and will have sole responsibility for satisfying such liabilities.

(C) With respect to Refund claims pending on the Distribution Date involving any sales, use, gross receipts or other similar Taxes, (x) in the case of a Refund received by NOV and payable to SpinCo pursuant to the terms hereof, the amount of such payment shall be net of all contingent fee expenses and Taxes paid by NOV and related to such Refund, or (y) in the event that SpinCo receives a Refund due any member of the SpinCo Group directly from the relevant Taxing Authority, it shall reimburse NOV for all contingent fee expenses and Taxes paid by NOV with respect to such Refund. For the avoidance of doubt, SpinCo shall not be liable for any contingent fee expenses or Taxes related to Refunds received prior to the Distribution Date.



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(ii) Property Taxes. If, in connection with the Transactions, property is transferred between legal entities, the transferee shall assume any and all liabilities for real and personal property Taxes associated with such transferred property and will have sole responsibility for satisfying such liabilities.

(iii) Payroll Taxes. If, in connection with the Transactions, an employee moves from one employer to another, the “new” employer shall assume any and all employment related Taxes attributable to such transferred employee and will have sole responsibility for satisfying such liabilities.

Section 2.04 Certain Income Taxes. Notwithstanding anything to the contrary in this Article II, NOV shall be liable, and shall indemnify and hold harmless the SpinCo Group, for all Taxes arising as a result of the Transactions from (i) excess loss accounts taken into account under Code Section 1502, (ii) Code Section 357(c) or (iii) Code Section 361(b), in each case, including under similar state and local law provisions. Any Taxes attributable to deferred intercompany gains that are triggered as a result of the Transactions shall be the responsibility of NOV and shall not be included in determining the SpinCo Group’s Income Tax liability. To the extent there are adjustments to the amount of any deferred intercompany gain triggered as a result of the Distribution, NOV shall be responsible for paying the additional Tax associated with any increase in the amount of gain and shall also be entitled to any Refund attributable to any reduction of gain.

Section 2.05 Allocation of Certain Income Taxes and Income Tax Items.

(a) If NOV, SpinCo or any of their respective Affiliates is permitted but not required under applicable U.S. federal, state, local or foreign Tax laws to treat the Distribution Date as the last day of a taxable period, then the Parties shall treat such day as the last day of a taxable period under such applicable Tax law, and shall file any elections necessary or appropriate to such treatment; provided that this Section 2.05(a) shall not be construed to require NOV to change its taxable year.

(b) Transactions occurring, or actions taken, on the Distribution Date but after the Distribution outside the ordinary course of business by, or with respect to, SpinCo or any of its Affiliates shall be deemed subject to the “next day rule” of Treasury Regulation Section 1.1502-76(b)(1)(ii)(B) (and under any comparable or similar provision under state, local or foreign laws or regulations, provided that if there is no comparable or similar provision under state, local or foreign laws or regulations, then the transaction will be deemed subject to the “next day rule” of Treasury Regulation Section 1.1502-76(b)(1)(ii)(B)) and as such shall for purposes of this Agreement be treated (and consistently reported by the Parties) as occurring in a Post-Distribution Tax Period of SpinCo or a SpinCo Affiliate, as appropriate.

(c) Any Taxes for a Straddle Period with respect to SpinCo and/or its Affiliates (or entities in which SpinCo and/or one of its Affiliates has an ownership interest) shall, for purposes of this Agreement, be apportioned between NOV and SpinCo based on the

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portion of the period ending on and including the Distribution Date and the portion of the period beginning after the Distribution Date, and each such portion of such period shall be deemed to be a taxable period (whether or not it is in fact a taxable period). Any allocation of income or deductions required to determine any Income Taxes for a Straddle Period shall be made by means of a closing of the books and records of SpinCo and its Affiliates as of the close of business on the Distribution Date; provided that: (i) NOV may elect to allocate Tax Items (other than any extraordinary Tax Items) ratably in the month in which the Distribution occurs (and if NOV so elects, SpinCo shall so elect) as described in Treasury Regulation Section 1.1502-76(b)(2)(iii) and corresponding provisions of state, local, and foreign Tax laws; and (ii) subject to (i), exemptions, allowances or deductions that are calculated on an annual basis, and not on a closing of the books method, (including, but not limited to, depreciation and amortization deductions) shall be allocated between the period ending on and including the Distribution Date and the period beginning after the Distribution Date based on the number of days for the portion of the Straddle Period ending on and including the Distribution Date, on the one hand, and the number of days for the portion of the Straddle Period beginning after the Distribution Date, on the other hand.

(d) Tax Attributes determined on a consolidated or combined basis for taxable periods ending before or including the Distribution Date shall be allocated to NOV and its Affiliates, and SpinCo and its Affiliates, in accordance with the Code and the Treasury Regulations (and any applicable state, local, or foreign law or regulation). Within an administratively reasonable period following the Distribution Date, NOV shall reasonably determine (i) the amounts and proper allocation of such attributes as of the Distribution Date, and (ii) the Tax basis of the assets and liabilities transferred to SpinCo in connection with the Transactions as of the Distribution Date; provided that SpinCo shall be entitled to participate in such determination. NOV and SpinCo agree to compute their Tax liabilities for taxable periods after the Distribution Date consistent with that determination and allocation, and treat the Tax Attributes and Tax Items as reflected on any federal (or applicable state, local or foreign) Income Tax Return filed by the Parties as presumptively correct.

Section 2.06 Refunds. Except as provided in Section 2.07:

(a) NOV shall be entitled to all Refunds with respect to any Tax for which NOV is responsible under Sections 2.01, 2.02, 2.03, or 2.04. SpinCo shall be entitled to all Refunds with respect to any Tax for which SpinCo is responsible under Sections 2.01, 2.02, 2.03, or 2.04.

(b) SpinCo and NOV shall each forward to the other Party, or reimburse such other Party for, any Refunds received by the first Party and due to such other Party pursuant to this Section (net of all contingent fees and Taxes payable by the first Party and related to such Refund). Where a Refund is received in the form of a deduction from, or credit or other offset against other or future Tax liabilities, reimbursement with respect to such Refund shall be due in each case on the due date for payment of the Tax from or against which such Refund has been deducted, credited or otherwise offset.

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(c) If one Party reasonably so requests, the other Party (at the first Party's expense) shall file for and pursue any Refund to which the first Party is entitled under this Section; provided that the other Party need not pursue any Refund on behalf of the first Party unless the first Party provides the other Party a certification by an appropriate officer of the first Party setting forth the first Party's belief (together with supporting analysis) that the Tax treatment of the Tax Items on which the entitlement to such Refund is based is more likely than not correct, and is not a Tax Item arising from a Reportable Transaction.

(d) If the other Party pays any amount to the first Party under this Section 2.06 and, as a result of a subsequent Final Determination, the first Party is not entitled to some or all of such amount, the other Party shall notify the first Party of the amount to be repaid to the other Party, and the first Party shall then repay such amount to the other Party, together with any interest, fines, additions to Tax, penalties or any additional amounts imposed by a Taxing Authority relating thereto.

Section 2.07 Carrybacks.

(a) Notwithstanding anything to the contrary in this Agreement, SpinCo shall file (or cause to be filed) on a timely basis any available election to waive the carryback of net operating losses, Tax credits or other Tax Items by SpinCo or any Affiliate from a Post-Distribution Tax Period to a Straddle Period or Pre-Distribution Tax Period. Such elections shall include, but not be limited to, the election described in Treasury Regulation Section 1.1502-21(b)(3)(ii)(B), and any analogous election under state, local, or foreign Income Tax laws, to waive the carryback of net operating losses for U.S. federal Income Tax purposes.

(b) If, notwithstanding the provisions of Section 2.07(a), SpinCo is required to carryback losses or credits, SpinCo shall be entitled to any Refund of any Tax obtained by NOV or an NOV Affiliate as a result of the carryback of losses or credits of SpinCo or its Affiliate from any Post-Distribution Tax Period to any Pre-Distribution Tax Period. Such Refund is limited to the net amount received by NOV or an NOV Affiliate, net of any Tax cost incurred by NOV or such Affiliate resulting from such Refund. Upon request by SpinCo, NOV shall advise SpinCo of an estimate of any Tax cost NOV projects will be associated with any carryback of losses or credits of SpinCo or its Affiliates as provided in this Section 2.07(b).

(c) If SpinCo has a Tax Item that must be carried back to any Pre-Distribution Tax Period, SpinCo shall notify NOV in writing that such Tax Item must be carried back. Such notification shall include a description in reasonable detail of the grounds for the Refund and the amount thereof, and a certification by an appropriate officer of SpinCo setting forth SpinCo's belief (together with supporting analysis) that the Tax treatment of such Tax Item is more likely than not correct, and is not a Tax Item arising from a Reportable Transaction.

(d) If NOV pays any amount to SpinCo under Section 2.07(b) and, as a result of a subsequent Final Determination, SpinCo is not entitled to some or all of such amount, NOV shall notify SpinCo of the amount to be repaid to NOV, and SpinCo shall then repay such amount to NOV, together with any interest, fines, additions to Tax, penalties or any additional amounts imposed by a Taxing Authority relating thereto.

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**ARTICLE III**  
**PREPARATION AND FILING OF TAX RETURNS**

Section 3.01 NOV Responsibility.

(a) Subject to paragraph (b), NOV shall make all determinations with respect to, have ultimate control over the preparation of and file all (i) Joint Returns and NOV Separate Returns, in each case as it determines to be mandatory or advisable for all taxable periods, (ii) SpinCo Separate Returns that are Income Tax Returns for all Pre-Distribution Tax Periods and (iii) subject to SpinCo giving its written consent (which can be withheld for any reason), at NOV's election, SpinCo Separate Returns that are Income Tax Returns for all Straddle Periods provided that NOV provides written notice to SpinCo 45 days after the end of such Straddle Period that NOV is exercising its right to prepare such Tax Return.

(b) If, in connection with the preparation of any Return, NOV materially modifies any information relating to, or provided in, the pro forma federal and state Income Tax Returns or other information related to members of the SpinCo Group prepared by SpinCo and provided to NOV pursuant to Section 3.02 below, the portions of the Returns that include such information shall be submitted to SpinCo no later than 30 days prior to the due date (including extensions) for filing of such federal Returns and 20 days prior to the due date (including extensions) for filing of such state Returns (or if such due date is within 30 days following the Distribution Date, as promptly as practicable following the Distribution Date). Within 10 days after delivery of any such revised portions of any Return, SpinCo shall provide comments to NOV in writing to the extent SpinCo objects to any revisions that could reasonably be expected to adversely impact any member of the SpinCo Group. Such SpinCo comments shall be incorporated into the Return upon the consent of NOV, not to be unreasonably withheld. If SpinCo does not so notify NOV of any objection, SpinCo shall be considered to have consented to the filing of such Return. The dates for submissions to SpinCo required in this section may be modified by mutual agreement of NOV and SpinCo.

Section 3.02 SpinCo Responsibility.

(a) SpinCo shall make all determinations with respect to, have ultimate control over the preparation of and file all Tax Returns (other than those described in Section 3.01) for the SpinCo Group as it determines to be mandatory or advisable and for all taxable periods. SpinCo shall prepare and provide to NOV all pro forma federal and state Income Tax Returns and other information related to members of the SpinCo Group required to complete any Tax Return which is the responsibility of NOV pursuant to Section 3.01, in the format reasonably requested by NOV, no later than the later of (i) 100 days prior to the due date (including extensions) of the relevant Tax Return or (ii) 30 days following the date on which the Tax basis and/or other applicable Tax attributes required to complete the relevant Tax Return is made available to SpinCo pursuant to Section 2.05(d). The dates for submissions to NOV required in this section may be modified by mutual agreement of NOV and SpinCo.

(b) In the case of any Tax Return that is the responsibility of NOV pursuant to Section 3.01(a) and that relates to an Income Tax that is the obligation of SpinCo, SpinCo shall pay to NOV the amount of the provision for such Income Tax no later than the later of (i) 10 days prior to the due date (including extensions) for the filing of such Tax Return or (ii) 2 days after NOV notifies SpinCo of the amount SpinCo owes.

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Section 3.03 Tax Accounting Practices.

(a) Except as provided in Section 3.03(b), any Tax Return for any Pre-Distribution Tax Period or Straddle Period, to the extent it relates to members of the SpinCo Group, shall be prepared in accordance with practices, accounting methods, elections, conventions and Tax positions used with respect to the Tax Return in question for periods prior to the Distribution (“Past Practices”), and, in the case of any item the treatment of which is not addressed by Past Practices, in accordance with generally acceptable Tax accounting practices. Notwithstanding the foregoing, for any Tax Return described in the preceding sentence, (i) a Party will not be required to follow Past Practices if such Party receives either the written consent of the other Party (not to be unreasonably withheld) or a “should” level opinion from a Tax Advisor that the proposed method of reporting is correct and (ii) NOV shall have the right to determine which entities will be included in any consolidated, combined, affiliated or unitary Return that it is responsible for filing.

(b) The Parties shall report the Transactions for all Tax purposes in a manner consistent with the Tax Opinions or Rulings (if any), unless, and only to the extent, an alternative position is required pursuant to a Final Determination. NOV shall determine the Tax treatment to be reported on any Tax Return of any Tax issue relating to the Transactions that is not covered by the Tax Opinions or Rulings (if any).

Section 3.04 Right to Review Tax Returns. Upon request, each Party shall make available to the other Party the portion of Pre-Distribution Tax Period Tax Returns that relates to the SpinCo Group that the first Party is responsible for preparing under this Article III.

**ARTICLE IV**  
**TAX-FREE STATUS OF DISTRIBUTION**

Section 4.01 Covenants.

(a) Each of SpinCo and NOV will not take or fail to take, or permit its Affiliates to take or fail to take, any action (which includes the undertaking of any transaction) where that action or omission would (i) violate, be inconsistent with or cause to be untrue any covenant, representation or statement in any Tax Opinions or Rulings (if any) or a letter or certificate that forms the basis therefor, or (ii) prevent, or be reasonably likely to prevent, or be inconsistent with, the Tax-Free Status.

(b) During the Restricted Period, except as provided in Section 4.01(c), SpinCo shall not, and shall not permit its Affiliates to, in a single transaction or in a series of transactions:

(i) permit any transaction or series of transactions (or any agreement, understanding or arrangement to enter into a transaction or series of transactions) as determined for purposes of Code Section 355(e), in connection with which (A) any member of the SpinCo

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Group would merge or consolidate with any Person, or (B) any Person would (directly or indirectly) acquire, or have the right to acquire, from SpinCo and/or any other Person or Persons, any interest in SpinCo Capital Stock that would, when combined with any other changes in ownership of SpinCo Capital Stock pertinent for purposes of Code Section 355(e), represent 30% or more of the value or total combined voting power of all outstanding shares of SpinCo Capital Stock as of the date of such transaction, or in the case of a series of transactions, the date of the last transaction of such series (a “ Proposed Acquisition Transaction”). For these purposes, any recapitalization, repurchase or redemption of SpinCo Capital Stock shall be treated as an indirect acquisition of such stock by a shareholder to the extent such shareholder’s percentage interest in the issuer increases by vote or value. Notwithstanding the foregoing, a Proposed Acquisition Transaction shall not include (w) the adoption by SpinCo of a shareholder rights plan that meets the requirements of IRS Revenue Ruling 90-11, (x) issuances of SpinCo Capital Stock pursuant to an employee stock purchase agreement or equity compensation plan that the board of directors of NOV has approved prior to the Distribution Date or that NOV has notified SpinCo in writing is acceptable to NOV in its sole discretion (for the avoidance of doubt, (i) any modification or amendment to such agreement or plan is also subject to the prior written consent of NOV and (ii) NOV’s approval is required for the underlying purchase agreement or plan but not for each issuance of stock, options or other awards pursuant thereto), (y) transfers on an established market of SpinCo Capital Stock described in Safe Harbor VII of Treasury Regulation Section 1.355-7(d), or (z) issuances of SpinCo Capital Stock described in Safe Harbor IX (relating to acquisitions by a retirement plan of an employer) of Treasury Regulation Section 1.355-7(d);

(ii) liquidate or partially liquidate, including by way of merger or consolidation, Foreign SpinCo or any other member of the SpinCo Group other than SpinCo;

(iii) liquidate or partially liquidate SpinCo (including, but not limited to, within the meaning of such terms in Code Section 346 and Code Section 302, respectively);

(iv) cause or permit the SpinCo Group to cease to engage in the Active Trade or Business;

(v) cause or permit Foreign SpinCo (together with any direct or indirect subsidiary of Foreign SpinCo that is disregarded as separate from Foreign SpinCo for U.S. federal income tax purposes) to cease to engage in the Active Trade or Business;

(vi) sell or transfer assets (including, without limitation, any stock of Foreign SpinCo or any other member of the SpinCo Group), other than in the ordinary course of business; or

(vii) amend its certificate of incorporation (or other organizational documents), or take any other action, affecting the relative voting rights of the separate classes of SpinCo Capital Stock; provided, however, that this clause (vi) shall not be deemed to be violated upon SpinCo’s adoption of a shareholder rights plan that meets the requirements of IRS Revenue Ruling 90-11.

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(c) Notwithstanding Section 4.01(b):

(i) clauses (i) through (vii) of Section 4.01(b) shall not apply upon the prior written consent of NOV, which consent may not be withheld if NOV provides NOV with Satisfactory Guidance concluding that the proposed actions will not result in Spin-Off Taxes;

(ii) for purposes of clause (i), if SpinCo provides NOV an Unqualified Tax Opinion that is intended to be Satisfactory Guidance concerning a Proposed Acquisition Transaction, then such Opinion may be based on the assumption that NOV did not have any agreement, understanding, arrangement or substantial negotiations, within the meaning of Treasury Regulations Section 1.355-7(h), with the counterparty to the Proposed Acquisition Transaction within the two year period preceding the Distribution Date and such assumption shall not prevent such Unqualified Tax Opinion from being considered Satisfactory Guidance by the Parties, provided that (x) such assumption must be based on a certificate of such counterparty that such assumption is true to the best of its knowledge and belief, and (y) NOV may deem such Opinion not to be Satisfactory Guidance if, in its reasonable judgment, there is a risk that such assumption is not correct;

(iii) In the event that SpinCo intends to consummate any Proposed Acquisition Transaction after the end of the Restricted Period but before the end of 30 months after the Distribution Date, then either (x) SpinCo shall be permitted to consummate such Proposed Acquisition Transaction, provided that SpinCo shall provide NOV with an unconditional certification that it did not have any agreement, understanding, arrangement or substantial negotiations, within the meaning of Treasury Regulations Section 1.355-7(h), with the counterparty to such transaction within 12 months after the Distribution Date, and NOV, after reasonable due investigation, is satisfied with the correctness of such certification, or (y) such Proposed Acquisition Transaction shall be subject to the provisions under Sections 4.01(b) and (c) as if such Proposed Acquisition Transaction occurred within the Restricted Period; and

(iv) clauses (ii), (vi) and (vii) of Section 4.01(b) shall not apply with respect to any transactions specifically identified as transactions that are not subject to such clauses in that certain side letter between NOV and SpinCo relating to this Agreement and dated on or about the date of this Agreement.

(d) Notwithstanding anything to the contrary in this Agreement, for purposes of paragraph (c), no Ruling shall be obtained from the IRS if NOV determines that there is a reasonable possibility that such an action could have a significant adverse impact on any member of the NOV Group.

(e) Until January 1st of the calendar year immediately following the calendar year in which the Distribution occurs, SpinCo shall neither cause nor permit any foreign subsidiary of SpinCo to enter into any transaction or take any action that would be considered under the Code to constitute the declaration or payment of a dividend (including pursuant to Section 304 of the Code) without obtaining the prior written consent of NOV (such prior written consent not to be unreasonably withheld).

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Section 4.02 Procedures Regarding Opinions and Rulings.

(a) Subject to Section 4.01(d), if SpinCo may take certain actions conditioned upon the receipt of Satisfactory Guidance, NOV, at the request of SpinCo, shall use commercially reasonable efforts to expeditiously obtain, or assist SpinCo in obtaining, such Satisfactory Guidance. NOV shall not be required to take any action pursuant to this Section 4.02(a) if SpinCo fails to certify, upon request, that all information and representations relating to any member of the SpinCo Group in the relevant documents are true, correct and complete. SpinCo shall reimburse NOV for all reasonable out-of-pocket costs and expenses incurred by the NOV Group in obtaining Satisfactory Guidance.

(b) NOV shall have the right to obtain a Ruling from the IRS (or any other Taxing Authority) or an Unqualified Tax Opinion at any time in its sole discretion. NOV shall reimburse SpinCo for all reasonable out-of-pocket costs and expenses incurred by the SpinCo Group in obtaining such a Ruling or Unqualified Tax Opinion.

(c) NOV shall have exclusive control over the process of obtaining any Ruling relating to the Transactions and neither SpinCo nor any of its Affiliates shall independently seek any guidance concerning the Transactions from any Taxing Authority at any time. In connection with any Ruling relating to the Transactions that can reasonably be expected to affect SpinCo liabilities under this Agreement, NOV shall (i) keep SpinCo informed of all material actions taken or proposed to be taken by NOV, (ii) reasonably in advance of the submission of any Ruling request provide SpinCo with a draft thereof, consider SpinCo's comments on such draft, and provide SpinCo with a final copy, and (iii) provide SpinCo with notice reasonably in advance of, and permit SpinCo to attend, any formally scheduled meetings with the IRS (subject to the approval of the IRS) that relate to such Ruling.

**ARTICLE V**  
**TAX CONTESTS; INDEMNIFICATION; COOPERATION**

Section 5.01 Notice.

(a) Within 15 days after a Party (the "Indemnitee") becomes aware of the existence of a Tax Contest that may give rise to an indemnification claim under this Agreement by it against the other Party (the "Indemnifying Party"), the Indemnitee shall notify the Indemnifying Party of the Tax Contest, and thereafter shall promptly forward or make available to the Indemnifying Party copies of notices and communications with a Taxing Authority relating to such Tax Contest.

(b) The Indemnifying Party shall not be responsible for any increase in amounts to which the Indemnitee is otherwise entitled to the extent that such increase results solely from the failure of the Indemnitee to provide timely notice as required pursuant to Section 5.01(a).



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Section 5.02 Control of Tax Contests.

(a) Except as otherwise provided in paragraphs (b) and (c) below:

(i) NOV shall control, and have sole discretion in handling, settling or contesting, any Tax Contest relating to any Joint Returns, as well as any Separate Returns or other Return if any such Return is related to Taxes for which NOV is responsible pursuant to Article II, or the Tax treatment of the Transactions, provided that (x) NOV shall act in good faith in connection with its control of any such Tax Contests and (y) SpinCo shall have the right to participate in and advise on (including, without limitation, the opportunity to review and comment upon NOV's communications with the Taxing Authority, which comments shall be incorporated upon the consent of NOV, not to be unreasonably withheld) such items for which SpinCo could be liable under Article II as a result of such Tax Contest; and

(ii) If SpinCo disagrees with NOV's decision to settle a Tax Contest that may reasonably be expected materially to affect amounts for which SpinCo is liable under Article II, SpinCo shall have the right to contest its liability to NOV under Article II notwithstanding the settlement. SpinCo shall provide written notice to NOV of its intention to contest its liability as a result of any settlement (and its irrevocable election described below) prior to the time such settlement is entered into. Any such contest by SpinCo shall be made under the procedures set forth in Article VI. Under those procedures, SpinCo may irrevocably elect, in its sole discretion, to require the Tax Advisor or the arbitrator to determine either (x) the amount of a settlement with the relevant Taxing Authority that would most accurately reflect the litigation risk of the relevant issue, or (y) the most likely outcome of the issue if it were litigated without a settlement. In either such case, SpinCo shall be liable to NOV, or NOV shall be liable to SpinCo, based solely on the determination of the Tax Advisor or the arbitrator as if a settlement or litigation implementing such determination had actually occurred, without regard to the actual settlement. For the avoidance of doubt, this clause (ii) shall not limit NOV's ability to settle a Tax Contest.

(b) SpinCo shall control and have sole discretion in handling, settling or contesting, any Tax Contest for a Pre-Distribution Tax Period to the extent such Tax Contest relates solely to Taxes that are the responsibility of SpinCo pursuant to Article II; provided that NOV shall have the right to participate in and advise on all aspects of such Tax Contests and may coordinate discussions with the relevant Taxing Authority with respect thereto.

(c) NOV and SpinCo shall jointly control Tax Contests relating to Tax liability arising from the failure of the Spin-Offs to qualify for tax-free treatment under Code Sections 355 or 361, if, and only if, there is a reasonable likelihood that SpinCo would be liable to NOV under Article II as a result of such Tax Contest. Neither Party shall have the right to settle any such Tax Contest without the consent of the other Party; provided that NOV may settle any such Tax Contest without the consent of SpinCo if NOV waives any claim for indemnification with respect thereto.

(d) Except as otherwise provided in paragraph (a), (b) or (c) above, SpinCo shall have sole control over any Tax Contest that relates to SpinCo Separate Returns for any Post-Distribution Tax Period.

(e) Any out-of-pocket costs incurred in handling, settling or contesting a Tax Contest shall be borne ratably by the Parties based on their ultimate liability under this Agreement for the Taxes to which the Tax Contest relates; provided, however, that if SpinCo

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contests a settlement made by NOV as provided in clause (ii) of paragraph (a) above, SpinCo shall bear the costs relating to SpinCo's contest of such settlement unless SpinCo substantially prevails in such contest.

Section 5.03 Indemnification Payments.

(a) An Indemnitee shall be entitled to make a claim for payment pursuant to this Agreement when the Indemnitee determines that it is entitled to such payment and the amount of such payment (including, for the avoidance of doubt, the finalization of a Return before filing). The Indemnitee shall provide to the Indemnifying Party notice of such claim within 10 days of the date on which it first so becomes entitled to claim such payment, including a description of such claim and a detailed calculation of the amount of the indemnification payment that is claimed, provided, however, that no delay on the part of the Indemnitee in notifying the Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnitor is actually and materially prejudiced thereby. Except as provided in paragraph (b) below, the Indemnifying Party shall make the claimed payment to the Indemnitee within 10 days after receiving such notice, unless the Indemnifying Party reasonably disputes its liability for, or the amount of, such payment.

(b) If the Indemnitee will be obligated to make the payment described in paragraph (a) above to a Taxing Authority or other third Party (including expenses reimbursable under this Agreement), the Indemnifying Party shall not be obligated to pay the Indemnitee more than 5 days before the Indemnitee incurs such expense or makes such payment. If the Indemnitee's claim for payment arises from a payment that the Indemnifying Party will receive from a third Party, such as a Refund, the Indemnifying Party shall not be obligated to pay the Indemnitee until 5 days after the Indemnifying Party receives such payment.

(c) In the case of a claim under Article II where no payment will be made to or received from a Taxing Authority, paragraph (b) above shall be applied to the payments that would be made to or from a Taxing Authority if the SpinCo Group was treated as a standalone group for all taxable periods.

Section 5.04 Interest on Late Payments. Interest shall accrue with respect to any indemnification payment (including any disputed payment that is ultimately required to be made), not made within the period for payment, at Prime Rate plus 2% per annum compounded quarterly.

Section 5.05 Treatment of Payments.

(a) The amount of all indemnification obligations under this Agreement shall be decreased to take into account the Tax benefits to the Indemnitee of the deductibility of any indemnified item (whether or not any Tax benefit is actually received for a deductible item and assuming the highest applicable taxable rate) and shall be increased where necessary so that, after all the required deductions (whether or not any Tax benefit is actually received for a deductible item and assuming the highest applicable taxable rate) have been made and Taxes imposed, the Indemnitee receives the amount it would have been entitled to receive under this Agreement in the absence of such deductions and Taxes.

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(b) Any payments made to one Party by another Party pursuant to (i) this Agreement or (ii) the Separation and Distribution Agreement (if payment made pursuant to the Separation and Distribution Agreement relates to taxable periods (or portions thereof) ending on or before the Distribution) shall be treated by the Parties for all Tax purposes as a distribution by, or capital contribution to, SpinCo, as the case may be, made immediately prior to the Distribution, except to the extent otherwise required by a Final Determination.

Section 5.06 Expenses. Each Party and its Affiliates shall bear their own expenses incurred in connection with preparation of Tax Returns and preparation for and defense of Tax Contests.

Section 5.07 Cooperation. Each member of the NOV Group and the SpinCo Group shall cooperate fully with all reasonable requests from the other Party in connection with the preparation and filing of Tax Returns and Adjustment Requests, Tax Contests and other matters covered by this Agreement.

(a) Such cooperation shall include:

(i) the retention until the expiration of the applicable statute of limitations, and the provision upon request, of Tax Returns, books, records (including information regarding ownership and Tax basis of property), documentation and other information relating to the Tax Returns, including accompanying schedules, related workpapers, and documents relating to Rulings (if any) or other determinations by Taxing Authorities;

(ii) the execution of any document that may be necessary or reasonably helpful in connection with any Tax Contest, the filing of a Tax Return or Adjustment Request by a member of the NOV Group or the SpinCo Group, obtaining a Tax opinion or private letter ruling (except as otherwise provided in Section 4.02(c)), or other matters covered by this Agreement, including certification (provided in such form as may be required by applicable law or reasonably requested and made to the best of a Party's knowledge) of the accuracy and completeness of the information it has supplied;

(iii) the use of the Parties' reasonable best efforts to obtain any documentation that may be necessary or reasonably helpful in connection with any of the foregoing;

(iv) the use of the Parties' reasonable best efforts to make the applicable Party's current or former directors, officers, employees, agents and facilities available on a reasonable and mutually convenient basis in connection with the foregoing matters; and

(v) making determinations with respect to actions described in Section 4.01(c) as promptly as practicable including, without limitation, making determinations within 10 days with respect to modifications and amendments of employee stock purchase agreements or equity compensation plans under Section 4.01(b)(i)(x).

(b) If a Party fails to comply with any of its obligations set forth in this Section 5.07 upon reasonable request and notice by the other Party, and such failure results in the imposition of additional Taxes, the nonperforming Party shall be liable in full for such additional Taxes.

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Section 5.08 Confidentiality. Any information or documents provided under this Agreement shall be kept confidential by the recipient-Party, except as may otherwise be necessary in connection with the filing of Tax Returns or with any Tax Contest. In addition, if NOV or SpinCo determines that providing such information could be commercially detrimental, violate any law or agreement or waive any privilege, the Parties shall use reasonable best efforts to permit compliance with the obligations under this Agreement in a manner that avoids any such harm or consequence.

Section 5.09 Retention of Tax Records. SpinCo may request from NOV and retain copies of (i) with respect to any Joint Return, all pro forma federal and state Tax Returns, supporting schedules and workpapers related to members of the SpinCo Group, and (ii) any Separate Returns for any SpinCo Group members, including supporting schedules and workpapers. If either NOV or SpinCo intends to dispose of documentation with respect to any Pre-Distribution Tax Period, including books, records, Tax Returns and all supporting schedules and information relating thereto (after the expiration of the applicable statute of limitations), of any member of the other Group, or in the case of the SpinCo Group any member included in a Joint Return, they shall provide written notice to the other Party describing the documentation to be disposed of 30 days prior to taking such action. The other Party may arrange to take delivery of the documentation described in the notice at its own expense during the succeeding 30 day period.

## **ARTICLE VI RESOLUTION OF DISPUTES**

Section 6.01 Tax Disputes. The Parties will endeavor, and will cause their respective Affiliates to endeavor, to resolve in an amicable manner all disputes arising in connection with this Agreement. The Parties shall negotiate in good faith to resolve any Tax Dispute for not less than 45 days. Upon written notice of either Party after 45 days, the matter will be referred to a Tax Advisor acceptable to both Parties. The Tax Advisor may, in its discretion, obtain the services of any third-party necessary to assist it in resolving the dispute. The Tax Advisor shall furnish written notice to the Parties of its resolution of the dispute as soon as practicable, but in any event no later than 45 days after its acceptance of the matter for resolution. Any such resolution by the Tax Advisor will be binding on the Parties and the Parties shall take, or cause to be taken, any action necessary to implement the resolution. All fees and expenses of the Tax Advisor shall be shared equally by NOV, on the one hand, and SpinCo, on the other hand. If, having determined that the dispute must be referred to a Tax Advisor, after 45 days the Parties are unable to find a Tax Advisor willing to adjudicate the dispute in question and whom the Parties in good faith find acceptable, then the dispute will be submitted for arbitration to the American Arbitrators Association, provided, however, that only an arbitrator that qualifies as a Tax Advisor shall be selected.

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**ARTICLE VII**  
**MISCELLANEOUS PROVISIONS**

Section 7.01 Disposition of SpinCo Subsidiaries. In the event that SpinCo disposes of the stock of a subsidiary that is not a Party to this Agreement (i) without receiving compensation equal to the fair market value of such subsidiary, prior to the disposition, such subsidiary shall deliver to NOV an executed agreement, in a form reasonably acceptable to NOV, agreeing to be bound by this Agreement as if it had been an original Party hereto or (ii) in an exchange intended to result in the receipt of compensation equal to the fair market value of such subsidiary, prior to the disposition, such subsidiary shall deliver to NOV an executed agreement, in a form reasonably acceptable to NOV, agreeing to be bound by Sections 5.07, 5.08, 5.09 and Article VII of this Agreement as if it had been an original Party hereto.

Section 7.02 Complete Agreement; Representations.

(a) Except as explicitly stated herein, this Agreement, together with the exhibits and schedules hereto constitutes the entire agreement between the Parties with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter.

(b) NOV represents on behalf of itself and each other member of the NOV Group and SpinCo represents on behalf of itself and each other member of the SpinCo Group as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform this Agreement and to consummate the transactions contemplated by this Agreement; and

(ii) this Agreement has been duly executed and delivered by such Person (if such Person is a Party) and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof (assuming the due execution and delivery thereof by the other Party), except as such enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other Laws relating to creditors' rights generally and by general equitable principles.

Section 7.03 Costs and Expenses. Except as otherwise provided herein, all costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Agreement and the transactions contemplated hereby shall be borne as provided in the Separation and Distribution Agreement.

Section 7.04 Governing Law. This Agreement and any dispute arising out of, in connection with or relating to this Agreement shall be governed by and construed in accordance with the Laws of the State of Texas, without giving effect to the conflicts of laws principles thereof.

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Section 7.05 Notices. All notices, requests, claims, demands and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or mailed (first class postage prepaid) to the Parties at the following addresses or facsimile numbers:

If to NOV or any member of the NOV Group, to:

National Oilwell Varco, Inc.  
7909 Parkwood Circle Drive  
Houston, Texas 77036  
Attention: General Counsel

If to SpinCo or any member of the SpinCo Group, to:

NOW Inc.  
7402 North Eldridge  
Houston, Texas 77041  
Attention: General Counsel

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this section, be deemed given upon delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided in this section, be deemed given upon receipt and (iii) if delivered by mail in the manner described above to the address as provided in this section, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice, request or other communication is to be delivered pursuant to this section). Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving written notice specifying such change to the other party.

Section 7.06 Amendment, Modification or Waiver.

(a) Prior to the Distribution, this Agreement may be amended, modified, waived, supplemented or superseded, in whole or in part, by NOV in its sole discretion by execution of a written amendment delivered to SpinCo. Subsequent to the Distribution, this Agreement may be amended, modified, supplemented or superseded only by an instrument signed by duly authorized signatories of both Parties.

(b) Following the Distribution, any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by Law or otherwise afforded, will be cumulative and not alternative.

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Section 7.07 No Assignment; Binding Effect. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by any of the Parties without the prior written consent of the other Party; provided, however, that no such consent shall be required in the event of a merger, consolidation or sale of either NOV or SpinCo. Subject to the preceding sentence, this Agreement is binding upon, inures to the benefit of and is enforceable by the Parties hereto and their respective successors and assigns.

Section 7.08 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 7.09 Specific Performance. From and after the Distribution, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement, the Parties agree that the Party or Parties to this Agreement who are or are to be thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief of its or their rights under this Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The Parties agree that, from and after the Distribution, the remedies at law for any breach or threatened breach of this Agreement, including monetary damages, are inadequate compensation for any loss, that any defense in any action for specific performance that a remedy at law would be adequate is hereby waived, and that any requirements for the securing or posting of any bond with such remedy are hereby waived.

Section 7.10 Interpretation; Conflict With Ancillary Agreements. The language of this Agreement shall be construed according to its fair meaning and shall not be strictly construed for or against any Party. Notwithstanding the foregoing, the purposes of Article IV are to ensure the Tax-Free Status and, accordingly, the Parties agree that the language thereof shall be interpreted in a manner that serves this purpose to the greatest extent possible. The Article and Section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement. If, and to the extent, the provisions of this Agreement conflict with the Separation and Distribution Agreement, or any Ancillary Agreement, the provisions of this Agreement shall control.

Section 7.11 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Law, the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

Section 7.12 Survival. Except with respect to Sections 5.07, 5.08 and 5.09 which shall remain in effect without limitation as to time, the provisions in this Agreement shall be unconditional and absolute and shall remain in effect until the expiration of the statute of limitations for all taxable periods that end before or include the date on which the Distribution occurs and the resolution of all disputes under this Agreement that arose during such periods.

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Section 7.13 No Double Recovery. No provision of this Agreement shall be construed to provide an indemnity or other recovery for any costs, damages, or other amounts for which the damaged party has been fully compensated under any other provision of this Agreement or under any other agreement or action at law or equity. Unless expressly required in this Agreement, a party shall not be required to exhaust all remedies available under other agreements or at law or equity before recovering under the remedies provided in this Agreement.

Section 7.14 Jurisdiction. If any dispute arises out of or in connection with this Agreement, except as expressly contemplated by another provision of this Agreement, the parties irrevocably (and the parties will cause each other member of their respective Group to irrevocably) (a) consent and submit to the exclusive jurisdiction of federal and state courts located in Houston, Texas, (b) waive any objection to that choice of forum based on venue or to the effect that the forum is not convenient, and (c) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO TRIAL OR ADJUDICATION BY JURY.



IN WITNESS WHEREOF, each Party has caused this Agreement to be executed by a duly authorized officer as of the date first above written.

**NATIONAL OILWELL VARCO, INC.**  
a Delaware corporation

By: /s/ Dwight W. Rettig  
Name: Dwight W. Rettig  
Title: Executive Vice President and General Counsel

**NOW INC.**  
a Delaware corporation

By: /s/ Daniel L. Molinaro  
Name: Daniel L. Molinaro  
Title: Senior Vice President and CFO

EMPLOYEE MATTERS AGREEMENT

BY AND BETWEEN

NATIONAL OILWELL VARCO, INC.

AND

NOW INC.

DATED AS OF MAY 29, 2014

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## EMPLOYEE MATTERS AGREEMENT

THIS EMPLOYEE MATTERS AGREEMENT, made and entered into effective as of May 29, 2014 (this "Agreement"), is by and between National Oilwell Varco, Inc., a Delaware corporation ("NOV"), and NOW Inc., a Delaware corporation ("SpinCo"). NOV and SpinCo are also referred to in this Agreement individually as a "Party" and collectively as the "Parties." Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in Article I.

### RECITALS

WHEREAS, NOV has determined that it would be appropriate, desirable and in the best interests of NOV and the shareholders of NOV to separate the SpinCo Business from NOV;

WHEREAS, NOV and SpinCo have entered into the Separation and Distribution Agreement, dated May 29, 2014 (the "Separation Agreement"), in connection with the separation of the SpinCo Business from NOV and the Distribution of SpinCo Common Stock to shareholders of NOV;

WHEREAS, the Separation Agreement also provides for the execution and delivery of certain other agreements, including this Agreement, in order to facilitate and provide for the separation of SpinCo and its subsidiaries from NOV; and

WHEREAS, in order to ensure an orderly transition under the Separation Agreement, it will be necessary for the Parties to allocate between them certain Assets, Liabilities and responsibilities with respect to certain employee compensation and benefit plans and programs, and to address certain other employment matters.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound hereby, hereby agree as follows:

### ARTICLE I. DEFINITIONS

Section 1.1. Definitions. As used in this Agreement, the following terms shall have the meanings set forth in this Section 1.1:

"Adjusted NOV Option" has the meaning set forth in Section 4.1(a).

"Adjusted NOV PSA" has the meaning set forth in Section 4.3(a).

"Adjusted NOV RSA" has the meaning set forth in Section 4.2(a).

"Affiliate" has the meaning set forth in the Separation Agreement.

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“Agreement” means this Employee Matters Agreement, together with all Schedules hereto and all amendments, modifications, and changes hereto entered into pursuant to Section 10.4.

“Ancillary Agreements” has the meaning set forth in the Separation Agreement.

“Assets” has the meaning set forth in the Separation Agreement.

“Benefit Plan” means any contract, agreement, policy, practice, program, plan, trust, commitment or arrangement providing for benefits, perquisites or compensation of any nature to any employee or other service provider, or to any family member, dependent, or beneficiary of any such employee or service provider, including pension plans, thrift plans, supplemental pension plans and welfare plans, and contracts, agreements, policies, practices, programs, plans, trusts, commitments and arrangements providing for terms of employment, fringe benefits, severance benefits, change in control protections or benefits, travel and accident, health, life, disability and accident insurance, tuition reimbursement, travel reimbursement, vacation, sick, personal or bereavement days, leaves of absences and holidays; provided, however, the term “Benefit Plan” does not include any workers compensation or similar insurance plans, programs or policies.

“Canada Tax Act” means the Income Tax Act (Canada).

“Canadian Holder” has the meaning set forth in Section 9.2.

“COBRA” means the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as codified at Section 601 et seq. of ERISA and at Section 4980B of the Code, and similar applicable state Law.

“Code” has the meaning set forth in the Separation Agreement.

“Delayed Transfer SpinCo Option” has the meaning set forth in Section 4.1(c).

“Delayed Transfer SpinCo PSA” has the meaning set forth in Section 4.3(c).

“Delayed Transfer SpinCo RSA” has the meaning set forth in Section 4.2(c).

“Distribution” has the meaning set forth in the Separation Agreement.

“Distribution Date” has the meaning set forth in the Separation Agreement.

“Employee” means any NOV Group Employee, Former Employee or SpinCo Group Employee.

“ERISA” means the U.S. Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

“FICA” has the meaning set forth in Section 3.1(f).

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“Former Employee” means a former employee of the NOV Group whose employment with the NOV Group was terminated before the Distribution (and who is not actively employed by the NOV Group as of the Distribution), regardless of whether or not he or she provided services to the SpinCo Business while employed.

“FUTA” has the meaning set forth in Section 3.1(f).

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996, as amended, and the regulations promulgated thereunder.

“IRS” means the Internal Revenue Service.

“Law” has the meaning set forth in the Separation Agreement.

“Liabilities” has the meaning set forth in the Separation Agreement.

“NOV” has the meaning set forth in the preamble to this Agreement.

“NOV 401(k) Plan” means the National Oilwell Varco, Inc. 401(k) and Retirement Savings Plan.

“NOV 401(k) Plan Beneficiaries” has the meaning set forth in Section 5.2(b).

“NOV Annual Bonus Plan” has the meaning set forth in Section 4.5(a).

“NOV Benefit Plan” means any Benefit Plan sponsored or maintained by a NOV Entity immediately prior to the Distribution Date.

“NOV Common Stock” means the common stock, par value \$0.01 per share, of NOV.

“NOV Delayed Stock Value” means the simple average of the volume weighted average per share price of NOV Common Stock trading on the NYSE during Regular Trading Hours on the four Trading Days immediately preceding the Transfer Date.

“NOV Entity” means any member of the NOV Group.

“NOV Equity Plan” means any equity compensation plan sponsored or maintained by NOV immediately prior to the Distribution Date, including the National Oilwell Varco, Inc. Long-Term Incentive Plan, the Grant Prideco, Inc. 2006 Long-Term Incentive Plan, the Grant-Prideco, Inc. 2001 Stock Option and Restricted Stock Plan, the Grant Prideco, Inc. 2000 Employee Stock Option and Restricted Stock Plan, the National Oilwell, Inc. Stock Award and Long-Term Incentive Plan and the Varco International, Inc. 2003 Equity Participation Plan.

“NOV Group” has the meaning set forth in the Separation Agreement.

“NOV Group Employee” means any individual who is employed by a NOV Entity immediately after the Distribution.

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“NOV Nonqualified Plan” means the National Oilwell Varco, Inc. Supplemental Savings Plan.

“NOV Options” means exercisable and non-exercisable options to purchase shares of NOV Common Stock granted pursuant to any of the NOV Equity Plans.

“NOV Pension Plans” has the meaning set forth in Section 5.1.

“NOV Post-Distribution Stock Value” means the simple average of the volume weighted average per share price of NOV Common Stock trading on the NYSE during Regular Trading Hours on the first four Trading Days following the Distribution Date.

“NOV Pre-Distribution Stock Value” means the simple average of the volume weighted average per share price of NOV Common Stock trading “regular way with due bills” on the NYSE during Regular Trading Hours on the Distribution Date and the three immediately preceding Trading Days.

“NOV Price Ratio” means the quotient obtained by dividing the NOV Post-Distribution Stock Value by the NOV Pre-Distribution Stock Value.

“NOV PSAs” means performance share awards issued under any of the NOV Equity Plans.

“NOV Reimbursement Account Plan” has the meaning set forth in Section 7.7.

“NOV RSAs” means restricted stock awards issued under any of the NOV Equity Plans.

“NOV Share Ratio” means the quotient obtained by dividing the NOV Pre-Distribution Stock Value by the NOV Post-Distribution Stock Value.

“NOV Welfare Plan” means any Welfare Plan sponsored or maintained by any one or more members of the NOV Group as of immediately prior to the Distribution Date.

“NYSE” means the New York Stock Exchange.

“Party” or “Parties” has the meaning set forth in the preamble to this Agreement.

“Person” has the meaning set forth in the Separation Agreement.

“Post Distribution Transferred Employee” means any NOV Group Employee who, as a result of the Distribution, leaves the employment of the NOV Group and becomes an employee of any SpinCo Entity within sixty (60) days after the Distribution Date.

“Record Date” has the meaning set forth in the Separation Agreement.

“Regular Trading Hours” means the period beginning at 9:30 A.M. New York City time and ending at 4:00 P.M. New York City time.



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“Securities Act” has the meaning set forth in the Separation Agreement.

“Separation Agreement” has the meaning set forth in the recitals to this Agreement.

“SpinCo” has the meaning set forth in the preamble to this Agreement.

“SpinCo 401(k) Plan” has the meaning set forth in Section 5.2(a).

“SpinCo 401(k) Plan Beneficiaries” has the meaning set forth in Section 5.2(b).

“SpinCo Annual Bonus Plan” has the meaning set forth in Section 4.5(b).

“SpinCo Benefit Plan” means any Benefit Plan sponsored or maintained by a SpinCo Entity immediately following the Distribution Date.

“SpinCo Business” has the meaning set forth in the Separation Agreement.

“SpinCo Common Stock” means the common stock, par value \$0.01 per share, of SpinCo.

“SpinCo Delayed Price Ratio” means the quotient obtained by dividing the SpinCo Delayed Stock Value by the NOV Delayed Stock Value.

“SpinCo Delayed Share Ratio” means the quotient obtained by dividing the NOV Delayed Stock Value by the SpinCo Delayed Stock Value.

“SpinCo Delayed Stock Value” means the simple average of the volume weighted average per share price of SpinCo Common Stock trading on the NYSE during Regular Trading Hours on the four Trading Days immediately preceding the Transfer Date.

“SpinCo Entity” means any member of the SpinCo Group.

“SpinCo Equity Plan” means the plan adopted by SpinCo prior to the Distribution Date and approved by NOV, as sole shareholder of SpinCo, under which the SpinCo equity-based awards in Article IV shall be issued.

“SpinCo Group” has the meaning set forth in the Separation Agreement.

“SpinCo Group Employees” has the meaning given such term in Section 3.1(a).

“SpinCo Nonqualified Plan” has the meaning given such term in Section 6.3(c).

“SpinCo Nonqualified Plan Beneficiaries” has the meaning given such term in Section 6.3(c).

“SpinCo Option” has the meaning set forth in Section 4.1(b).

“SpinCo Pension Participants” has the meaning set forth in Section 5.1.

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“SpinCo Price Ratio” means the quotient obtained by dividing the SpinCo Stock Value by the NOV Pre-Distribution Stock Value.

“SpinCo PSA” has the meaning set forth in Section 4.3(b).

“SpinCo Reimbursement Account Plan” has the meaning set forth in Section 7.7.

“SpinCo Share Ratio” means the quotient obtained by dividing the NOV Pre-Distribution Stock Value by the SpinCo Stock Value.

“SpinCo Stock Value” means the simple average of the volume weighted average per share price of SpinCo Common Stock trading on the NYSE during Regular Trading Hours on the first four Trading Days following the Distribution Date.

“SpinCo RSA” has the meaning set forth in Section 4.2(b).

“SpinCo Welfare Plan” means any Welfare Plan sponsored or maintained by any one or more members of the SpinCo Group immediately after the Distribution Date.

“SpinCo Welfare Plan Participants” has the meaning set forth in Section 7.1.

“Spinoff Agreements” means this Agreement, the Separation Agreement and any Ancillary Agreement.

“Subsidiary” has the meaning set forth in the Separation Agreement.

“Trading Day” means the period of time during any given calendar day, commencing with the determination of the opening price on the NYSE and ending with the determination of the closing price on the NYSE, in which trading and settlement in shares of NOV Common Stock is permitted on the NYSE.

“Transfer Date” means, with respect to any Post Distribution Transferred Employee, the date such Post Distribution Transferred Employee becomes an employee of a SpinCo Entity.

“Transition Date” has the meaning set forth in Section 7.1.

“Transition Services Agreement” has the meaning set forth in the Separation Agreement.

“U.S.” means the United States of America.

“Welfare Plan” means, where applicable, a “welfare plan” (as defined in Section 3(1) of ERISA) or a “cafeteria plan” under Section 125 of the Code, and any benefits offered thereunder, and any other plan offering health benefits (including medical, prescription drug, dental, vision, and mental health and substance abuse), disability benefits, or life, accidental death and disability, and business travel insurance, pre-tax premium conversion benefits, dependent care assistance programs, employee assistance programs, paid time off programs, contribution funding toward a health savings account, flexible spending accounts, or cashable credits; provided, however, the term “Welfare Plan” does not include any workers compensation or similar insurance plans, programs or policies.

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Section 1.2. Interpretation. The provisions of Section 10.16 of the Separation Agreement are hereby incorporated by incorporated by reference.

ARTICLE II.  
GENERAL PRINCIPLES FOR ALLOCATION OF LIABILITIES

Section 2.1. General Principles.

(a) Except as otherwise provided in the Spinoff Agreements, effective as of the Distribution Date, SpinCo, or one or more members of the SpinCo Group (as determined by SpinCo), shall assume or continue the sponsorship of, and shall pay, perform and discharge, and no NOV Entity shall have any Liability with respect to or under, the following agreements, obligations and Liabilities, and SpinCo shall indemnify each NOV Entity, and the officers, directors, and employees of each NOV Entity, and hold them harmless with respect to such agreements, obligations and Liabilities:

(i) any and all wages, salaries, incentive compensation (as the same may be modified by this Agreement), commissions, bonuses, and any other employee compensation or benefits payable to or on behalf of any SpinCo Group Employee prior to, on or after the Distribution Date, without regard to when such wages, salaries, incentive compensation, commissions, bonuses, or other employee compensation or benefits are or may have been earned;

(ii) any and all immigration-related, visa, work application or similar rights, obligations and Liabilities related to any SpinCo Group Employee; and

(iii) except as expressly provided in the Separation Agreement, any and all Liabilities and obligations whatsoever with respect to claims made by or on behalf of any SpinCo Group Employee in connection with any employee benefit plan, program or policy not retained or assumed by any NOV Entity pursuant to the Spinoff Agreements, including any such Liabilities relating to actions or omissions of or by any SpinCo Entity or any officer, director, employee or agent thereof prior to, on or after the Distribution Date.

(b) Except as otherwise provided in this Agreement, effective as of the Distribution Date, no SpinCo Entity shall have any Liability with respect to or under, the following agreements, obligations and Liabilities, and NOV shall indemnify each SpinCo Entity, and the officers, directors, and employees of each SpinCo Entity, and hold them harmless with respect to such agreements, obligations and Liabilities:

(i) any and all wages, salaries, incentive compensation, commissions, bonuses, and any other employee compensation or benefits payable to or on behalf of any NOV Group Employee or Former Employee prior to, on or after the Distribution Date, without regard to when such wages, salaries, incentive compensation, commissions, bonuses, or other employee compensation or benefits are or may have been earned;

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(ii) any and all immigration-related, visa, work application or similar rights, obligations and Liabilities related to any NOV Group Employee or Former Employee; and

(iii) any and all Liabilities and obligations whatsoever with respect to, claims made by or on behalf of any NOV Group Employee or Former Employee in connection with any employee benefit plan, program or policy not retained or assumed by any SpinCo Entity pursuant to the Spinoff Agreements, including such Liabilities relating to actions or omissions of or by any NOV Entity or any officer, director, employee or agent thereof on, prior to or after the Distribution Date.

(c) Notwithstanding the foregoing provisions of this Section 2.1(a):

(i) if a SpinCo Group Employee becomes an employee of the NOV Group after the Distribution Date, the indemnification obligations of SpinCo in Section 2.1(a), as they relate to such Employee, shall only apply to Liabilities arising prior to such individual becoming an employee of the NOV Group after the Distribution Date; and

(ii) if a NOV Group Employee or Former Employee becomes an employee of the SpinCo Group after the Distribution Date, the indemnification obligations of NOV in Section 2.1(b), as they relate to such Employee, shall only apply to Liabilities arising prior to such individual becoming an employee of the SpinCo Group after the Distribution Date.

#### Section 2.2. Service Credit.

(a) Service for Eligibility and Vesting Purposes. Except as otherwise provided in any other provision of this Agreement and subject to applicable Law, from and after the Distribution Date, SpinCo shall, and shall cause each other SpinCo Entity to, take commercially reasonable steps to give each SpinCo Group Employee's and Post Distribution Transferred Employee's full service credit for purposes of eligibility and vesting under any SpinCo Benefit Plan for pre-Distribution Date service with any NOV Entity, to the same extent such service was properly recognized by the applicable NOV Benefit Plans immediately prior to the Distribution Date.

(b) Evidence of Prior Service. Notwithstanding anything to the contrary, but subject to applicable Law, upon reasonable request by either Party (the "Requesting Party"), the other Party (the "Providing Party") will timely provide to the Requesting Party copies of any records available to the Providing Party to document the service, plan participation and membership of former Employees of the Providing Party who are then Employees of the Requesting Party, and will cooperate with the Requesting Party to resolve any discrepancies or obtain any missing data for purposes of determining benefit eligibility, participation, vesting and calculation of benefits with respect to any such Employee.

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Section 2.3. Transition Services. The NOV Group or the SpinCo Group may provide administrative services for certain of the other Party's benefit programs, payroll and other related matters for a transitional period under the terms of the Transition Services Agreement. The Parties agree to enter into a business associate agreement (if required by HIPAA or other applicable health information privacy Laws) in connection with such Transition Services Agreement.

Section 2.4. No Duplication or Acceleration of Benefits. Notwithstanding anything to the contrary in the Spinoff Agreements, no participant in or beneficiary of the SpinCo 401(k) Plan, SpinCo Welfare Plans or other SpinCo Benefit Plans shall receive benefits under such SpinCo Benefits Plans to the extent that receipt of such benefits would result in duplication of benefits provided by the corresponding Benefit Plan or arrangement of any NOV Entity. Furthermore, unless expressly provided for in the Spinoff Agreements or required by applicable Law, no provision in this Agreement shall be construed to create any right to accelerate vesting or entitlements under any compensation arrangement or Benefit Plan on the part of or with respect to any NOV Group Employee, Former Employee, SpinCo Group Employee, or Post Distribution Transferred Employee.

ARTICLE III.  
ASSIGNMENT OF EMPLOYEES

Section 3.1. Active Employees.

(a) *SpinCo Group Employees*. Except as otherwise set forth in this Agreement, effective not later than immediately prior to the Distribution Date, NOV or its applicable Subsidiary shall have taken such actions as are necessary to ensure that each individual who is intended to be an employee of the SpinCo Group following the Distribution is employed by a SpinCo Entity immediately prior to the Distribution. Individuals referred to in the immediately preceding sentence who commence active employment with a SpinCo Entity shall be referred to as the "SpinCo Group Employees." Each of the Parties shall execute, and shall seek to have the applicable employees execute, such documentation, if any, as may be necessary to reflect such assignments and transfers.

(b) *NOV Group Employees*. Except as otherwise set forth in this Agreement, effective not later than immediately prior to the Distribution Date, NOV or its applicable Subsidiary shall have taken such actions as are necessary to ensure that each individual who is intended to be an employee of the NOV Group following the Distribution (collectively, the "NOV Group Employees") is employed by a NOV Entity immediately prior to the Distribution. Each of the Parties shall execute, and shall seek to have the applicable employees execute, such documentation, if any, as may be necessary to reflect such assignments and transfers.

(c) *At-Will Status*. Notwithstanding the above or any other provision of this Agreement (except as provided under Article IX), nothing in this Agreement shall create any obligation on the part of any NOV Entity or any SpinCo Entity to (i) continue the employment of any Employee or permit the return from a leave of absence for any period following the date of this Agreement or the Distribution Date (except as required by applicable Law) or (ii) change the employment status of any Employee from "at will," to the extent such Employee is an "at will" employee under applicable Law.

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(d) *Severance*. The Distribution and the assignment, transfer or continuation of the employment of Employees as contemplated by this Section 3.1 shall not entitle any Employee to any termination pay, separation pay, salary continuation, severance payments or similar benefits from any member of the NOV Group or the SpinCo Group.

(e) *Not a Change of Control/Change in Control*. Neither the consummation of the Distribution nor any transaction in connection with the Distribution shall be deemed a “change of control,” “change in control,” or term of similar import for purposes of any Benefit Plan of any NOV Entity or of any SpinCo Entity.

(f) *Payroll and Related Taxes*. With respect to the tax year containing the Distribution Date, SpinCo will (i) be responsible for all payroll obligations, tax withholding, and reporting obligations regarding SpinCo Group Employees and (ii) furnish a Form W-2 or similar earnings statement to all SpinCo Group Employees. With respect to the portion of the tax year ending on and including the day prior to the Transfer Date, SpinCo will (i) be responsible for all payroll obligations, tax withholding and reporting obligations and (ii) furnish a Form W-2 or similar earnings statement, to all Post Distribution Transferred Employees, if any, who were employed by any member of the NOV Group during such period. With respect to each affected Post Distribution Transferred Employee, NOV and SpinCo shall, and shall cause their respective Affiliates to (to the extent permitted by applicable Law and practicable) (i) treat SpinCo (or the applicable SpinCo Entity) as a “successor employer” and NOV (or the applicable NOV Entity) as a “predecessor,” within the meaning of Sections 3121(a)(1) and 3306(b)(1) of the Code, to the extent appropriate, for purposes of taxes imposed under the United States Federal Insurance Contributions Act, as amended (“FICA”), or the United States Federal Unemployment Tax Act, as amended (“FUTA”), (ii) cooperate with each other to avoid, to the extent possible, the restart of FICA and FUTA upon or following the Transfer Date with respect to each Post Distribution Transferred Employee for the tax year during which the Transfer Date occurs, and (iii) file tax returns, exchange wage payment information, and report wage payments made by the respective predecessor and successor employer on separate IRS Forms W-2 or similar earnings statements to each such Post Distribution Transferred Employee for the tax year in which the Transfer Date occurs, in a manner provided in Section 5 of Revenue Procedure 2004-53.

Section 3.2. Employee Records. NOV shall provide to SpinCo copies of any and all employment records and information (including, but not limited to, any employee files, Form I-9, Form W-2 or other IRS forms) with respect to the SpinCo Group Employees or Post Distribution Transferred Employees and other records reasonably required by SpinCo to enable SpinCo to properly carry out its obligations under this Agreement and under applicable Law. Such provision of records and information shall occur as soon as administratively practicable on or after the Distribution Date or Transfer Date, as applicable, and in all events no later than as required by applicable Law. With respect to any non-electronic copies of employee records and information, NOV shall maintain such employee records and information, including compensation data, consistent with existing document retention policies and they will be made available to SpinCo upon request. Subject to applicable Law, each Party shall permit the other Party reasonable access to employee records and information, to the extent reasonably necessary

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for such accessing Party to carry out its obligations hereunder. SpinCo shall bear or reimburse NOV for all reasonable out-of-pocket expenses that are properly substantiated in writing and that are associated with accessing any files stored at third party facilities, and NOV shall have no liability for any loss or damage to files caused (in connection with such access by SpinCo) by third parties or events outside of NOV's reasonable control.

Section 3.3. Termination of Participation in NOV Benefit Plans. Except as otherwise specified in the Spinoff Agreements, each SpinCo Entity shall terminate its participation in any and all NOV Benefit Plans as of the Distribution Date or at such earlier time as NOV, in its discretion, may direct.

ARTICLE IV.  
EQUITY AND INCENTIVE COMPENSATION PLANS

Section 4.1. Stock Options.

(a) NOV Group Employees and Former Employees. Each NOV Option that is outstanding as of the Distribution Date and held by a NOV Group Employee or a Former Employee shall remain an option to purchase NOV Common Stock issued under the applicable NOV Equity Plan (each such option, an "Adjusted NOV Option"). Each Adjusted NOV Option shall be subject to the same terms and conditions after the Distribution Date as the terms and conditions applicable to the corresponding NOV Option immediately prior to the Distribution Date; provided, however, that from and after the Distribution Date:

(i) the per-share exercise price of each such Adjusted NOV Option shall be equal to the product of (A) the per-share exercise price of the corresponding NOV Option immediately prior to the Distribution Date multiplied by (B) the NOV Price Ratio, rounded up to the nearest whole hundredth of a cent; and

(ii) the number of shares of NOV Common Stock subject to each such Adjusted NOV Option shall be equal to the product of (A) the number of shares of NOV Common Stock subject to the corresponding NOV Option immediately prior to the Distribution Date multiplied by (B) the NOV Share Ratio, with any fractional share rounded down to the nearest whole share.

(b) SpinCo Group Employees. Each NOV Option that is outstanding as of the Distribution Date and held by a SpinCo Group Employee shall be converted as of the Distribution Date into an option to purchase SpinCo Common Stock (each such option, a "SpinCo Option") pursuant to the terms of the SpinCo Equity Plan. Each SpinCo Option shall be subject to terms and conditions after the Distribution Date that are substantially identical to the terms and conditions applicable to the corresponding NOV Option immediately prior to the Distribution Date; provided, however, that from and after the Distribution Date:

(i) the per-share exercise price of each such SpinCo Option shall be equal to the product of (A) the per-share exercise price of the corresponding NOV Option immediately prior to the Distribution Date multiplied by (ii) the SpinCo Price Ratio, rounded up to the nearest whole hundredth of a cent; and

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(ii) the number of shares of SpinCo Common Stock subject to each such SpinCo Option shall be equal to the product of (A) the number of shares of NOV Common Stock subject to the corresponding NOV Option immediately prior to the Distribution Date multiplied by (B) the SpinCo Share Ratio, with any fractional share rounded down to the nearest whole share.

(c) Post-Distribution Transferred Employees. Each outstanding NOV Option held by a Post-Distribution Transferred Employee and that is outstanding as of the Transfer Date shall be converted as of the Transfer Date into an option to purchase SpinCo Common Stock (each such option, a “Delayed Transfer SpinCo Option”) pursuant to the terms of the SpinCo Equity Plan. Each Delayed Transfer SpinCo Option shall be subject to terms and conditions after the Transfer Date that are substantially identical to the terms and conditions applicable to the corresponding NOV Option immediately prior to the Transfer Date; provided, however, that from and after the Transfer Date:

(i) the per-share exercise price of each such Delayed Transfer SpinCo Option shall be equal to the product of (A) the per-share exercise price of the corresponding NOV Option immediately prior to the Transfer Date multiplied by (ii) the SpinCo Delayed Price Ratio, rounded up to the nearest whole hundredth of a cent; and

(ii) the number of shares of SpinCo Common Stock subject to each such Delayed Transfer SpinCo Option shall be equal to the product of (A) the number of shares of NOV Common Stock subject to the corresponding NOV Option immediately prior to the Transfer Date multiplied by (B) the SpinCo Delayed Share Ratio, with any fractional share rounded down to the nearest whole share.

(d) Sections 409A and 424. The adjustment or conversion of an NOV Option shall be effectuated in a manner that is intended to avoid the imposition of any penalty or other taxes on the holders thereof pursuant to Section 409A of the Code and to comply with the applicable provisions of Treasury Regulation Section 1.424-1.

#### Section 4.2. Restricted Stock Awards.

(a) NOV Group Employees and Former Employees. Each NOV RSA that is outstanding as of the Distribution Date and held by a NOV Group Employee or a Former Employee shall be adjusted by multiplying the number of shares of NOV Common Stock subject to such NOV RSA by the NOV Share Ratio (each such adjusted NOV RSA, an “Adjusted NOV RSA”). If the resulting product includes a fractional share, the number of shares of NOV Common Stock subject to such Adjusted NOV RSA shall be rounded down to the nearest whole share. Each Adjusted NOV RSA shall be subject to the same terms and conditions after the Distribution Date as the terms and conditions applicable to the corresponding NOV RSA immediately prior to the Distribution Date.

(b) SpinCo Group Employees. Each NOV RSA that is outstanding as of the Distribution Date and held by a SpinCo Group Employee shall be converted as of the Distribution Date into a SpinCo restricted stock award (each such award, a “SpinCo RSA”) pursuant to the terms of the SpinCo Equity Plan. Each SpinCo RSA shall be subject to terms and conditions after the Distribution Date that are substantially similar to the terms and conditions applicable to the corresponding NOV RSA immediately prior to the Distribution Date; provided, however, that from and after the Distribution Date:



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(i) the number of shares of SpinCo Common Stock subject to each such SpinCo RSA shall be set at a number equal to the product of (A) the number of shares of NOV Common Stock subject to the corresponding NOV RSA immediately prior to the Distribution Date multiplied by (B) the SpinCo Share Ratio, with any fractional share rounded down to the nearest whole share; and

(ii) each such SpinCo RSA shall not be subject to any performance-based vesting conditions but shall vest only upon completion of the originally established performance period of the corresponding NOV RSA, assuming the continued employment of the holder of such SpinCo RSA by SpinCo or a member of the SpinCo Group through such period.

(c) Post-Distribution Transferred Employees. Each outstanding NOV RSA held by a Post-Distribution Transferred Employee and that is outstanding as of the Transfer Date shall be converted as of the Transfer Date into a SpinCo restricted stock award (each such award, a “Delayed Transfer SpinCo RSA”) pursuant to the terms of the SpinCo Equity Plan. Each Delayed Transfer SpinCo RSA shall be subject to terms and conditions after the Transfer Date that are substantially similar to the terms and conditions applicable to the corresponding NOV RSA immediately prior to the Transfer Date; provided, however, that from and after the Transfer Date:

(i) the number of shares of SpinCo Common Stock subject to each such Delayed Transfer SpinCo RSA shall be set at a number equal to the product of (A) the number of shares of NOV Common Stock subject to the corresponding NOV RSA immediately prior to the Transfer Date multiplied by (B) the SpinCo Delayed Share Ratio, with any fractional share rounded down to the nearest whole share; and

(ii) each such Delayed Transfer SpinCo RSA shall not be subject to any performance-based vesting conditions but shall vest only upon completion of the originally established performance period of the corresponding NOV RSA, assuming the continued employment of the holder of such Delayed Transfer SpinCo RSA by SpinCo or a member of the SpinCo Group through such period.

#### Section 4.3. Performance Share Awards.

(a) NOV Group Employees and Former Employees. The target level of each NOV PSA that is outstanding as of the Distribution Date and held by a NOV Group Employee or a Former Employee shall be adjusted by multiplying the target level number of shares of NOV Common Stock subject to such NOV PSA by the NOV Share Ratio (each such adjusted NOV PSA, an “Adjusted NOV PSA”). If the resulting product includes a fractional share, the number of shares of NOV Common Stock subject to such Adjusted NOV PSA shall be rounded down to the nearest whole share. Each Adjusted NOV PSA shall be subject to the same terms and conditions after the Distribution Date as the terms and conditions applicable to the corresponding NOV PSA immediately prior to the Distribution Date.

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(b) SpinCo Group Employees. Each NOV PSA that is outstanding as of the Distribution Date and held by a SpinCo Group Employee shall be converted as of the Distribution Date into a SpinCo performance share award (each such award, a “SpinCo PSA”) pursuant to the terms of the SpinCo Equity Plan. Each SpinCo PSA shall be subject to terms and conditions after the Distribution Date that are substantially similar to the terms and conditions applicable to the corresponding NOV PSA immediately prior to the Distribution Date; provided, however, that from and after the Distribution Date:

(i) the number of shares of SpinCo Common Stock subject to each such SpinCo PSA shall be set at a number equal to the product of (A) the target level number of shares of NOV Common Stock subject to the corresponding NOV PSA immediately prior to the Distribution Date multiplied by (B) the SpinCo Share Ratio, with any fractional share rounded down to the nearest whole share; and

(ii) each such SpinCo PSA shall not be subject to any performance-based vesting conditions but shall vest only upon completion of the originally established performance period of the corresponding NOV PSA, assuming the continued employment of the holder of such SpinCo PSA by SpinCo or a member of the SpinCo Group through such period.

(c) Post-Distribution Transferred Employees. Each outstanding NOV PSA held by a Post-Distribution Transferred Employee and that is outstanding as of the Transfer Date shall be converted as of the Transfer Date into a SpinCo performance share award (each such award, a “Delayed Transfer SpinCo PSA”) pursuant to the terms of the SpinCo Equity Plan. Each Delayed Transfer SpinCo PSA shall be subject to terms and conditions after the Transfer Date that are substantially similar to the terms and conditions applicable to the corresponding NOV PSA immediately prior to the Transfer Date; provided, however, that from and after the Transfer Date:

(i) the number of shares of SpinCo Common Stock subject to each such Delayed Transfer SpinCo PSA shall be set at a number equal to the product of (A) the *target level* number of shares of NOV Common Stock subject to the corresponding NOV PSA immediately prior to the Transfer Date multiplied by (B) the SpinCo Delayed Share Ratio, with any fractional share rounded down to the nearest whole share; and

(ii) each such Delayed Transfer SpinCo PSA shall not be subject to any performance-based vesting conditions but shall vest only upon completion of the originally established performance period of the corresponding NOV PSA, assuming the continued employment of the holder of such Delayed Transfer SpinCo PSA by SpinCo or a member of the SpinCo Group through such period.

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Section 4.4. Liabilities for Settlement of Awards.

(a) Settlement of Adjusted NOV Options. NOV shall be responsible for all Liabilities associated with the Adjusted NOV Options including any option exercise, share delivery, registration or other obligations related to the exercise of the Adjusted NOV Options.

(b) Settlement of SpinCo Options. SpinCo shall be responsible for all Liabilities associated with the SpinCo Options including any option exercise, share delivery, registration or other obligations related to the exercise of the SpinCo Options.

(c) Settlement of Delayed Transfer SpinCo Options. SpinCo shall be responsible for all Liabilities associated with the Delayed Transfer SpinCo Options including any option exercise, share delivery, registration or other obligations related to the exercise of the Delayed Transfer SpinCo Options.

(d) Settlement of Adjusted NOV RSAs. NOV shall be responsible for all Liabilities associated with the Adjusted NOV RSAs including any share delivery, registration or other obligations related to the settlement of the Adjusted NOV RSAs.

(e) Settlement of SpinCo RSAs. SpinCo shall be responsible for all Liabilities associated with the SpinCo RSAs including any share delivery, registration or other obligations related to the settlement of the SpinCo RSAs.

(f) Settlement of Delayed Transfer SpinCo RSAs. SpinCo shall be responsible for all Liabilities associated with the Delayed Transfer SpinCo RSAs including any share delivery, registration or other obligations related to the settlement of the Delayed Transfer SpinCo RSAs.

(g) Settlement of Adjusted NOV PSAs. NOV shall be responsible for all Liabilities associated with the Adjusted NOV PSAs, including any share delivery, registration or other obligations related to the settlement of the Adjusted NOV PSAs.

(h) Settlement of SpinCo PSAs. SpinCo shall be responsible for all Liabilities associated with the SpinCo PSAs, including any share delivery, registration or other obligations related to the settlement of the SpinCo PSAs.

(i) Settlement of Delayed Transfer SpinCo PSAs. SpinCo shall be responsible for all Liabilities associated with the Delayed Transfer SpinCo PSAs, including any share delivery, registration or other obligations related to the settlement of the Delayed Transfer SpinCo PSAs.

Section 4.5. Bonus and Incentive Payments.

(a) Not later than the Distribution Date, SpinCo shall, or shall cause another SpinCo Entity to, take commercially reasonable steps to adopt a plan that will provide annual bonus or short-term cash incentive opportunities for SpinCo Group Employees and Post-Distribution Transferred Employees that are substantially similar to the opportunities provided to such Employees immediately prior to the Distribution Date (the “SpinCo Annual Bonus Plan”),

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subject to SpinCo's right to amend or terminate such plan after the Distribution Date in accordance with the terms thereof. The SpinCo Annual Bonus Plan shall be approved prior to the Distribution Date by NOV, as the sole shareholder of SpinCo, and SpinCo Group Employees shall participate in such SpinCo Annual Bonus Plan immediately following the Distribution Date; provided, however, for the 2014 performance period, in determining whether the performance goals under the SpinCo Annual Bonus Plan have been achieved, SpinCo shall take into account the financial and operational performance of the SpinCo Business prior to the Distribution Date, and service with NOV shall be credited for the purposes of determining whether such SpinCo Group Employee had been a participant in the SpinCo Annual Bonus Plan during such performance period.

(b) For the avoidance of doubt, (i) the NOV Group shall be solely responsible for funding, paying, and discharging all obligations relating to any annual cash incentive awards that any NOV Group Employee is eligible to receive under any NOV annual bonus plans with respect to payments made beginning at or after the Distribution Date, including the NOV Annual Bonus Plan, and no SpinCo Entity shall have any obligations with respect thereto, and (ii) the SpinCo Group shall be solely responsible for funding, paying, and discharging all obligations relating to any annual cash incentive awards that any SpinCo Group Employee or Post Distribution Transferred Employee is eligible to receive under any SpinCo Group annual bonus and other short-term incentive compensation plans with respect to payments made beginning at or after the Distribution Date, including the SpinCo Annual Bonus Plan, and no NOV Entity shall have any obligations with respect thereto.

Section 4.6. Form S-8. Upon or as soon as reasonably practicable after the Distribution Date and subject to applicable Law, SpinCo shall take commercially reasonable steps to prepare and file with the SEC a registration statement on Form S-8 (or another appropriate form) registering under the Securities Act the offering of a number of shares of SpinCo Common Stock at a minimum equal to the number of shares subject to the SpinCo Options, the SpinCo RSAs and the SpinCo PSAs. SpinCo shall use commercially reasonable efforts to cause any such registration statement to be kept effective (and the current status of the prospectus or prospectuses required thereby to be maintained) as long as any such equity awards remain outstanding.

Section 4.7. Tax Reporting and Withholding for Equity-Based Awards. NOV (or one of its Subsidiaries) will be responsible for all income, payroll, or other tax reporting related to income of NOV Group Employees or Former Employees from equity-based awards, and SpinCo (or one of its Subsidiaries) will be responsible for all income, payroll, or other tax reporting related to income of SpinCo Group Employees from equity-based awards. Similarly, NOV will be responsible for all income, payroll, or other tax reporting related to income of its non-employee directors from equity-based awards, and SpinCo will be responsible for all income, payroll, or other tax reporting related to income of its non-employee directors from equity-based awards. Further, NOV (or one of its Subsidiaries) shall be responsible for remitting applicable tax withholdings for NOV Group Employees to each applicable taxing authority, and SpinCo (or one of its Subsidiaries) shall be responsible for remitting applicable tax withholdings for SpinCo Group Employees to each applicable taxing authority; provided, however, that either NOV or SpinCo shall act as agent for the other company by remitting amounts withheld in the form of shares or in conjunction with an exercise transaction to an appropriate taxing authority. The Parties will cooperate with each other and with third-party providers to effectuate withholding and remittance of taxes, as well as required tax reporting, in a timely, efficient, and appropriate manner.

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Section 4.8. Approval of SpinCo Equity Plan. Not later than the Distribution Date, SpinCo shall, or shall have caused a SpinCo Entity to, take commercially reasonable steps to adopt the SpinCo Equity Plan. The SpinCo Equity Plan shall be approved prior to the Distribution Date by NOV, as the sole shareholder of SpinCo.

ARTICLE V.  
U.S. QUALIFIED RETIREMENT PLANS

Section 5.1. Defined Benefit Plans. The NOV Group shall retain all Assets and all Liabilities arising out of or relating to all Benefit Plans subject to Title IV of ERISA that are sponsored, maintained, contributed to by or required to be contributed to by any NOV Entity or with respect to which any NOV Entity has or could have any liability (“NOV Pension Plans”). Immediately prior to the Distribution Date or Transfer Date, each SpinCo Group Employee or Post Distribution Transferred Employee, respectively, who is a participant in any NOV Pension Plan (the “SpinCo Pension Participants”) shall cease to actively participate in all such NOV Pension Plans. As of the Distribution Date or Transfer Date, as applicable, each such SpinCo Pension Participant shall be treated in accordance with the terms of the applicable NOV Pension Plan(s) as a terminated vested participant under such NOV Pension Plan(s). No SpinCo Entity shall have any obligation to adopt, sponsor, maintain, participate in, contribute to or otherwise become liable with respect to any Benefit Plan subject to Title IV of ERISA as a result of the Distribution or otherwise.

Section 5.2. Defined Contribution Plans.

(a) Establishment of the SpinCo 401(k) Plan. No later than the Distribution Date, SpinCo shall, or shall cause another SpinCo Entity to, take commercially reasonable steps to establish a defined contribution plan and trust for the benefit of SpinCo Group Employees (the “SpinCo 401(k) Plan”). SpinCo shall be responsible for taking all commercially reasonable steps to establish, maintain, and administer the SpinCo 401(k) Plan with the intention that it be qualified under Section 401(a) of the Code and that the related trust thereunder be exempt under Section 501(a) of the Code. SpinCo (acting directly or through its Affiliates) shall be responsible for any and all Liabilities and other obligations with respect to the SpinCo 401(k) Plan.

(b) Transfer of NOV 401(k) Plan Assets. Not later than 90 days following the Distribution Date (or such later time as mutually agreed by the Parties), NOV shall cause the vested accounts (including any outstanding loan balances) in the NOV 401(k) Plan attributable to SpinCo Group Employees who will participate in the SpinCo 401(k) Plan (the “SpinCo 401(k) Plan Beneficiaries”) and all of the assets in the NOV 401(k) Plan trust related thereto (the “NOV 401(k) Plan SpinCo Assets”) to be transferred in kind or (at the election of the trustee of the NOV 401(k) Plan) in cash to the SpinCo 401(k) Plan, and SpinCo shall cause the SpinCo 401(k) Plan to accept such transfer of accounts and underlying NOV 401(k) Plan SpinCo Assets (including any participant promissory notes) and, effective as of the date of such transfer, to assume and to fully perform, pay, and discharge, all obligations of the NOV 401(k) Plan relating

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to the accounts of the SpinCo 401(k) Plan Beneficiaries (to the extent the NOV 401(k) Plan SpinCo Assets related to those accounts are actually transferred from the NOV 401(k) Plan to the SpinCo 401(k) Plan). Notwithstanding any provision to the contrary, the transfer of NOV 401(k) Plan SpinCo Assets shall be conducted in accordance with Section 414(l) of the Code, Treasury Regulation Section 1.414(l)-1, and Section 208 of ERISA. NOV shall be responsible for taking all necessary, reasonable and appropriate action so that, as of the date of transfer of the NOV 401(k) Plan SpinCo Assets and as of any other date relevant for purposes of this Agreement, the NOV 401(k) Plan is qualified under Section 401(a) of the Code and the related trust thereunder is exempt under Section 501(a) of the Code.

(c) *Continuation of Elections*. Subject to Section 5.2(d), as of the Distribution Date, SpinCo (acting directly or through its Affiliates) shall take commercially reasonable steps to cause the SpinCo 401(k) Plan to recognize and maintain all NOV 401(k) Plan elections, including but not limited to, deferral, investment and payment form elections, beneficiary designations, and the rights of alternate payees under qualified domestic relations orders with respect to SpinCo 401(k) Plan Beneficiaries, to the extent such election or designation is available under the SpinCo 401(k) Plan and may be continued under applicable Law. Prior to the Distribution Date, NOV shall provide written notice to all individuals anticipated to be SpinCo 401(k) Plan Beneficiaries of the intended continuation of such elections. Any deferrals under the SpinCo 401(k) Plan with respect to SpinCo 401(k) Plan Beneficiaries will begin on the first payroll period following the Distribution Date or Transfer Date, as applicable.

(d) *Treatment of SpinCo Common Stock and NOV Common Stock*.

(i) *SpinCo Common Stock Held in NOV 401(k) Plan Accounts*. Shares of SpinCo Common Stock distributed in connection with the Distribution in respect of shares of NOV Common Stock held in NOV 401(k) Plan accounts of NOV Group Employees or Former Employees who participate in the NOV 401(k) Plan (the “NOV 401(k) Plan Beneficiaries”) shall be deposited in a SpinCo Common Stock fund under the NOV 401(k) Plan, and NOV 401(k) Plan Beneficiaries will be prohibited from increasing their holdings in such SpinCo Common Stock fund under the NOV 401(k) Plan, unless the fund is transferred to a self-directed brokerage account, and may elect to liquidate their holdings in such SpinCo Common Stock fund and invest those monies in any other investment fund offered under the NOV 401(k) Plan. Any shares of SpinCo Common Stock held in NOV 401(k) Plan accounts of SpinCo Group Employees shall be transferred in kind to the trust underlying the SpinCo 401(k) Plan pursuant to Section 5.2(b).

(ii) *SpinCo Common Stock Fund*. The SpinCo 401(k) Plan will provide, effective as of the Distribution Date: (1) for the establishment of a SpinCo Common Stock fund and (2) that such SpinCo Common Stock fund shall receive a transfer of and hold all shares of SpinCo Common Stock distributed in connection with the Distribution in respect of NOV Common Stock held in NOV 401(k) Plan accounts of SpinCo 401(k) Plan Beneficiaries.

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(iii) NOV Common Stock in SpinCo 401(k) Plan Accounts. Without limiting the generality of the provisions of Section 5.2(b), shares of NOV Common Stock held in NOV 401(k) Plan accounts of SpinCo 401(k) Plan Beneficiaries prior to the Distribution Date shall be transferred in kind to a NOV Common Stock Fund under the SpinCo 401(k) Plan pursuant to Section 5.2(b). SpinCo 401(k) Plan Beneficiaries will be prohibited from increasing their holdings in NOV Common Stock under such NOV Common Stock Fund and may elect to liquidate their holdings in such NOV Common Stock Fund and invest those monies in any other investment fund offered under the SpinCo 401(k) Plan.

(e) Tax Qualified Status. SpinCo will take commercially reasonable steps to establish and maintain the SpinCo 401(k) Plan with the intention that it be qualified under Section 401(a) of the Code and that the related trust be tax-exempt under Section 501(a) of the Code.

ARTICLE VI.  
U.S. NONQUALIFIED DEFERRED COMPENSATION PLAN

Section 6.1. Assets and Liabilities. Except as provided in Section 6.5, the NOV Group shall retain all Assets and all Liabilities arising out of or relating to the NOV Nonqualified Plan, and shall timely make payments to all SpinCo Group Employees or Post Distribution Transferred Employees who are participants in the NOV Nonqualified Plan (the “Nonqualified Plan Participants”) in accordance with the terms of the NOV Nonqualified Plan, as amended.

Section 6.2. Participation; Distributions. The Nonqualified Plan Participants shall cease contributing to and accruing benefits under the NOV Nonqualified Plan as of the Distribution Date or Transfer Date, as applicable. Subject to the terms of the applicable NOV Nonqualified Plan, none of the transactions contemplated by the Separation Agreement or any Ancillary Agreement will trigger a payment or distribution of compensation under the NOV Nonqualified Plan for any Nonqualified Plan Participant. The payment or distribution of any compensation to which any Nonqualified Plan Participant is entitled under the NOV Nonqualified Plan will occur upon such Nonqualified Plan Participant’s separation from service from the SpinCo Group, if so provided pursuant to the terms of such plan and any applicable deferral election, or at such other time as provided in the NOV Nonqualified Plan or such Nonqualified Plan Participant’s deferral election.

Section 6.3. Establishment of SpinCo Nonqualified Plan. On or prior to the Distribution Date, SpinCo shall, or shall cause another SpinCo Entity to, establish and adopt a nonqualified deferred compensation plan (the “SpinCo Nonqualified Plan”), which will provide nonqualified deferred compensation benefits substantially similar to those provided pursuant to the NOV Nonqualified Plan to each SpinCo Group Employee or Post Distribution Transferred Employee who is transferred from the NOV Group to the SpinCo Group who is a participant in the NOV Nonqualified Plan as of the Distribution Date (“SpinCo Nonqualified Plan Beneficiaries”).

Section 6.4. Continuation of Elections. As of the Distribution Date, SpinCo (acting directly or through its Affiliates) shall cause the SpinCo Nonqualified Plan to recognize and maintain all NOV Nonqualified Plan elections, including but not limited to, deferral, investment and payment form elections, beneficiary designations, and the rights of alternate payees under

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qualified domestic relations orders with respect to SpinCo Nonqualified Plan Beneficiaries, to the extent such election or designation is available under the SpinCo Nonqualified Plan. Prior to the Distribution Date, NOV shall provide written notice to all individuals anticipated to be SpinCo 401(k) Plan Beneficiaries of the intended continuation of such elections. Any deferrals under the SpinCo Nonqualified Plan with respect to SpinCo Nonqualified Plan Beneficiaries will begin on the first payroll period following the Distribution Date or Transfer Date, as applicable.

Section 6.5. Transfer of Assets. Not earlier than the 10<sup>th</sup> anniversary of the Distribution Date (or such earlier time as SpinCo may elect in its sole discretion), NOV shall cause all accounts remaining in the NOV Nonqualified Plan at such time that are attributable to SpinCo Employees or Post Distribution Transferred Employees and all of the Assets and Liabilities in the NOV Nonqualified Plan related thereto to be transferred in-kind to the SpinCo Nonqualified Plan, and SpinCo shall cause the SpinCo Nonqualified Plan to accept such transfer of accounts, Assets and Liabilities and, effective as of such transfer, to assume and to fully perform, pay and discharge, all obligations of the NOV Nonqualified Plan relating to such accounts (to the extent the Assets related to those accounts are actually transferred from the NOV Nonqualified Plan to the SpinCo Nonqualified Plan) as of the date of such transfer.

ARTICLE VII.  
U.S. HEALTH & WELFARE PLANS

Section 7.1. Establishment of SpinCo Welfare Plans. On or prior to the Distribution Date, SpinCo shall, or shall cause another SpinCo Entity to, take commercially reasonable steps to establish and adopt SpinCo Welfare Plans, which will provide welfare benefits to each SpinCo Group Employee or Post Distribution Transferred Employee who is transferred from the NOV Group to the SpinCo Group who is a participant, as of the Distribution Date or Transfer Date, as applicable, in the analogous NOV Welfare Plans (and their eligible spouses and dependents, as the case may be) (collectively, the “SpinCo Welfare Plan Participants”). Coverage and benefits under the SpinCo Welfare Plans shall be intended to be provided to the SpinCo Welfare Plan Participants on an uninterrupted basis under the newly established SpinCo Welfare Plans. Subject to applicable Law and the terms of the applicable NOV Welfare Plans, SpinCo Welfare Plan Participants shall cease to be eligible for coverage under the NOV Welfare Plans at the Distribution Date or Transfer Date, as applicable.

Section 7.2. Transitional Matters Under SpinCo Welfare Plans

(a) Treatment of Claims Incurred.

(i) Liability for Claims. With respect to unpaid covered claims incurred prior to the Distribution Date or Transfer Date, as applicable, by any SpinCo Welfare Plan Participant under any NOV Welfare Plans, including claims that are self-insured and claims that are fully insured through third-party insurance, NOV shall retain and be responsible for the payment for such claims or shall cause such NOV Welfare Plans to fully perform, pay and discharge all such claims, as the case may be, and except as provided in Section 7.2(a)(iv), no SpinCo Entity shall be responsible for any Liability with respect to any such claims.



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(ii) Claims Incurred. For purposes of this Section 7.2(a), a claim or expense is deemed to be incurred (A) with respect to medical (including continuous hospitalization), dental, vision and/or prescription drug benefits, upon the rendering of health services giving rise to such claim or expense; (B) with respect to life insurance, accidental death and dismemberment and business travel accident insurance, upon the occurrence of the event giving rise to such claim or expense; (C) with respect to short- and long-term disability benefits, upon the date of an individual's disability, as determined by the disability benefit insurance carrier or claim administrator, giving rise to such claim or expense; and (D) with respect to any other claim, upon the date of the event giving rise to such claim.

(iii) Short and Long Term Disability Benefits. Employees of the SpinCo Group who are receiving Short Term Disability or Long Term Disability ("Disability") benefits immediately prior to the Distribution Date shall have their employment transferred to a NOV Entity effective immediately prior to the Distribution Date and shall be NOV Group Employees for all purposes of this Agreement. If any such Employee is released to return to work or becomes no longer entitled to receive Disability benefits on or after the Distribution Date, and provided that SpinCo is notified by NOV in writing of such fact, SpinCo shall consider if there are any positions within the SpinCo Group for which such Employee may be qualified, but SpinCo shall have no obligation to hire such Employee.

(b) COBRA and HIPAA. The NOV Group shall be responsible for the COBRA claims incurred by Employees (and their qualifying beneficiaries) prior to the Distribution Date or Transfer Date, as applicable, regardless of whether payments for such claims are made or due after the Distribution Date or Transfer Date, as applicable. At and after the Distribution Date, SpinCo shall assume all requirements under COBRA with respect to all SpinCo Group Employees or Post Distribution Transferred Employees (and their qualifying beneficiaries) who, as of the Distribution Date or Transfer Date, as applicable, are covered under a SpinCo Benefit Plan and who have a COBRA qualifying event (as defined in Section 4980B of the Code) on or after the Distribution Date or Transfer Date. NOV (acting directly or through its Affiliates) shall be responsible for administering compliance with any certificate of creditable coverage requirements of HIPAA applicable to the NOV Welfare Plans with respect to SpinCo Group Employees or Post Distribution Transferred Employees. Neither the Distribution nor any transfers of employment that occur as of the Distribution Date shall constitute a COBRA qualifying event (as defined in Section 4980B of the Code).

Section 7.3. Waiver of Conditions or Restrictions. Unless prohibited by applicable Law and subject to the cooperation of applicable third-party insurers and administrators, SpinCo will take commercially reasonable steps to cause the SpinCo Welfare Plans to waive all limitations as to preexisting conditions, exclusions, service conditions, waiting period limitations or evidence of insurability requirements that would otherwise be applicable to the SpinCo Welfare Plan Participant following the Distribution Date or Transfer Date, as applicable, to the extent that such Employee had previously satisfied such limitation under the corresponding NOV Welfare Plan.

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Section 7.4. Insurance Contracts. To the extent any NOV Welfare Plan is funded through the purchase of an insurance contract or is subject to any stop loss contract, NOV and SpinCo will cooperate and use their commercially reasonable efforts to replicate such insurance contracts for SpinCo (except to the extent changes are required under applicable state insurance Laws or filings by the respective insurers) and to maintain any pricing discounts or other preferential terms for both NOV and SpinCo for a reasonable term. Neither Party shall be liable for failure to obtain such insurance contracts, pricing discounts, or other preferential terms for the other Party. Each Party shall be responsible for any new or additional premiums, charges, or administrative fees that such Party may incur with respect to its insurance coverage pursuant to this Section 7.4.

Section 7.5. Third-Party Vendors. Except as provided below, to the extent any NOV Welfare Plan is administered by a third-party vendor, NOV and SpinCo will cooperate and use their commercially reasonable efforts to replicate any contract with such third-party vendor for SpinCo and to maintain any pricing discounts or other preferential terms for both NOV and SpinCo for a reasonable term. Neither Party shall be liable for failure to obtain such pricing discounts or other preferential terms for the other Party. Each Party shall be responsible for any new or additional premiums, charges, or administrative fees that such Party may incur with respect to its contracts pursuant to this Section 7.5.

Section 7.6. Workers' Compensation. With respect to claims for workers compensation in the United States, (a) the NOV Group shall be responsible for claims in respect of (i) NOV Group Employees and Former Employees, whether occurring prior to, on or following the Distribution Date and (ii) SpinCo Group Employees occurring prior to the Distribution Date, and (b) the SpinCo Group shall be responsible for all claims in respect of SpinCo Group Employees and Post Distribution Transferred Employees occurring on or following the Distribution Date or Transfer Date, respectively. For purposes of this Section 7.6, claims shall be deemed to be incurred upon the occurrence of the injury giving rise to such claim.

Section 7.7. Reimbursement Account Plan. On or prior to the Distribution Date, SpinCo shall, or shall cause another SpinCo Entity to, take commercially reasonable steps to establish and adopt a health and dependent care reimbursement account plan (the "SpinCo Reimbursement Account Plan") substantially identical to the health and dependent care reimbursement account plan maintained by NOV immediately prior to the Distribution for the benefit of SpinCo Welfare Plan Participants immediately prior to the Distribution Date (the "NOV Reimbursement Account Plan"). The Parties shall take all actions appropriate to cause a spin-off of the portion of the NOV Reimbursement Account Plan covering SpinCo Group Employees to the SpinCo Reimbursement Account Plan in accordance with Revenue Ruling 2002-32 and subsequent guidance. Participant elections, contribution levels and coverage levels, as in effect prior to the Distribution Date, as applicable, under the NOV Reimbursement Account Plan, will continue to be effective on and after the Distribution Date, as applicable, under the SpinCo Reimbursement Account Plan. Prior to the Distribution Date, NOV shall provide written notice to all individuals anticipated to be participate in the SpinCo Reimbursement Account Plan immediately after the Distribution of the intended continuation of such elections. As soon as reasonably practicable following the Distribution Date, NOV will transfer to SpinCo or a SpinCo Entity an amount equal to the aggregate participant contributions to the NOV Reimbursement Plan made in the calendar year in which the Distribution Date occurs through the Distribution

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Date, less reimbursements during that period. NOV will not be responsible for, and will have no liability relating to, resulting from, or arising out of the provision of health reimbursement and dependent care reimbursement benefits to SpinCo Group Employees following the transfer of the health flexible spending account balances and dependent care flexible spending account balances to the SpinCo Reimbursement Account Plan, except to the extent related to the transfer of balances from the NOV Reimbursement Account Plan to the SpinCo Reimbursement Account Plan. SpinCo intends that the SpinCo Reimbursement Account Plan will be available on and after the Distribution Date.

ARTICLE VIII.  
BENEFIT ARRANGEMENTS AND OTHER MATTERS

Section 8.1. Termination of Participation. Except as otherwise provided under applicable Law, the applicable NOV Benefit Plan or this Agreement or in the Transition Services Agreement, effective as of the Distribution Date or Transfer Date, SpinCo Group Employees and Post Distribution Transferred Employees, respectively, shall cease participating in any NOV Benefit Plan.

Section 8.2. Accrued Time Off. SpinCo shall recognize and assume all Liability for all unused vacation, holiday, sick leave, flex days, personal days and paid-time off and other time-off benefits that accrued on or prior to the Distribution Date (with respect to SpinCo Group Employees) or the Transfer Date (with respect to Post Distribution Transferred Employees), and SpinCo shall credit each SpinCo Group or Post Distribution Transferred Employee with such accrual. Within thirty (30) days after the Distribution Date or Transfer Date, as applicable, the NOV Group will calculate (which calculation SpinCo may review and approve prior to payment pursuant thereto) the accrued, used and unused vacation entitlement of the SpinCo Group and Post Distribution Transferred Employees as of the time immediately prior to the Distribution Date or Transfer Date, as applicable, except for any carry-over amounts from calendar year 2013 to 2014, and shall make a cash payment based on such Employee's annualized rate of pay immediately prior to the Distribution Date or Transfer Date, as applicable, to the SpinCo Group in respect of the vacation entitlement of the SpinCo Group Employee or Post Distribution Transferred Employee, as applicable.

Section 8.3. Leaves of Absence. SpinCo will continue to apply the appropriate leave of absence policies (including compliance with the Family and Medical Leave Act) applicable to inactive SpinCo Group Employees and Post Distribution Transferred Employees who are on an approved leave of absence as of the Distribution Date or Transfer Date, as applicable. Subject to Section 7.2, leaves of absence taken by SpinCo Group or Post Distribution Transferred Employees prior to the Distribution Date or Transfer Date, as applicable, and from which such Employees have not returned to active employment as of the Distribution Date or Transfer Date, as applicable, shall be deemed to have been taken as employees of a SpinCo Entity.

ARTICLE IX.  
NON-U.S. EMPLOYEES

Section 9.1. General Principles. Except as explicitly set forth in this Article IX, NOV Group Employees and SpinCo Group Employees who are resident outside of the United States or otherwise are subject to non-U.S. Law and their related benefits and obligations shall be treated in the same manner as the NOV Group Employees and SpinCo Group Employees who are resident of the United States are treated under this Agreement, mutatis mutandis. All actions taken with respect to non-U.S. Employees in connection with the Distribution will be accomplished in accordance with applicable Law and custom in each of the applicable jurisdictions.

Section 9.2. Treatment of Equity Awards Held By Non-U.S. Employees.

(a) Canadian Holders. For the purposes of this Agreement a NOV Option, NOV RSA or NOV PSA, as applicable, is held by a “Canadian Holder” if such NOV Option, NOV RSA or NOV PSA is held by a Person who is a resident of Canada for the purposes of Canada Tax Act or by a Person who was granted such NOV Option, NOV RSA or NOV PSA in respect of, in the course of, or by virtue of employment in Canada. In respect of any NOV Option, NOV RSA or NOV PSA held by a Canadian Holder, notwithstanding the other provisions of Sections 4.1, 4.2 or 4.3, as applicable, the following rules apply:

(i) Timing for Canadian Holders. The adjustment or conversion of each NOV Option, NOV RSA or NOV PSA held by a Canadian Holder shall be effected with such modifications as may be required such that any action under Sections 4.1, 4.2 or 4.3 which is called for at or as of the Distribution Date shall be taken or completed immediately prior to the Distribution Date;

(ii) Application of Canada Tax Act. It is intended that the provisions of subsection 7(1.4) of the Canada Tax Act apply to the adjustment or conversion of each NOV Option, NOV RSA or NOV PSA held by a Canadian Holder.

(iii) Greater Certainty. For greater certainty, in respect of the application of subsection 7(1.4) of the Canada Tax Act to the adjustment or conversion of any NOV Option, NOV RSA or NOV PSA held by a Canadian Holder, the computation of each amount under Sections 4.1, 4.2 or 4.3, as applicable, shall be undertaken in respect of each such NOV Option, NOV RSA or NOV PSA such that, for purposes of subsection 7(1.4) of the Canada Tax Act,

(x) the amount by which the total value immediately after the Distribution Date of the rights of the Canadian Holder to acquire securities of NOV or SpinCo, as applicable, exceeds of the total of the amount payable to acquire such securities

does not exceed

(y) the amount by which the total value immediately before the Distribution Date of the rights of the Canadian Holder to acquire securities of NOV under the applicable NOV Option, NOV RSA or NOV PSA exceeds of the total of the amount payable to acquire such securities

and NOV or SpinCo, as applicable, shall take all such steps and shall make all such adjustments effective as of the Distribution Date as are necessary to ensure that the conversions or adjustments pursuant to Sections 4.1 or 4.2 are in compliance with the provisions of subsection 7(1.4) of the Canada Tax Act.

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(b) [Intentionally omitted.]

ARTICLE X.  
GENERAL PROVISIONS

Section 10.1. Preservation of Rights to Amend. The rights of each NOV Entity and each SpinCo Entity to amend, waive, or terminate any plan, arrangement, agreement, program, or policy referred to herein shall not be limited in any way by this Agreement.

Section 10.2. Entire Agreement. This Agreement, together with the documents referenced herein (including the Separation Agreement, the Ancillary Agreements, the plans and agreements referenced herein and any annexes, schedules and exhibits hereto and thereto), constitutes the entire agreement and understanding among the Parties with respect to the subject matter hereof and supersedes all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof. To the extent any provision of this Agreement conflicts with the provisions of the Separation Agreement, the provisions of this Agreement shall be deemed to control with respect to the subject matter hereof.

Section 10.3. Binding Effect; No Third-Party Beneficiaries; No Amendment of Plans; Assignment. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. Except as otherwise expressly provided in this Agreement, this Agreement is solely for the benefit of the Parties and their respective Affiliates and should not be deemed to confer upon any third parties any remedy, claim, Liability, reimbursement, cause of action, or other rights.

Nothing in this Agreement is intended to amend any Benefit Plan or affect the applicable plan sponsor's right to amend or terminate any Benefit Plan pursuant to the terms of such plan. The provisions of this Agreement are solely for the benefit of the Parties, and no current or former Employee, officer, director, or independent contractor or any other individual associated therewith shall be regarded for any purpose as a third-party beneficiary of this Agreement. This Agreement may not be assigned by any Party, except with the prior written consent of the other Party.

Section 10.4. Amendment; Waivers. No change or amendment may be made to this Agreement except by an instrument in writing signed on behalf of each of the Parties. Any Party may, at any time, (i) extend the time for the performance of any of the obligations or other acts of the other Party, (ii) waive any inaccuracies in the representations and warranties of the other Party contained herein or in any document delivered pursuant hereto, and (iii) waive compliance by the other Party with any of the agreements, covenants, or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the Party to be bound thereby. No failure or delay on the part of any Party in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant, or agreement contained herein, nor shall any single or partial exercise of any such right preclude other or further exercises thereof or of any other right.

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Section 10.5. Remedies Cumulative. All rights and remedies existing under this Agreement or the Schedules attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

Section 10.6. Notices. Unless otherwise expressly provided herein, all notices, claims, certificates, requests, demands and other communications hereunder shall be made or given in accordance with the provisions of Section 10.5 of the Separation Agreement.

Section 10.7. Counterparts. This Agreement, including the Schedules hereto and the other documents referred to herein, may be executed in multiple counterparts, each of which when executed shall be deemed to be an original but all of which together shall constitute one and the same agreement.

Section 10.8. Severability. If any term or other provision of this Agreement or the Schedules attached hereto is determined by a non-appealable decision by a court, administrative agency, or arbitrator to be invalid, void, illegal, or incapable of being enforced by any rule of Law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, void, illegal, or incapable of being enforced, the court, administrative agency, or arbitrator shall interpret this Agreement in a manner acceptable to the Parties so as to effect as closely as, and to the fullest extent, possible the original intent of the Parties. If any provision in this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

Section 10.9. Governing Law. This Agreement (and any claims or disputes arising out of or related hereto or thereto or to the transactions contemplated hereby and thereby or to the inducement of any party to enter herein and therein, whether for breach of contract, tortious conduct, or otherwise and whether predicated on common law, statute, or otherwise) shall be governed by and construed and interpreted in accordance with the Laws of the State of Texas, irrespective of the choice of laws principles of the State of Texas, including all matters of validity, construction, effect, enforceability, performance, and remedies.

Section 10.10. Dispute Resolution. The dispute resolution procedures set forth in Article IV of the Separation Agreement shall apply to any dispute, controversy or claim (whether sounding in contract, tort or otherwise) that arises out of or relates to this Agreement, any breach or alleged breach hereof, the transactions contemplated hereby (including all actions taken in furtherance of the transactions contemplated hereby on or prior to the date hereof), or the construction, interpretation, enforceability, or validity hereof.

Section 10.11. Performance. Each of NOV and SpinCo shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any NOV Entity and any SpinCo Entity, respectively. The Parties each shall take such further actions and shall execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, all such further documents as are reasonably requested by the other to carry out the purposes of this Agreement or of any document delivered pursuant to this Agreement.

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Section 10.12. Effect if Distribution Does Not Occur. Notwithstanding anything in this Agreement to the contrary, if the Separation Agreement is terminated prior to the Distribution Date, this Agreement shall be of no further force and effect. In such event, no Party shall have any liability or obligation to any person by reason of this Agreement.

Section 10.13. Additional Indemnification Matters. THE RELEASES AND INDEMNIFICATION OBLIGATIONS OF THE PARTIES IN THIS AGREEMENT ARE EXPRESSLY INTENDED, AND SHALL OPERATE AND BE CONSTRUED, TO APPLY EVEN WHERE THE LOSSES OR LIABILITIES FOR WHICH THE RELEASE AND/OR INDEMNITY ARE GIVEN ARE CAUSED, IN WHOLE OR IN PART, BY THE SOLE, JOINT, JOINT AND SEVERAL, CONCURRENT, CONTRIBUTORY, ACTIVE OR PASSIVE NEGLIGENCE OR THE STRICT LIABILITY OR FAULT OF THE PARTY BEING RELEASED OR INDEMNIFIED.

[ Signatures of the Parties on Next Page ]

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in their names by a duly authorized officer as of the date first written above.

NATIONAL OILWELL VARCO, INC.

By: /s/ Dwight W. Rettig

Name: Dwight W. Rettig

Title: Executive Vice President and General Counsel

NOW INC.

By: /s/ Daniel L. Molinaro

Name: Daniel L. Molinaro

Title: Senior Vice President and CFO



**MASTER DISTRIBUTOR AGREEMENT**

**THIS AGREEMENT** is made and entered into as of the 29<sup>th</sup> day of May, 2014 (the "Effective Date") by and between NATIONAL OILWELL VARCO, L.P., a Delaware limited partnership, with an office and place of business at 7909 Parkwood Circle Drive, Houston, Texas 77036, hereinafter called "NOV", and DNOW L.P., a Texas limited partnership, with an office and place of business at 7402 North Eldridge Parkway, Houston, Texas 77041, hereinafter called "DISTRIBUTOR".

**WITNESSETH:**

**WHEREAS**, NOV manufactures, markets and sells certain equipment and parts to be used in the oil and gas industry, hereinafter called "Equipment".

**WHEREAS**, DISTRIBUTOR represents that it is engaged in the marketing and selling of such Equipment and desires to be appointed as a distributor of such Equipment and desires to purchase such Equipment, in accordance with the terms of this Agreement, for resale;

**WHEREAS**, the terms of this Agreement shall govern the distributor relationship between each of the various business groups of NOV and DISTRIBUTOR on a general basis;

**NOW THEREFORE**, the parties hereto, in consideration of the mutual promises herein contained, do covenant and agree as follows:

**I. APPOINTMENT**

NOV hereby appoints DISTRIBUTOR as its authorized non-exclusive distributor of the Equipment in the Territory. The Territory to be covered by DISTRIBUTOR is worldwide, except as otherwise agreed between the parties hereto. The Territory, however, shall not include any area or jurisdiction where NOV has an agreement in place that would prevent the sale of the Equipment by DISTRIBUTOR. NOV shall have the right to appoint any other person or entity as a non-exclusive distributor of the Equipment in the Territory and NOV shall have the right to make direct sales of Equipment into the Territory, for which no monies shall be due DISTRIBUTOR.

**II. SCOPE OF AGREEMENT**

The relationship between DISTRIBUTOR and NOV under this Agreement is that of buyer and seller. DISTRIBUTOR and its agents and employees shall, under no circumstances, be considered to be agents, employees, or representatives of NOV, and they shall not hold themselves out as such to third parties nor attempt to enter into contracts or commitments in the name of or on behalf of NOV nor bind NOV in any respect whatsoever.

**III. DISTRIBUTOR RESPONSIBILITIES**

DISTRIBUTOR accepts this appointment upon the terms and conditions herein and agrees that, so long as this appointment is in effect, it will:

- (a) Use its commercially reasonable efforts to develop business in, to promote the sale and use of, and to sell the Equipment covered by this Agreement in the assigned Territory;

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- (b) Maintain a sales organization which actively solicits the sale of products covered by this Agreement, carry out promotional programs, and fully utilize the sales assistance furnished by NOV;
  - (c) Submit to NOV, upon request if available, the forecasted requirements of DISTRIBUTOR for Equipment;
  - (d) Buy and resale Equipment, and maintain those stocks of Equipment, components and accessories that are necessary to promote the sales of NOV products and the Equipment and fulfill its customers' service needs;
  - (e) Inform NOV of significant personnel changes, and other material changes within the organization of the DISTRIBUTOR, that would materially affect the DISTRIBUTOR's performance under this Agreement;
  - (f) Obtain, to the extent necessary or appropriate, any necessary approvals from any governmental, local or other authority, which are required in order to sell the Equipment and comply with the provisions hereof;
  - (g) Pay NOV for the Equipment purchased from NOV at the prices and upon the terms and conditions herein set forth;
  - (h) Purchase from NOV Equipment in such quantity as shall satisfy the DISTRIBUTOR's requirements for resale during the term of this Agreement, unless otherwise agreed to in writing by NOV;
  - (i) Indemnify and hold harmless NOV, its affiliated companies, parents and their respective directors, officers, employees, agents and other representatives from and against any and all claims, liability, loss, demands, obligations or damage of any kind or character, including without limitation, injuries and death to persons, and loss of or damage to property by whomever owned, arising out of DISTRIBUTOR's negligent performance, acts or omission under this Agreement. This obligation shall be deemed continuous, notwithstanding any expiration or termination of this Agreement.

#### **IV. NOV RESPONSIBILITIES**

NOV agrees that, so long as this Agreement is in effect, it will:

- (a) Sell to the DISTRIBUTOR for resale within the Territory the Equipment for the period and upon the terms and conditions provided for herein, including any applicable discounts stated herein;

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- (b) NOV shall use all reasonable efforts to ship promptly supplies of the Equipment to the DISTRIBUTOR; and
  - (c) Indemnify and hold harmless DISTRIBUTOR from and against any and all loss, costs, damages and expenses whatsoever which DISTRIBUTOR may sustain or incur, and any and all liability, causes of action, proceedings, claims and demands whatsoever which may be brought or made against the DISTRIBUTOR, arising from any infringement of patent, trademark or other intellectual property rights and claims of any other person for the use of the name "National Oilwell Varco".
  - (d) Indemnify and hold harmless DISTRIBUTOR, its affiliated companies, parents and their respective directors, officers, employees, agents and other representatives from and against any and all claims, liability, loss, demands, obligations or damage of any kind or character, including without limitation, injuries and death to persons, and loss of or damage to property by whomever owned, arising out of NOV's negligent performance, acts or omission under this Agreement (including without limitation claims of product liability or strict liability). This obligation shall be deemed continuous, notwithstanding any expiration or termination of this Agreement.
  - d) NOV agrees to maintain commercially reasonable insurance with carriers licensed to do business in the State of Texas. Such insurance shall name DISTRIBUTOR as an additional insured on all policies except Workers' Compensation and Employers Liability and shall include comprehensive liability insurance with limits of no less than \$1,000,000.00 combined single limit bodily injury and property damage per occurrence, and shall include product liability coverage.
  - e) NOV shall notify DISTRIBUTOR of any price changes in writing at least sixty (60) days before such price change would be effective.

#### **V. CONDITIONS OF SALE AND TERMS OF PAYMENT**

Sales to DISTRIBUTOR shall be on an open-account basis, subject to approval of NOV's Treasury Department, and all such sales to DISTRIBUTOR shall be for resale by DISTRIBUTOR. All sales to DISTRIBUTOR shall be in accordance with the provisions of this Agreement and NOV's standard Terms and Conditions as Seller in effect at the time of each sale. Any provisions of any inquiry or any purchase order placed by DISTRIBUTOR which are inconsistent or in addition to the terms herein contained or NOV's standard Terms and Conditions as Seller shall be null and void. Purchase orders placed by DISTRIBUTOR shall be effective only insofar as designating the type and quantity of equipment ordered, delivery schedule and invoicing and shipping instructions.

The Equipment shall be delivered by NOV to the DISTRIBUTOR ex works ("EXW") place of manufacture or NOV's warehouse, as indicated by NOV, and title and risk of loss with respect to the Equipment shall pass EXW, Incoterms (2010 Edition).

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Any tax, license, fee, assessment, customs duty, excise or imposition levied or imposed by any present or future law of any governmental authority shall be the responsibility of the party incurring same.

#### **VI. DELIVERY**

NOV will use its reasonable efforts to meet DISTRIBUTOR's delivery schedules, but NOV shall not be liable for delays in delivery or failure to manufacture or deliver due to any cause beyond its reasonable control. In the event of any such delay, the date of delivery shall be extended for a period equal to the time lost by reason of such delay. Notwithstanding the foregoing, in the event DISTRIBUTOR's customer refuses to accept such late delivery, DISTRIBUTOR may cancel the order without penalty or cost, except as otherwise agreed between the parties hereto.

#### **VII. PRICES - DISCOUNTS**

Equipment covered by this Agreement shall be sold to DISTRIBUTOR at NOV's prices published in its official price book in effect at the time of shipment, less applicable discounts as may be agreed between the parties hereto from time to time. Prices do not include federal, state or local taxes applicable to the Equipment sold under this Agreement. An amount equal to the appropriate taxes will be added to the invoice where NOV has the legal obligation to collect such taxes. DISTRIBUTOR shall pay such amount to NOV unless DISTRIBUTOR provides NOV with a valid tax exemption certificate authorized by the appropriate taxing authority.

#### **VIII. CHANGES**

NOV expressly reserves the right to change the prices in its official price book and Equipment and discounts, and its Terms and Conditions as Seller, in whole or in part, at any time and from time to time. Such changes shall be effective upon notifying DISTRIBUTOR in writing approximately sixty (60) days in advance of any such change or by NOV's regular notice to the trade announcing any such change. Such changes shall not apply to any outstanding orders or bids.

#### **IX. DURATION OF AGREEMENT**

Unless sooner terminated as hereinafter provided, this Agreement shall become effective as of the Effective Date and shall continue in effect for a period of two (2) years and shall be automatically renewed on an annual basis thereafter unless either party notifies the other thirty (30) days in advance of its intent not to renew.

This Agreement may be terminated by either of the parties by delivering or forwarding by telefax, telecopy, telex, courier, or certified or registered mail to the other party, at its address herein before indicated, thirty (30) days' notice, in writing, of intention to terminate this Agreement; provided, however, that either party shall have the right to terminate this Agreement effective immediately by giving written notice to the breaching party that termination is made for cause. Such written notice must set forth the conditions constituting cause. Situations which shall entitle either party to terminate the Agreement for cause shall include, but not be limited to, any of the following:

- (a) Any material breach of this Agreement;

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- (b) Violation of any applicable governmental law, statute, regulation, edict, order;
  - (c) Engaging in conduct which creates a material conflict of interest;
  - (d) Material misrepresentation of the Equipment;
  - (e) Misrepresentation of NOV's policies or services; or
  - (f) an assignment of the rights granted hereunder to a third party without the written consent of the other party to this Agreement.

In the event of termination or expiration, this Agreement shall become null and void without prejudice, however, to any right of action or remedy which either of said parties may have for the recovery of any monies then owing it hereunder or for the enforcement of any other obligations which may be attached, accrued or become fixed by the terms hereof or by the conduct of either or both of the parties under this Agreement.

Upon termination of this Agreement by DISTRIBUTOR, NOV, at its sole option, may repurchase any of the Equipment purchased by DISTRIBUTOR from NOV pursuant to this Agreement not then sold by DISTRIBUTOR for the same amount paid or to be paid by the DISTRIBUTOR to NOV for such Equipment plus actual transportation charges and delivery expenses. Any unpaid balance owed by DISTRIBUTOR to NOV shall be immediately due upon termination of this Agreement. If NOV terminates this Agreement without cause, Distributor may, at its sole option, return any material purchased by DISTRIBUTOR FROM NOV that is not sold for the same amount paid or to be paid by DISTRIBUTOR TO NOV, except as otherwise agreed between the parties hereto.

NOV shall not be liable by reason of termination, expiration or nonrenewal of this Agreement to DISTRIBUTOR for any compensation, reimbursement, or damages whatsoever, whether based on goodwill established, investments made by DISTRIBUTOR, or otherwise. DISTRIBUTOR hereby waives and renounces any claims for compensation, indemnity of payment to which it might otherwise be entitled under the laws of any political entity in the event of or because of the nonrenewal, expiration or termination of this Agreement for any reason, and agrees further to indemnify and hold harmless NOV from any and all claims of DISTRIBUTOR's agents, officers or employees for similar compensation, indemnity or payment.

#### **X. WAIVER OF PROVISIONS**

Waiver of any breach of any provision herein contained shall not be deemed to be a waiver of any other provision hereof nor a waiver of any future breach of any such provision.

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#### **XI. AMENDMENT AND ASSIGNMENT**

Unless authorized in writing by an officer of NOV and by an officer of DISTRIBUTOR, no amendment, addition to or modification of the provisions of this Agreement shall be effective except with regard to Equipment, discount and NOV's Terms and Conditions as Seller as herein provided. Neither this Agreement nor any of the rights, duties or obligations arising hereunder, nor any interest herein, shall be transferred or assigned to any third party person, firm, corporation, or association by DISTRIBUTOR without the express prior written consent of NOV. Any purported transfer or assignment not complying with the foregoing shall be void. The terms of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the valid successors and assigns of the parties hereto.

#### **XII. GOVERNING LAW**

This Agreement shall be governed by the laws of the State of Texas, United States of America. All causes of action in favor of either party arising out of this Agreement shall be adjudicated only in the courts of such state. Both parties hereby consent to be subject to the personal jurisdiction of such courts and agree that proper venue for any suits by or against DISTRIBUTOR shall be in Harris County, Texas.

DISTRIBUTOR, in connection with performance under this Agreement, shall not violate the laws or regulations of any country, state, province or locality in which this Agreement is to be performed; provided, however, DISTRIBUTOR shall not comply with such laws and regulations or do any actions that would cause NOV to be in violation of any law or regulation of the United States of America. Specifically, DISTRIBUTOR covenants that it will not cause or knowingly allow NOV to be in violation of the Foreign Corrupt Practices Act ("FCPA") of the United States. NOV shall have the right to terminate this Agreement in the event it learns or has reason to believe DISTRIBUTOR has caused NOV to violate the FCPA. Such termination occurs on the date such violation first occurs.

#### **XIII. PRIOR AGREEMENTS**

This Agreement shall supersede and replace any prior distributor agreement between NOV and DISTRIBUTOR and any such prior agreement shall be automatically terminated as of the date of this Agreement, notwithstanding any provision of such prior agreement requiring NOV or DISTRIBUTOR to give notice prior to such termination. NOV shall have no obligation to repurchase any Equipment purchased by DISTRIBUTOR pursuant to such prior agreement, notwithstanding any contrary provision in the prior agreement. In the event of a conflict between the terms contained in this Agreement in Articles I through XVI and the terms contained in NOV's standard Terms and Conditions as Seller, the terms contained in this Agreement shall govern.

#### **XIV. CONSULTING**

From time to time, as requested in writing by NOV, DISTRIBUTOR shall perform various consulting work for NOV. Any fees due for such consulting work shall be on a case-by-case basis and shall be agreed to at the time such work is requested by NOV. Such consulting work shall be limited to a case-by-case basis and may be related solely to a particular project or customer of NOV. Any fee established for such consulting work is not to be considered as creating a precedent for subsequent transactions or consulting work.

**XV. MANUFACTURING OF COMPETING PARTS/REPLICATION**

As a material part of the consideration of this Agreement, DISTRIBUTOR agrees that it will not use or allow the use of any drawings, technology or know-how supplied by NOV, or otherwise obtained by DISTRIBUTOR under this Agreement, to produce or manufacture competing parts or assemblies for NOV's Equipment or to replicate NOV's Equipment or to attempt to analyze, reverse engineering or otherwise ascertain the composition or manufacture of the Equipment. It is understood and agreed that in the event of any violation of this covenant, NOV shall be entitled to all recourse, whether at law or at equity, including injunctive relief. This obligation shall continue after termination of this Agreement.

**XVI. REGISTRATION**

DISTRIBUTOR covenants and agrees that it shall not allow this Agreement or any memorandum or letter referring to this Agreement or referring to DISTRIBUTOR's affiliation with NOV to be registered, filed or otherwise placed of record with any government, without NOV's express prior written consent.

**IN WITNESS WHEREOF**, the parties hereto have hereunder caused this Agreement to be executed in multiple parts by their respective officers as of the day and year first above written.

**NATIONAL OILWELL VARCO, L.P.**  
by its general partner,  
NOW Oilfield Services, Inc.

**DNOW L.P.**  
By its general partner  
Wilson International, Inc.

**By:** /s/ Dwight W. Rettig

**By:** /s/ Daniel L. Molinaro

**Name:** Dwight W. Rettig

**Name:** Daniel L. Molinaro

**Title:** Executive Vice President and General Counsel

**Title:** President

**Master Service Agreement**

This Master Service Agreement (“MSA”) is entered into this 29th day of May, 2014 (the “Effective Date”) by and between DNOW L.P. with a place of business at 7402 North Eldridge Parkway Houston, TX 77041 (“DNOW”) and National Oilwell Varco, L.P. (“NOV”) with a place of business at 7909 Parkwood Circle Drive, Houston, TX 77036. NOV, as used herein, shall include NOV and its affiliated and subsidiary companies.

**Preamble**

WHEREAS, NOV is engaged in the business of providing diversified drilling services to the oil and gas industry worldwide and, from time to time, requires new and replacement equipment, products, parts and supplies for use in its offshore drilling operations.

WHEREAS, DNOW is in the business of furnishing procurement and inventory management services and supplying equipment, products, parts, and supplies for use in the oil and gas industry.

WHEREAS, NOV desires that DNOW be designated as NOV’s non-exclusive supplier for certain services, equipment, products, parts, and supplies to NOV and DNOW desires to be designated as NOV’s non-exclusive supplier in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, NOV and DNOW agree as follows:

**1.0 Scope of Agreement.** This MSA defines the contractual rights, obligations and liabilities of the parties related to goods and services supplied by DNOW for NOV. DNOW shall provide procurement services, manage the inventory identified by NOV and such other services as may be agreed by DNOW and NOV (collectively the “Services”). DNOW shall sell the goods ordered by NOV under subsequent verbal or written purchase orders, either in connection with the supply of Services or based on independent purchase orders (the “Goods”) in accordance with the terms and conditions set forth in this MSA. The Goods and Services are collectively referred to herein as “Work”.

**2.0 Independent Contractor.** DNOW understands and agrees that it has the right to control the manner, means and progress of the Work to be provided hereunder; subject to inspection, approval and acceptance by NOV. DNOW shall furnish all materials, equipment, labor and supplies necessary to perform the Work. DNOW will, at all times, act as an independent contractor and nothing stated or implied herein shall be construed to make DNOW an employee of NOV nor shall DNOW in any way represent that it or any of its employees are employees of NOV. No employment relationship exists between NOV and DNOW, and neither DNOW nor its agents or employees shall be entitled to any employment benefits from NOV including, but not limited to, unemployment compensation, worker’s compensation, or social security.

**3.0 Insurance.** DNOW agrees to carry at its sole expense the following insurance with B+ rated companies or better:

Comprehensive General Liability Insurance including Contractual, Products and Completed Operations Insurance, covering all operations and work hereunder in the amounts of not less than \$1,000,000 for bodily injury and property damage. Such insurance shall specifically refer to this MSA and shall specifically cover on a primary basis the liability assumed by DNOW hereunder.

If Work include the use of a motor vehicle, Automobile liability including all owned, hired and non-owned vehicles used in connection with operations and work performed under this MSA with \$1,000,000 Combined Single Limit.



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Workers' Compensation/Employers Liability covering DNOW employees if any. Statutory Workers' Compensation plus \$1,000,000 in Employers Liability and in compliance with the laws of the state in which DNOW is performing the Work.

Umbrella/Excess Liability no less than \$5,000,000 in excess of the above listed insurance.

To the extent of the liabilities assumed by DNOW under this MSA, all policies shall name NOV, its affiliates and subsidiaries as Additional Insured on all policies except Workers' Compensation and Employers Liability and provide, to the extent of the liabilities assumed by DNOW under this MSA, a Waiver of Subrogation, in favor of NOV, its subsidiaries and affiliates on all policies with respect to the Work provided under this MSA. DNOW shall furnish NOV with a certificate of insurance pursuant to above requirements. Certificate holder will be listed as National Oilwell Varco, L.P., its affiliates and subsidiaries. DNOW must provide NOV with thirty (30) days' notice prior to the cancellation of any policy to which NOV is listed as a Certificate holder.

DNOW and NOV will be considered co-employers (dual or joint employers) of those persons furnished to NOV by DNOW hereunder for purposes of employer liability under worker's compensation laws. Irrespective of NOV's status as a co-employer of DNOW's employees for purposes of workers' compensation laws, DNOW shall remain primarily responsible for the payment of worker's compensation benefits to its employees, and shall not be entitled to seek contribution for any such payments from NOV.

The above requirements are minimum requirements and shall not limit DNOW's liability to NOV in any manner under this MSA.

**4.0 Indemnity.** (a) Definitions. "NOV Group" means NOV, its parent, affiliates, subsidiaries, co-lessees, partners, joint venturers, co-owners, contractors and subcontractors of any tier and all of their respective officers, directors, employees, agents, representatives and invitees. "DNOW Group" means DNOW, its parent, affiliates, subsidiaries, co-lessees, partners, joint venturers, co-owners, contractors and subcontractors of any tier and all of their respective officers, directors, employees, agents, representatives and invitees.

DNOW will defend, indemnify, release and hold NOV Group harmless from and against any manner of liability, claim, damage, penalty or cost arising out of or related to any injury to (including death) or damage to the property of any party to the extent such injury or property damage is caused by or contributed to by DNOW Group's negligence. NOV will defend, indemnify, release and hold DNOW Group harmless from and against any manner of liability, claim, damage, penalty or cost arising out of or related to any injury to (including death) or damage to the property of any party to the extent such injury or property damage is caused by or contributed to by NOV Group's negligence.

**5.0 Confidentiality.** Both DNOW and NOV shall keep the information provided to it by the other party and related to this Agreement, including, but not limited to proprietary software, various NOV industrial and commercial methods, designs, drawings, specifications, processes, customer lists, costs, equipment, goods, and product usage information (the "Confidential Information") as confidential. Neither party shall use the Confidential Information for any purpose other than as set forth under this Agreement.

Notwithstanding the foregoing, information provided by either party for purposes hereof shall not be deemed Confidential Information and the obligations of the receiving party under this MSA shall not apply when such information:

- a. is already known by the receiving party;
- b. is or becomes in the public domain through no wrongful act of the receiving party;
- c. is rightly received from a third party not under a confidentiality obligation to the disclosing party;
- d. is independently developed by the receiving party without breach of this Agreement;

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- e. is required to be disclosed pursuant to requirements of a governmental agency or is required by operation of law; or
  - f. is approved for release by written authorization to the receiving party from the disclosing party.

In consideration of NOV making available to DNOW such Confidential Information, DNOW shall treat all Confidential Information supplied by NOV or otherwise obtained by DNOW under this Agreement as confidential and proprietary to NOV and shall not (a) disclose such Confidential Information to others, (b) duplicate such Confidential Information or (c) use the Confidential Information (nor permit any such disclosure, duplication, or use) other than for purposes specifically contemplated by this MSA. DNOW may, however, disclose such Confidential Information to its employees, representatives and advisors who need to know same, for purposes consistent herewith, provided it shall have informed such representatives of the confidential nature of such information and direct such representatives not to disclose such Confidential Information. DNOW also agrees that it will not use or allow the use of the Confidential Information supplied by NOV, or otherwise obtained by DNOW under this Agreement, to replicate NOV's equipment or to attempt to analyze, reverse-engineer, or otherwise ascertain the composition or manufacture of NOV's products, either directly or through contractors.

All Confidential Information provided hereunder is and shall remain the sole and exclusive property of the provider of such information and shall be immediately returned to the providing party, along with all copies thereof, upon termination of this MSA or upon the providing party's request.

NOV may provide DNOW with certain equipment, tools, parts, samples, gauges, and other tangible things for the performance of the Work hereunder by DNOW. DNOW understands and agrees that such equipment, tools, parts, samples, gauges, and other tangible things are the sole and exclusive property of NOV and shall be immediately returned to NOV upon termination of this MSA or upon NOV's request.

The provisions in this Section 5 shall survive termination of this Agreement.

#### **6.0 Warranty.**

**Goods.** DNOW warrants title to the Goods free and clear of liens, taxes or encumbrances whatsoever. In the case of the purchase of new equipment/parts manufactured by DNOW, DNOW warrants, for a period of twelve (12) months from delivery, that new equipment/parts of its own manufacture shall conform to the material and technical specifications set forth in the purchase order. Secondhand goods are sold "as is", and DNOW will use reasonable endeavors to specify that such goods are secondhand in the applicable order and shall provide such information upon NOV's request. If the new equipment/parts fail to conform with such specifications, DNOW will, at NOV's option, promptly repair or replace the Goods at DNOW's sole cost or refund the purchase price.

**Third Party Goods.** Goods manufactured by others are warranted in accordance with the warranty provided by the manufacturer. DNOW will use reasonable endeavors to provide to NOV the terms of the warranty that the manufacturer offers and that will be extended to NOV. DNOW shall provide such terms of warranty to NOV upon NOV's request.

**Services.** All Services shall be performed by experienced, capable and competent individuals in a timely, skilful and workmanlike manner and in compliance with this MSA and the work order, and shall be performed with the level of expertise, care and diligence demonstrated by experienced reputable contractors performing work of a similar nature to the Services. DNOW shall stock the required items in accordance with NOV forecasts and specifications. If the Services provided by DNOW fail to conform to the warranties set forth above, DNOW shall, at its sole expense and at NOV's option, promptly re-perform the Services at DNOW's sole cost; refund the amount of money paid by NOV for such nonconforming Services; or reimburse NOV for the cost of re-performing the nonconforming Services.

This warranty does not extend to normal wear and tear. This warranty shall be null and void if any repairs, modifications, alterations are made to the Goods supplied hereunder during the warranty period by NOV or

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by others on its behalf without the prior written consent of DNOW. NOV's remedies with respect to Goods supplied under this MSA that is found to be defective shall be limited in accordance with this Article 6. DNOW's total cumulative liability for warranty claims arising from or pertaining to any Goods or Services provided or required to be provided under this MSA, shall not in any case exceed the purchase price paid by NOV of such Goods or Services. THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION ON THE face HEREOF. THIS WARRANTY IS GIVEN EXPRESSLY AND IN PLACE OF ALL OTHER EXPRESS OR IMPLIED WARRANTIES AND ALL IMPLIED WARRANTIES FOR MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE DISCLAIMED.

#### **7.0 Consequential Damages.**

NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY CONSEQUENTIAL OR INDIRECT DAMAGES (WHETHER FORESEEABLE OR NOT AT THE DATE OF THIS AGREEMENT) INCLUDING BUT NOT LIMITED TO LOSS OF PRODUCTION, LOSS OF PROFITS, OR BUSINESS INTERRUPTION, REGARDLESS OF THE CAUSE, INCLUDING THE SOLE, JOINT OR CONCURRENT NEGLIGENCE IN ANY FORM, WILLFUL OR RECKLESS ACT OR OMISSION, STRICT LIABILITY, BREACH OF WARRANTY, BREACH OF DUTY (STATUTORY OR OTHERWISE), BREACH OF CONTRACT, OR ANY OTHER LEGAL FAULT OR RESPONSIBILITY OF EITHER PARTY, ITS EMPLOYEES OR AGENTS, OR ANY OTHER PERSON OR PARTY. NOTWITHSTANDING THE FOREGOING, THIS LIMITATION SHALL NOT APPLY TO THIRD PARTY CLAIMS FOR WHICH A PARTY IS LIABLE UNDER THIS MSA.

**8.0 Payment.** Unless otherwise agreed by the parties under subsequent orders, NOV shall pay DNOW the amount invoiced for Goods and/or Services provided by DNOW to NOV under this MSA within thirty (30) days following the receipt of such invoice.

**9.0 Term and Termination.** This MSA shall have an initial term of two (2) years from the Effective Date (the "Initial Term"). This MSA may be terminated during the Initial Term only in the event of default. After the Initial Term this MSA will continue to be in effect until canceled at the option of either party by providing thirty (30) days written notice to the other party; provided, said cancellation shall not relieve either party of its obligation arising from or incident to the Work performed hereunder prior to such cancellation being effective. Additionally, either party shall have the right to terminate this MSA effective immediately by giving written notice to the breaching party that termination is made for cause. Such written notice must set forth the conditions constituting cause. Situations which shall entitle either party to terminate the MSA for cause shall include, but not be limited to, any of the following:

- (a) Any material breach of this MSA;
- (b) Violation of any applicable governmental law, statute, regulation, edict, order; or
- (c) An assignment of the rights granted hereunder to a third party without the written consent of the other party to this MSA
- (d) Any breach of this MSA if such breach is not cured within seven (7) business days from receipt of notice sent by the non-defaulting party specifying the breach.

NOV reserves the right to terminate this MSA effective immediately if DNOW becomes insolvent, makes an assignment for the benefit of creditors, institutes or is the subject of any proceedings under any applicable laws for relief from creditors, insolvency, receivership, bankruptcy, winding-up or dissolution, appoints a receiver, trustee, monitor or liquidator over any assets of DNOW or ceases to carry on business.

Upon termination for cause, NOV shall be entitled to obtain the Goods and complete the Services by commercially reasonable means through third parties and DNOW shall be liable for any additional costs incurred to effect such supply of the Goods and completion of the Services.

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Notwithstanding the foregoing, the provisions contained in Sections 4, 5, 6, 7 and 8 of this MSA shall survive any such termination.

**10.0 Miscellaneous.**

(a) This MSA shall be construed under and in accordance with the laws of the State of Texas without regard to conflicts of law principles that would require application of any other law. Any action or proceeding arising out of or relating to this MSA must be brought in a state or federal court sitting in Harris County, Texas, and each of the parties hereby agrees to irrevocably submit itself to the exclusive jurisdiction of each such court in any such action or proceeding and waives any objection it may now or hereafter have to venue or convenience of forum.

(b) This MSA contemplates unique Work and will not be assignable by DNOW nor shall DNOW subcontract the Work without NOV's prior written consent. In the event DNOW subcontracts the Work with NOV's consent, DNOW will notify each such subcontractor of the terms of this MSA and before DNOW may disclose any Confidential Information to any such subcontractor the subcontractor, to the extent allowed by law, must agree in writing to be bound by the terms contained herein to the same extent as if they were parties here. DNOW also agrees that such subcontract shall not release DNOW from its obligations under this MSA and DNOW shall remain liable for the compliance of all such obligations.

(c) Any notice required or provided for herein shall be delivered in person or by certified mail to the addresses herein provided. Notices shall be effective upon receipt by the notified party.

If to NOV:

National Oilwell Varco, L.P.  
Attention: General Counsel  
7909 Parkwood Circle Drive  
Houston, TX 77036  
Telephone: (713) 346-7550  
Facsimile: (713) 346-7995

If to DNOW:

DNOW L.P.  
Attention: General Counsel  
7402 North Eldridge Parkway  
Houston, TX 77041  
Telephone: 281-823-4700  
Facsimile: 281-823-5208

By written notice to the other party, any party may change the address to which such notices or communications are to be sent.

(d) Any delay in the timely performance by either party under this MSA, except for the payment of monies and indemnification obligations assumed hereunder (which may not be excused due to Force Majeure), shall be excused if and to the extent caused by occurrences beyond the control of the party, including but not limited to act of God, weather or governmental action, where any such delay cannot be, and could not have been avoided through the exercise of reasonable due diligence and care (such event or occurrence being referred to herein as an event of "Force Majeure"); provided, however, that the party to be excused shall diligently seek to overcome the event of Force Majeure, and resume performance promptly after the event of Force Majeure has been removed. The party seeking to be excused for performance under this MSA shall promptly notify the other, in writing, of the time of commencement of such event of Force Majeure, and specify the detailed nature thereof.

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(e) This MSA and all written and verbal work and purchase orders issued by NOV shall constitute the entire agreement between the parties hereto and supersede all previous oral and written agreements, discussions, or understandings, if any, between the parties regarding the subject matter hereof. This MSA and purchase orders, verbal or written, shall control and govern all Work supplied by the DNOW to or for NOV whether or not this MSA is referenced therein. In the event of any conflict between this MSA and orders issued by NOV, the terms of this MSA shall prevail.

(f) No waiver by NOV of any of the terms, provisions or conditions hereof, nor any modification of same, shall be effective unless in writing and signed by NOV's authorized representative.

(g) For purchased Goods, ownership and risk of loss pass to NOV upon delivery of the Goods.

(h) In performing the Work, DNOW shall comply with all applicable federal, state, local and agency laws, ordinances and regulations.

(i) Except in the event of NOV's failure to pay DNOW when due, DNOW waives its constitutional and/or statutory liens rights against NOV or its property for any Work performed hereunder.

(j) If any provision of this MSA is held to be illegal, invalid, or unenforceable, such provision shall be fully severable and this MSA will be construed and enforced as if such provision had never been a part of this MSA.

(k) DNOW expressly acknowledges and agrees that, in the event of any breach of this MSA by DNOW and/or its Representatives, NOV will be entitled to equitable relief, including without limitation injunction and specific performance, against DNOW, in addition to all other remedies available to NOV in law and/or in equity.

(l) Nothing herein shall be construed as granting or conferring upon DNOW, expressly, impliedly or otherwise, any licenses or other rights under any of NOV's patent, trademarks, trade secrets, property, and/or intellectual property rights.

(m) NOV shall have the right at any time, upon reasonable prior notice, during normal business hours, to access DNOW's facilities to inspect any work in progress hereunder in order to verify timeliness of performance and quality control. In the event of delay, or reasonably anticipated delay, DNOW will immediately notify NOV in writing of the delay or anticipated delay, and its approximate duration. DNOW will undertake to shorten or make up the delay by all reasonable means. In the event DNOW is unable to meet any delivery date(s) hereunder, NOV shall have the right acquire the Work from a third-party source and charge DNOW for any costs in excess of the purchase price for such Work.

(n) Upon notice to DNOW, NOV may, at any time, make changes to the scope of Work and if such changes to the scope of Work are agreed to by DNOW in writing by an authorized representative of DNOW, then DNOW shall fully and immediately comply with such changes.

(o) If requested by NOV, DNOW shall provide NOV with the information and documentation necessary to enable NOV to assign an Export Control Classification Numbers ("ECCN") for applicable Goods purchased hereunder.

(p) DNOW represents that it has neither given nor received any commissions, payments, gifts, kickbacks, lavish or extensive entertainment, or other things of value to or from any employee or agent of NOV or any third party in connection with this MSA and acknowledges that the giving or receiving of same could be a violation of NOV's corporate policy.

IN WITNESS WHEREOF, this Agreement is executed as of the date first above written.

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NATIONAL OILWELL VARCO, L.P.,  
by its general partner  
NOW Oilfield Services, Inc.

By: /s/ Dwight W. Rettig  
signature

Name: Dwight W. Rettig

Title: Executive Vice President and General Counsel

DNOW, L.P.  
By its general partner  
Wilson International, Inc.

By: /s/ Daniel L. Molinaro  
signature

Name: Daniel L. Molinaro

Title: President

**EMPLOYMENT AGREEMENT**

This **EMPLOYMENT AGREEMENT** (this “Agreement”), dated effective as of May 30, 2014, is by and among DNOW L.P., a Delaware limited partnership (the “Company”), NOW Inc., a Delaware corporation (“NOW”), and Merrill A. Miller, Jr. (the “Executive”).

**WITNESSETH:**

**WHEREAS**, the Board of Directors of NOW (the “Board”) has previously determined that it is in the best interests of NOW and its stockholders to retain the Executive and to induce the employment of the Executive for the long term benefit of NOW, its shareholders and its affiliated companies, including the Company;

**WHEREAS**, the Board does not contemplate the termination of the Executive during the term hereof and the Board and the Executive expect that the Executive will be retained for at least the one year period contemplated herein; and

**WHEREAS**, to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

**NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:**

**1. EMPLOYMENT.**

(a) The Company hereby agrees that the Company or an affiliated company will continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company or an affiliated company subject to the terms and conditions of this Agreement, during the Employment Period (as defined below). As used in this Agreement, the term “affiliated companies” shall include any company controlled by, controlling or under common control with the Company.

(b) The “Employment Period” shall mean the period commencing on the date hereof and ending on the third (3rd) anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the “Renewal Date”), unless previously terminated, the Employment Period shall be automatically extended so as to terminate three years after such Renewal Date, unless at least sixty (60) days prior to the Renewal Date the Company shall give notice to the Executive that the Contract Period shall not be so extended. If this Agreement has been automatically extended, the term “date hereof” as used within the phrase “in effect as of the date hereof” or other similarly constructed phrases, any of which are used in this Agreement to describe the nature and scope of the Executive’s duties and compensation as of the date of this Agreement, shall be revised to read as “most recent Renewal Date”.

**2. TERMS OF EMPLOYMENT.****(a) Position and Duties.**

(i) During the Employment Period, (A) the Executive’s position (including status, offices, titles and reporting requirements, authority, duties and responsibilities) shall be substantially similar to that in effect as of the date hereof and (B) the Executive’s services shall be performed at the location where the Executive was employed immediately preceding the date hereof or any office or location less than fifty (50) miles from such location.

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(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote the Executive's full time, skill and attention to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the date hereof, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the date hereof shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary equal to the current base salary being received by the Executive ("Annual Base Salary"), which shall be paid in accordance with the Company's standard payroll practice. During the Employment Period, the Annual Base Salary shall be reviewed no more than twelve (12) months after the last salary increase awarded to the Executive prior to the date hereof and thereafter at least annually; provided, however, that a salary increase shall not necessarily be awarded as a result of such review. Any increase in Annual Base Salary may not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any increase without the express written consent of the Executive. The term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased.

(ii) Annual Bonus. The Executive shall be eligible for an annual bonus (the "Annual Bonus") for each fiscal year ending during the Employment Period on the same basis as other executive officers under the Company's then current Annual Incentive Plan (or such other name as may be adopted for the plan or its successor), which shall be payable in accordance with the terms of such plan.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, stock option, savings and retirement plans, practices, policies and programs applicable generally to the Executive's peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies to any other executive under such plans, practices, policies and programs as in effect on the date hereof.



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(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible to participate in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to the Executive's peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than such plans, practices, policies and programs in effect for any other executive of NOW on the date hereof.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect on the date hereof.

Any reimbursement of expenses required under this paragraph and any reimbursement of legal fees and expenses required under Section 6(c) of this Agreement shall be made by the Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to the Company (but in any event not later than the close of the Executive's taxable year following the taxable year in which the fee, disbursement, cost or expense is incurred by the Executive); provided, however, that, upon the Executive's termination of employment with the Company, in no event shall any additional reimbursement be made prior to the date that is six months after the date of the Executive's termination of employment to the extent such payment delay is required under Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the "Code"). In no event shall any reimbursement be made to the Executive for such expenses and fees incurred after the later of (1) the tenth anniversary of the date of the Executive's death or (2) the date that is ten years after the date of the Executive's termination of employment with the Company.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits (including, without limitation, financial planning services, payment of club dues, a car allowance or use of an automobile and payment of related expenses, as appropriate) in accordance with the most favorable plans, practices, programs and policies of the Company in effect on the date hereof.

(vii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies in effect on the date hereof.

### 3. **TERMINATION OF EMPLOYMENT.**

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that a Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 10(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective thirty (30) days after receipt of such notice by the Executive (the "Disability Effective Date"), provided that within the thirty (30) day period after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for one hundred eighty (180) calendar days as a result of incapacity due to mental or physical illness which is

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determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative. This provision does not modify or affect any other rights Executive may have under the Americans with Disabilities Act or other applicable laws regarding any disability Executive may have or develop.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company. For purposes of this provision, no act, or failure to act, on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in reasonable detail.

(c) Good Reason. The Executive may terminate the Executive's employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 2(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 2(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 2(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the date hereof;

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- (iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or
  - (v) any failure by the Company to comply with and satisfy Section 8(c) of this Agreement, or
  - (vi) notice by the Company to the Executive that the Company is not extending or renewing this Agreement.

For purposes of this Section 3(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive.

(d) Notice of Termination. Any termination during the Employment Period by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of the Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" shall mean:

(i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be;

(ii) if the Executive's employment is terminated by the Company other than for Cause, death or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination; and

(iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

For purposes of any payments or provision of benefits under this Agreement, the Executive shall not be considered to have terminated employment with the Company unless the Executive incurs a "separation from service" with the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable guidance issued thereunder.

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4. **OBLIGATIONS OF THE COMPANY UPON TERMINATION.**

(a) Good Reason; Other than For Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause, death or Disability, or the Executive shall terminate employment for Good Reason:

(i) The Company shall pay to the Executive in a lump sum in cash within thirty (30) days after the Date of Termination the aggregate of the following amounts:

(A) the sum of (1) Executive's Annual Base Salary in effect for the year of Termination (the "Termination Base Salary") through the Date of Termination to the extent not theretofore paid, (2) 50% of Executive's Termination Base Salary; and (3) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2) and (3) shall be hereinafter referred to as the "Accrued Obligations"), and

(B) an amount equal to 3 times Executive's Termination Base Salary, and

(C) an amount equal to the maximum amount of employer matching contributions that could have been credited to the Executive under the Company's 401(k) Savings Plan (without regard to any applicable nondiscrimination tests), any other excess or supplemental retirement plan in which the Executive participates or any other deferred compensation plan during the twelve (12) month period immediately preceding the month of the Executive's Date of Termination multiplied by three, such amount to be grossed up so that the amount the Executive actually receives after payment of any federal or state taxes payable thereon equals the amount first described above.

(D) No amounts shall be paid or payable to Executive under the Company's performance-based incentive plans, including the then current NOW Inc. Annual Incentive Plan (or such other name as may be adopted for the plan or its successor), for the year in which the Date of Termination occurs.

(ii) Until the date of the Executive's death, the Company shall continue group health plan (as defined for purposes of section 4980B of the Code) benefits to the Executive and/or the Executive's family equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 2(b)(iv) of this Agreement as if the Executive's employment had not been terminated; provided, that if the Executive's participation after the Date of Termination in such group health plan is not permitted by the terms of a plan, then for the Executive's lifetime, the Company shall provide the Executive with substantially the same benefits that were provided to the Executive by that plan immediately before the Termination Date; provided further, that if the Executive becomes reemployed by another employer and is eligible to receive any of such benefits under another employer provided plan, the benefits provided hereunder shall be secondary to those provided under such other plans. With respect to any group health plan that requires an employee contribution, for the period of time during which the Executive would be entitled, or would, but for this Agreement, be entitled to continuation coverage under a group health plan of the Company under Section 4980B of the Code if the Executive elected such coverage and paid the applicable premiums (generally, 18 months), the Executive shall pay the then active employee cost of the benefits as determined under the then current practices of the Company on a monthly, semi-annual or annual basis as elected by the Executive, and thereafter, the Executive shall pay the full cost of the benefits as determined under the then current practices of the Company on a monthly or annual basis as elected by the Executive, provided that the Company shall reimburse the Executive the amount of the costs of the benefit that is in excess of the then active employees costs

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for such benefits no later than 30 days following the end of the Executive's taxable year in which such reimbursable amounts are paid by the Executive, and provided further that the reimbursements provided during the Executive's taxable year shall not affect the expenses eligible for reimbursement in any other taxable year (with the exception of applicable lifetime maximums applicable to medical expenses or medical benefits described in Section 105(b) of the Code) and the right to reimbursement hereunder shall not be subject to liquidation or exchange for another benefit or payment;

(iii) The Company shall reimburse Executive for all outplacement services incurred on and prior to the last day of the second calendar year following the year in which the Date of Termination occurs up to a maximum direct cost to the Company of up to 15% of the Executive's Annual Base Salary as of the Date of Termination. The Company shall reimburse Executive within 30 days after Executive provides the Company with an invoice (and any supporting documentation required by the Company) for such outplacement services, but in no event shall any such reimbursement be made after the last day of the third calendar year following the year in which the Date of Termination occurs.

(iv) With respect to all options to purchase Common Stock held by the Executive pursuant to a Company stock option plan on or prior to the Date of Termination, irrespective of whether such options are then exercisable, the Executive shall have the right, during the sixty (60) day period after the Date of Termination, to elect to surrender all or part of such options in exchange for a cash payment by the Company to the Executive in an amount equal to the number of shares of Common Stock subject to the Executive's option multiplied by the difference between (x) and (y) where (x) equals the purchase price per share covered by the option and (y) equals the highest reported sale price of a share of Common Stock in any transaction reported on the New York Stock Exchange during the sixty (60) day period prior to and including the Executive's Date of Termination. Such cash payments shall be made within thirty (30) days after the date of the Executive's election; provided, however, that if the Executive's Date of Termination is within six months after the date of grant of a particular option held by the Executive and the Executive is subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, any cash payments related thereto shall be made on the date which is six months and one day after the date of grant of such option to the extent necessary to prevent the imposition of the disgorgement provisions under Section 16(b).

Any options outstanding as of the Date of Termination and not then exercisable shall become fully exercisable as of the Executive's Date of Termination, and to the extent the Executive does not elect to surrender same for a cash payment as provided above, such options shall remain exercisable for one year after the Executive's Date of Termination or until the stated expiration of the stated term thereof, whichever is shorter; any restrictions imposed by NOW or the Company that are applicable to any shares of Common Stock granted to the Executive by the Company shall lapse, as of the date of the Executive's Date of Termination.

(v) Any compensation previously deferred by the Executive under a plan sponsored by the Company (together with any accrued interest or earnings thereon) shall be distributed at the earliest time permitted by such plan or, if permitted under the terms of such plan and all applicable laws, statutes or regulations governing such plans, at such other time as the Executive may elect under the terms of such plan;

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(vi) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits");

(vii) The foregoing payments are intended to compensate the Executive for a breach of the Company's obligations and place Executive in substantially the same position had the employment of the Executive not been so terminated as a result of a breach by the Company; and

(viii) No amounts shall be payable to Executive under any bonus plan maintained by the Company or NOW (or a similar or successor plan) for the year in which the Date of Termination occurs.

Provided that, notwithstanding anything contained herein to the contrary, in accordance with Section 409A of the Code, if the Executive is determined by the Board (or its delegate) to be a "specified employee" (as described in Section 409A of the Code) for the year in which Executive's Date of Termination occurs, any payments or in-kind benefits due hereunder that are not permitted to be paid or provided on the date(s) specified hereunder without the imposition of additional taxes, interest and penalties under Section 409A of the Code shall be paid in a lump sum or provided on the first business day following the six-month anniversary of the Date of Termination or, if earlier, Executive's death (the "409A Payment Date").

(b) Death. If Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiaries, as applicable, in a lump sum in cash within thirty (30) days after the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 4(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of the Executive's peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, in effect on the date hereof or, if more favorable, those in effect on the date of the Executive's death.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within thirty (30) days after the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 4(c) shall include, without limitation, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable benefits generally provided by the Company and its affiliated companies to the Executive's disabled peer executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, in effect generally on the date hereof or, if more favorable, those in effect at the time of the Disability.

(d) Cause; Other Than for Good Reason. If the Executive's employment is terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than the obligation to pay to the Executive (x) his or her Annual Base Salary

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through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within thirty (30) days after the Date of Termination subject to such other options or restrictions as provided by law.

#### 5. OTHER RIGHTS.

Except as provided herein, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Except as provided herein, amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement. It is expressly agreed by the Executive that he or she shall have no right to receive, and hereby waives any entitlement to, any severance pay or similar benefit under any other plan, policy, practice or program of the Company. The Executive also agrees that to the extent he or she may be eligible for any severance pay or similar benefit under any laws providing for severance or termination benefits, such other severance pay or similar benefit shall be coordinated with the benefits owed hereunder, such that the Executive shall not receive duplicate benefits.

#### 6. FULL SETTLEMENT.

(a) No Rights of Offset. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others.

(b) No Mitigation Required. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

(c) Legal Fees. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expense which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company or the Executive of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereto (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

(d) Conditions to Receiving Post-Employment Payments Specified in this Agreement. All payments made and benefits given under this Agreement are conditioned upon Executive's continued compliance with the terms of the Agreement, including the terms in Sections 7 and 9. Further, as a condition to Executive's right to receive any post-termination payments under this

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Agreement, Executive (or his/her estate where applicable) must execute and deliver to the Company a waiver and release, in a form created by or otherwise acceptable to the Company, of all claims he/she has, or may have, known or unknown, against the Company, any affiliated or parent companies, and their respective officers, employees, owners, directors, affiliates, representatives, shareholders, investors, and agents, which arise under or relate to this Agreement, or his/her employment with the Company or separation therefrom and any other matter which arises on or before the date of Executive's signature on such waiver and release. Any claims which arise after the date the waiver/release is signed or which are non-waivable as a matter of law, and any indemnity obligations, will not be included in this waiver/release. This waiver/release shall be executed within 60 days following Executive's termination date and shall specify all amounts to be paid to Executive under this Agreement. Should the Company not pay all amounts specified in the release agreement, then the waiver and release by Executive shall be null and void. Executive shall forfeit all of his/her rights to any payments under this Agreement if the waiver/release is not executed within 60 days of the date of termination. To the extent that any amounts payable under this Agreement constitute nonqualified deferred compensation under Section 409A of the Code and such payments cannot be made until the date a release is signed under this Section 6(d), then notwithstanding any provision contained in this Agreement, payment of such amounts shall not be made or commence until the seventieth (70th) day following such termination of employment. Any payments that are suspended during the seventy (70) day period shall be paid on the date the first regular payroll is made immediately following the end of such period.

**7. CONFIDENTIAL INFORMATION.**

The Company promises to provide to Executive, and Executive promises to hold in a fiduciary capacity for the benefit of the Company, all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies, provided that it shall not apply to information which is or shall become publicly available (other than by acts by the Executive or representatives of the Executive in violation of this Agreement), information that is developed by the Executive independently of such information, or knowledge or data or information that is disclosed to the Executive by a third party under no obligation of confidentiality to the Company. After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 7 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

**8. SUCCESSORS.**

(a) This Agreement is personal to the Executive and shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.



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(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

#### 9. POST EMPLOYMENT NON-COMPETITION OBLIGATIONS.

(a) As part of the consideration for the compensation and benefits to be paid to Executive hereunder, and as an additional incentive for the Company and NOW to enter into this Agreement and to disclose confidential and trade secret information to Executive, the Company, NOW and Executive agree to the non-competition provisions of this Section 9. Executive agrees that during the period of Executive's non-competition obligations hereunder, Executive will not, directly or indirectly for Executive or for others, in any geographic area or market where the Company, NOW, or any of their subsidiaries or affiliated companies are conducting any business as of the date of termination of the employment relationship or have during the previous twelve months conducted any business:

(i) engage in any business competitive with any line of business conducted by the Company, NOW, or any of their subsidiaries or affiliates;

(ii) render advice or services to, or otherwise assist, any other person, association, or entity who is engaged, directly or indirectly, in any business competitive with any line of business conducted by the Company, NOW, or any of their subsidiaries or affiliates;

(iii) induce any officer or manager of the Company, NOW, or any of their subsidiaries or affiliates to terminate his or her employment with the Company, NOW, or any of their subsidiaries or affiliates, or hire or assist in the hiring of any such officer or manager by person, association, or entity not affiliated with the Company, NOW, or any of their subsidiaries or affiliates.

These non-competition obligations shall apply during Executive's employment and for a period ending on the first (1<sup>st</sup>) anniversary date of the Date of Termination. After termination of Executive's employment these non-competition obligations shall apply only to businesses having annual revenues in excess of \$10 million competitive with any line of business conducted by the Company, NOW, or any of their subsidiaries having annual revenues in excess of \$10 million for the last fiscal year prior to the time of termination. If the Company, NOW, or any of their subsidiaries or affiliates abandons a particular aspect of its business, that is, ceases such aspect of its business with the intention to permanently refrain from such aspect of its business, then this post-employment non-competition covenant shall not apply to such former aspect of that business.

(b) Executive understands that the foregoing restrictions may limit his ability to engage in certain businesses anywhere in the world during the period provided for above, but acknowledges that Executive will receive sufficiently high remuneration and other benefits under this Agreement to justify such restriction and that such a restriction is reasonable and necessary in order to protect the confidential information and trade secrets and goodwill of the Company, NOW and their affiliates. Executive acknowledges that money damages would not be sufficient remedy for any breach of this Section 9 by Executive, and the Company, NOW, or any of their subsidiaries or affiliates shall be

entitled to specific performance and injunctive relief as remedies for such breach or any threatened breach after notification by the Company of any breach and Executive's failure to cure same. Such remedies shall not be deemed the exclusive remedies for a breach of this Section 9, but shall be in addition to all remedies available at law or in equity to the Company, NOW, or any of their subsidiaries or affiliates, including, without limitation, the recovery of damages from Executive and his agents involved in such breach.

(c) The Executive, the Company and NOW each expressly acknowledge and agree that the restrictions contained in this Agreement, including this Section 9, are deemed by each to reasonable and necessary to protect the business interests, goodwill and confidential information or trade secrets of NOW and the Company and their subsidiaries and affiliates. However, in the event that any of the restrictions contained in this Agreement, and specifically this Section 9, are found by a court of competent jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, it is the parties express intention for the restrictions herein set forth to be modified by such court so as to be reasonable and enforceable and, as so modified by the court, to be fully enforced.

10. **MISCELLANEOUS.**

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive:	If to NOW and/or the Company:
Merrill A. Miller, Jr.	NOW Inc.
_____	7402 North Eldridge Parkway
_____	Houston, Texas 77041
	Attn: Chief Executive Officer
	With a copy to:
	NOW Inc.
	7402 North Eldridge Parkway
	Houston, Texas 77041
	Attn: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

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(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 3(c)(i)-(vi) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) This Agreement is intended to meet the requirements of Section 409A of the Code and shall be administered in a manner that is intended to meet those requirements and shall be construed and interpreted in accordance with such intent. To the extent that a payment, or the settlement or deferral thereof, is subject to Section 409A of the Code, except as the Board of Directors and Executive otherwise determine in writing, the payment shall be paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code, including regulations or other guidance issued with respect thereto, such that the payment, settlement or deferral shall not be subject to the additional tax or interest applicable under Section 409A of the Code. Any provision of this Agreement that would cause the payment, settlement or deferral thereof to fail to satisfy Section 409A of the Code shall be amended (in a manner that as closely as practicable achieves the original intent of this Agreement) to comply with Section 409A of the Code on a timely basis, which may be made on a retroactive basis, if permitted under the regulations and other guidance issued under Section 409A of the Code. In the event additional regulations or other guidance is issued under Section 409A of the Code or a court of competent jurisdiction provides additional authority concerning the application of Section 409A with respect to the payments described hereunder, then the provisions regarding such payments shall be amended to permit such payments to be made at the earliest time allowed under such additional regulations, guidance or authority that is practicable and achieves the original intent of this Agreement. For purposes of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (including without limitation Treasury Regulations Section 1.409A-2(b)(2)(iii)), all payments made under this Agreement (whether severance payments or otherwise) will be treated as a right to receive a series of separate payments and, accordingly, each installment payment under this Agreement will at all times be considered a separate and distinct payment. To the extent that any post-termination continuation of health or medical coverage pursuant to this Agreement would violate the Patient Protection and Affordable Care Act of 2010 ("PPACA") and related regulations and guidance promulgated thereunder, the Company may reform this Agreement in such manner as is reasonably necessary to provide the Employee with the intended benefit hereunder in a manner that complies with the PPACA; provided, however, that such reformation shall not result in a violation of Section 409A of the Code.

[SIGNATURE PAGE TO FOLLOW]

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**IN WITNESS WHEREOF**, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from NOW's Board of Directors, each of NOW and the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

**DNOW L.P.**

by its general partner  
Wilson International Inc.

By: /s/ Raymond Chang  
Name: Raymond Chang  
Title: Vice President and General Counsel

**NOW Inc.**

By: /s/ Robert Workman  
Name: Robert Workman  
Title: President and Chief Executive Officer

**Executive**

/s/ Merrill A. Miller, Jr.  
Merrill A. Miller, Jr.

**EMPLOYMENT AGREEMENT**

This **EMPLOYMENT AGREEMENT** (this “Agreement”), dated effective as of May 30, 2014, is by and among DNOW L.P., a Delaware limited partnership (the “Company”), NOW Inc., a Delaware corporation (“NOW”), and (the “Executive”).

**WITNESSETH:**

**WHEREAS**, the Board of Directors of NOW (the “Board”) has previously determined that it is in the best interests of NOW and its stockholders to retain the Executive and to induce the employment of the Executive for the long term benefit of NOW, its shareholders and its affiliated companies, including the Company;

**WHEREAS**, the Board does not contemplate the termination of the Executive during the term hereof and the Board and the Executive expect that the Executive will be retained for at least the one year period contemplated herein; and

**WHEREAS**, to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

**NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:**

**1. EMPLOYMENT.**

(a) The Company hereby agrees that the Company or an affiliated company will continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company or an affiliated company subject to the terms and conditions of this Agreement, during the Employment Period (as defined below). As used in this Agreement, the term “affiliated companies” shall include any company controlled by, controlling or under common control with the Company.

(b) The “Employment Period” shall mean the period commencing on the date hereof and ending on the first (1st) anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the “Renewal Date”), unless previously terminated, the Employment Period shall be automatically extended so as to terminate one year after such Renewal Date, unless at least sixty (60) days prior to the Renewal Date the Company shall give notice to the Executive that the Contract Period shall not be so extended. If this Agreement has been automatically extended, the term “date hereof” as used within the phrase “in effect as of the date hereof” or other similarly constructed phrases, any of which are used in this Agreement to describe the nature and scope of the Executive’s duties and compensation as of the date of this Agreement, shall be revised to read as “most recent Renewal Date”.

**2. TERMS OF EMPLOYMENT.****(a) Position and Duties.**

(i) During the Employment Period, (A) the Executive’s position (including status, offices, titles and reporting requirements, authority, duties and responsibilities) shall be substantially similar to that in effect as of the date hereof and (B) the Executive’s services shall be performed at the location where the Executive was employed immediately preceding the date hereof or any office or location less than fifty (50) miles from such location.

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(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote the Executive's full time, skill and attention to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the date hereof, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the date hereof shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary equal to the current base salary being received by the Executive ("Annual Base Salary"), which shall be paid in accordance with the Company's standard payroll practice. During the Employment Period, the Annual Base Salary shall be reviewed no more than twelve (12) months after the last salary increase awarded to the Executive prior to the date hereof and thereafter at least annually; provided, however, that a salary increase shall not necessarily be awarded as a result of such review. Any increase in Annual Base Salary may not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any increase without the express written consent of the Executive. The term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased.

(ii) Annual Bonus. The Executive shall be eligible for an annual bonus (the "Annual Bonus") for each fiscal year ending during the Employment Period on the same basis as other executive officers under the Company's then current Annual Incentive Plan (or such other name as may be adopted for the plan or its successor), which shall be payable in accordance with the terms of such plan.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, stock option, savings and retirement plans, practices, policies and programs applicable generally to the Executive's peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies to any other executive under such plans, practices, policies and programs as in effect on the date hereof.

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(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible to participate in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to the Executive's peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than such plans, practices, policies and programs in effect for any other executive of NOW on the date hereof.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect on the date hereof.

Any reimbursement of expenses required under this paragraph and any reimbursement of legal fees and expenses required under Section 6(c) of this Agreement shall be made by the Company upon or as soon as practicable following receipt of supporting documentation reasonably satisfactory to the Company (but in any event not later than the close of the Executive's taxable year following the taxable year in which the fee, disbursement, cost or expense is incurred by the Executive); provided, however, that, upon the Executive's termination of employment with the Company, in no event shall any additional reimbursement be made prior to the date that is six months after the date of the Executive's termination of employment to the extent such payment delay is required under Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the "Code"). In no event shall any reimbursement be made to the Executive for such expenses and fees incurred after the later of (1) the tenth anniversary of the date of the Executive's death or (2) the date that is ten years after the date of the Executive's termination of employment with the Company.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits (including, without limitation, financial planning services, payment of club dues, a car allowance or use of an automobile and payment of related expenses, as appropriate) in accordance with the most favorable plans, practices, programs and policies of the Company in effect on the date hereof.

(vii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies in effect on the date hereof.

### 3. **TERMINATION OF EMPLOYMENT.**

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that a Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 10(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective thirty (30) days after receipt of such notice by the Executive (the "Disability Effective Date"), provided that within the thirty (30) day period after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for one hundred eighty (180) calendar days as a result of incapacity due to mental or physical illness which is

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determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative. This provision does not modify or affect any other rights Executive may have under the Americans with Disabilities Act or other applicable laws regarding any disability Executive may have or develop.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company. For purposes of this provision, no act, or failure to act, on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or of a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

(c) Good Reason. The Executive may terminate the Executive's employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 2(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of Section 2(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than as provided in Section 2(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the date hereof;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or



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(v) any failure by the Company to comply with and satisfy Section 8(c) of this Agreement, or

(vi) notice by the Company to the Executive that the Company is not extending or renewing this Agreement.

(d) Notice of Termination. Any termination during the Employment Period by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 10(b) of the Agreement. For purposes of this Agreement, a “Notice of Termination” means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive’s or the Company’s rights hereunder.

(e) Date of Termination. “Date of Termination” shall mean:

(i) if the Executive’s employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be;

(ii) if the Executive’s employment is terminated by the Company other than for Cause, death or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination; and

(iii) if the Executive’s employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

For purposes of any payments or provision of benefits under this Agreement, the Executive shall not be considered to have terminated employment with the Company unless the Executive incurs a “separation from service” with the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable guidance issued thereunder.

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4. **OBLIGATIONS OF THE COMPANY UPON TERMINATION.**

(a) Good Reason; Other than For Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause, death or Disability, or the Executive shall terminate employment for Good Reason:

(i) The Company shall pay to the Executive in a lump sum in cash within thirty (30) days after the Date of Termination the aggregate of the following amounts:

(A) the sum of (1) Executive's Annual Base Salary in effect for the year of Termination (the "Termination Base Salary") through the Date of Termination to the extent not theretofore paid, (2) 50% of Executive's Termination Base Salary; and (3) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2) and (3) shall be hereinafter referred to as the "Accrued Obligations"), and

(B) an amount equal to \_\_\_\_\_ times Executive's Termination Base Salary, and

(C) an amount equal to the maximum amount of employer matching contributions that could have been credited to the Executive under the Company's 401(k) Savings Plan (without regard to any applicable nondiscrimination tests), any other excess or supplemental retirement plan in which the Executive participates or any other deferred compensation plan during the twelve (12) month period immediately preceding the month of the Executive's Date of Termination, such amount to be grossed up so that the amount the Executive actually receives after payment of any federal or state taxes payable thereon equals the amount first described above.

(D) No amounts shall be paid or payable to Executive under the Company's performance-based incentive plans, including the then current NOW Inc. Annual Incentive Plan (or such other name as may be adopted for the plan or its successor), for the year in which the Date of Termination occurs.

(ii) Until the date of the Executive's death, the Company shall continue group health plan (as defined for purposes of section 4980B of the Code) benefits to the Executive and/or the Executive's family equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 2(b)(iv) of this Agreement as if the Executive's employment had not been terminated; provided, that if the Executive's participation after the Date of Termination in such group health plan is not permitted by the terms of a plan, then for the Executive's lifetime, the Company shall provide the Executive with substantially the same benefits that were provided to the Executive by that plan immediately before the Termination Date; provided further, that if the Executive becomes reemployed by another employer and is eligible to receive any of such benefits under another employer provided plan, the benefits provided hereunder shall be secondary to those provided under such other plans. With respect to any group health plan that requires an employee contribution, for the period of time during which the Executive would be entitled, or would, but for this Agreement, be entitled to continuation coverage under a group health plan of the Company under Section 4980B of the Code if the Executive elected such coverage and paid the applicable premiums (generally, 18 months), the Executive shall pay the then active employee cost of the benefits as determined under the then current practices of the Company on a monthly, semi-annual or annual basis as elected by the Executive, and thereafter, the Executive shall pay the full cost of the benefits as determined under the then current practices of the Company on a monthly or annual basis as elected by the Executive, provided that the Company shall reimburse the Executive the amount of the costs of the benefit that is in excess of the then active employees costs for such benefits no later than 30 days following the end of the Executive's taxable year in which such reimbursable amounts are paid by the Executive, and provided further that the reimbursements provided during the Executive's taxable year shall not affect the expenses eligible for reimbursement in any other taxable year (with the exception of applicable lifetime maximums applicable to medical expenses or medical benefits described in Section 105(b) of the Code) and the right to reimbursement hereunder shall not be subject to liquidation or exchange for another benefit or payment;

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(iii) The Company shall reimburse Executive for all outplacement services incurred on and prior to the last day of the second calendar year following the year in which the Date of Termination occurs up to a maximum direct cost to the Company of up to 15% of the Executive's Annual Base Salary as of the Date of Termination. The Company shall reimburse Executive within 30 days after Executive provides the Company with an invoice (and any supporting documentation required by the Company) for such outplacement services, but in no event shall any such reimbursement be made after the last day of the third calendar year following the year in which the Date of Termination occurs.

(iv) All options to purchase Common Stock held by the Executive pursuant to a stock option plan on or prior to the Date of Termination shall be governed by the terms of the option agreement or plan between the Executive, NOW, and/or the Company; and any restricted stock held by the Executive, not already vested shall be 100% vested;

(v) Any compensation previously deferred by the Executive under a plan sponsored by the Company (together with any accrued interest or earnings thereon) shall be distributed at the earliest time permitted by such plan or, if permitted under the terms of such plan and all applicable laws, statutes or regulations governing such plans, at such other time as the Executive may elect under the terms of such plan;

(vi) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits");

(vii) The foregoing payments are intended to compensate the Executive for a breach of the Company's obligations and place Executive in substantially the same position had the employment of the Executive not been so terminated as a result of a breach by the Company; and

(viii) No amounts shall be payable to Executive under any bonus plan maintained by the Company or NOW (or a similar or successor plan) for the year in which the Date of Termination occurs.

Provided that, notwithstanding anything contained herein to the contrary, in accordance with Section 409A of the Code, if the Executive is determined by the Board (or its delegate) to be a "specified employee" (as described in Section 409A of the Code) for the year in which Executive's Date of Termination occurs, any payments or in-kind benefits due hereunder that are not permitted to be paid or provided on the date(s) specified hereunder without the imposition of additional taxes, interest and penalties under Section 409A of the Code shall be paid in a lump sum or provided on the first business day following the six-month anniversary of the Date of Termination or, if earlier, Executive's death (the "409A Payment Date").

(b) Death. If Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiaries, as applicable, in a lump sum in cash within thirty (30) days after the Date of Termination. With respect to the provision of Other Benefits, the term Other

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Benefits as utilized in this Section 4(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of the Executive's peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, in effect on the date hereof or, if more favorable, those in effect on the date of the Executive's death.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within thirty (30) days after the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 4(c) shall include, without limitation, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable benefits generally provided by the Company and its affiliated companies to the Executive's disabled peer executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, in effect generally on the date hereof or, if more favorable, those in effect at the time of the Disability.

(d) Cause; Other Than for Good Reason. If the Executive's employment is terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than the obligation to pay to the Executive (x) his or her Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within thirty (30) days after the Date of Termination subject to such other options or restrictions as provided by law.

## 5. OTHER RIGHTS.

Except as provided herein, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Except as provided herein, amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement. It is expressly agreed by the Executive that he or she shall have no right to receive, and hereby waives any entitlement to, any severance pay or similar benefit under any other plan, policy, practice or program of the Company. The Executive also agrees that to the extent he or she may be eligible for any severance pay or similar benefit under any laws providing for severance or termination benefits, such other severance pay or similar benefit shall be coordinated with the benefits owed hereunder, such that the Executive shall not receive duplicate benefits.

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## 6. FULL SETTLEMENT.

(a) No Rights of Offset. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others.

(b) No Mitigation Required. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment.

(c) Legal Fees. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expense which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company or the Executive of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereto (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

(d) Conditions to Receiving Post-Employment Payments Specified in this Agreement. All payments made and benefits given under this Agreement are conditioned upon Executive's continued compliance with the terms of the Agreement, including the terms in Sections 7 and 9. Further, as a condition to Executive's right to receive any post-termination payments under this Agreement, Executive (or his/her estate where applicable) must execute and deliver to the Company a waiver and release, in a form created by or otherwise acceptable to the Company, of all claims he/she has, or may have, known or unknown, against the Company, any affiliated or parent companies, and their respective officers, employees, owners, directors, affiliates, representatives, shareholders, investors, and agents, which arise under or relate to this Agreement, or his/her employment with the Company or separation therefrom and any other matter which arises on or before the date of Executive's signature on such waiver and release. Any claims which arise after the date the waiver/release is signed or which are non-waivable as a matter of law, and any indemnity obligations, will not be included in this waiver/release. This waiver/release shall be executed within 60 days following Executive's termination date and shall specify all amounts to be paid to Executive under this Agreement. Should the Company not pay all amounts specified in the release agreement, then the waiver and release by Executive shall be null and void. Executive shall forfeit all of his/her rights to any payments under this Agreement if the waiver/release is not executed within 60 days of the date of termination. To the extent that any amounts payable under this Agreement constitute nonqualified deferred compensation under Section 409A of the Code and such payments cannot be made until the date a release is signed under this Section 6(d), then notwithstanding any provision contained in this Agreement, payment of such amounts shall not be made or commence until the seventieth (70th) day following such termination of employment. Any payments that are suspended during the seventy (70) day period shall be paid on the date the first regular payroll is made immediately following the end of such period.

## 7. CONFIDENTIAL INFORMATION.

The Company promises to provide to Executive, and Executive promises to hold in a fiduciary capacity for the benefit of the Company, all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the

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Company or any of its affiliated companies, provided that it shall not apply to information which is or shall become publicly available (other than by acts by the Executive or representatives of the Executive in violation of this Agreement), information that is developed by the Executive independently of such information, or knowledge or data or information that is disclosed to the Executive by a third party under no obligation of confidentiality to the Company. After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 7 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

**8. SUCCESSORS.**

(a) This Agreement is personal to the Executive and shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

**9. POST EMPLOYMENT NON-COMPETITION OBLIGATIONS.**

(a) As part of the consideration for the compensation and benefits to be paid to Executive hereunder, and as an additional incentive for the Company and NOW to enter into this Agreement and to disclose confidential and trade secret information to Executive, the Company, NOW and Executive agree to the non-competition provisions of this Section 9. Executive agrees that during the period of Executive's non-competition obligations hereunder, Executive will not, directly or indirectly for Executive or for others, in any geographic area or market where the Company, NOW, or any of their subsidiaries or affiliated companies are conducting any business as of the date of termination of the employment relationship or have during the previous twelve months conducted any business:

(i) engage in any business competitive with any line of business conducted by the Company, NOW, or any of their subsidiaries or affiliates;

(ii) render advice or services to, or otherwise assist, any other person, association, or entity who is engaged, directly or indirectly, in any business competitive with any line of business conducted by the Company, NOW, or any of their subsidiaries or affiliates;

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(iii) induce any officer or manager of the Company, NOW, or any of their subsidiaries or affiliates to terminate his or her employment with the Company, NOW, or any of their subsidiaries or affiliates, or hire or assist in the hiring of any such officer or manager by person, association, or entity not affiliated with the Company, NOW, or any of their subsidiaries or affiliates.

These non-competition obligations shall apply during Executive's employment and for a period ending on the first (1<sup>st</sup>) anniversary date of the Date of Termination. After termination of Executive's employment these non-competition obligations shall apply only to businesses having annual revenues in excess of \$10 million competitive with any line of business conducted by the Company, NOW, or any of their subsidiaries having annual revenues in excess of \$10 million for the last fiscal year prior to the time of termination. If the Company, NOW, or any of their subsidiaries or affiliates abandons a particular aspect of its business, that is, ceases such aspect of its business with the intention to permanently refrain from such aspect of its business, then this post-employment non-competition covenant shall not apply to such former aspect of that business.

(b) Executive understands that the foregoing restrictions may limit his ability to engage in certain businesses anywhere in the world during the period provided for above, but acknowledges that Executive will receive sufficiently high remuneration and other benefits under this Agreement to justify such restriction and that such a restriction is reasonable and necessary in order to protect the confidential information and trade secrets and goodwill of the Company, NOW and their affiliates. Executive acknowledges that money damages would not be sufficient remedy for any breach of this Section 9 by Executive, and the Company, NOW, or any of their subsidiaries or affiliates shall be entitled to specific performance and injunctive relief as remedies for such breach or any threatened breach after notification by the Company of any breach and Executive's failure to cure same. Such remedies shall not be deemed the exclusive remedies for a breach of this Section 9, but shall be in addition to all remedies available at law or in equity to the Company, NOW, or any of their subsidiaries or affiliates, including, without limitation, the recovery of damages from Executive and his agents involved in such breach.

(c) The Executive, the Company and NOW each expressly acknowledge and agree that the restrictions contained in this Agreement, including this Section 9, are deemed by each to reasonable and necessary to protect the business interests, goodwill and confidential information or trade secrets of NOW and the Company and their subsidiaries and affiliates. However, in the event that any of the restrictions contained in this Agreement, and specifically this Section 9, are found by a court of competent jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, it is the parties express intention for the restrictions herein set forth to be modified by such court so as to be reasonable and enforceable and, as so modified by the court, to be fully enforced.

#### 10. MISCELLANEOUS.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to NOW and/or the Company:

NOW Inc.  
7402 North Eldridge Parkway  
Houston, Texas 77041  
Attn: Chief Executive Officer

With a copy to:

NOW Inc.  
7402 North Eldridge Parkway  
Houston, Texas 77041  
Attn: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 3(c)(i)-(vi) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) This Agreement is intended to meet the requirements of Section 409A of the Code and shall be administered in a manner that is intended to meet those requirements and shall be construed and interpreted in accordance with such intent. To the extent that a payment, or the settlement or deferral thereof, is subject to Section 409A of the Code, except as the Board of Directors and Executive otherwise determine in writing, the payment shall be paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code, including regulations or other guidance issued with respect thereto, such that the payment, settlement or deferral shall not be subject to the additional tax or interest applicable under Section 409A of the Code. Any provision of this Agreement that would cause the payment, settlement or deferral thereof to fail to satisfy Section 409A of the Code shall be amended (in a manner that as closely as practicable achieves the original intent of this Agreement) to comply with Section 409A of the Code on a timely basis, which may be made on a retroactive basis, if permitted under the regulations and other guidance issued under Section 409A of the Code. In the event additional regulations or other guidance is issued under Section 409A of the Code or a court of competent jurisdiction provides



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additional authority concerning the application of Section 409A with respect to the payments described hereunder, then the provisions regarding such payments shall be amended to permit such payments to be made at the earliest time allowed under such additional regulations, guidance or authority that is practicable and achieves the original intent of this Agreement. For purposes of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (including without limitation Treasury Regulations Section 1.409A-2(b)(2)(iii)), all payments made under this Agreement (whether severance payments or otherwise) will be treated as a right to receive a series of separate payments and, accordingly, each installment payment under this Agreement will at all times be considered a separate and distinct payment. To the extent that any post-termination continuation of health or medical coverage pursuant to this Agreement would violate the Patient Protection and Affordable Care Act of 2010 ("PPACA") and related regulations and guidance promulgated thereunder, the Company may reform this Agreement in such manner as is reasonably necessary to provide the Employee with the intended benefit hereunder in a manner that complies with the PPACA; provided, however, that such reformation shall not result in a violation of Section 409A of the Code.

[SIGNATURE PAGE TO FOLLOW]

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**IN WITNESS WHEREOF**, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from NOW's Board of Directors, each of NOW and the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

**DNOW L.P.**

by its general partner  
Wilson International Inc.

By: \_\_\_\_\_  
Name:  
Title:

**NOW Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**Executive**

\_\_\_\_\_  
Name:

## NOW INC.

**CODE OF BUSINESS CONDUCT AND ETHICS FOR  
MEMBERS OF THE BOARD OF DIRECTORS  
AND EXECUTIVE OFFICERS**

Adopted May 1, 2014

**I. Purpose**

The Board of Directors (the "Board") of NOW Inc. (the "Company") has adopted the following Code of Business Conduct and Ethics for Members of the Board of Directors and Executive Officers (this "Code"). This Code is intended to focus the Board, each Director, Company management, and each Executive Officer on areas of ethical risk, provide guidance to Directors and management to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct, and help foster a culture of honesty and accountability. Each Director and Executive Officer must comply with the letter and spirit of this Code. This Code, the Company's Business Ethics Policy, Code of Ethics for Senior Financial Officers, Policy Regarding The U.S. Export Controls & Economic Sanctions, The U.S. Foreign Corrupt Practices Act Policy and Procedures and Policy on Insider Trading, in the aggregate constitute the Company's Code of Ethics.

No code or policy can anticipate every situation that may arise. Accordingly, this Code is intended to serve as a source of guiding principles for Directors and Executive Officers. Directors and Executive Officers are encouraged to bring questions about particular circumstances that may implicate one or more of the provisions of this Code to the attention of the Chair of the Audit Committee, who may consult with legal counsel as appropriate.

Executive Officers of the Company, including Directors who also serve as Executive Officers of the Company should read this Code in conjunction with the Company's Business Ethics Policy.

**II. Conflict of Interest**

A "conflict of interest" occurs when a Director's or Executive Officer's private interest interferes in any way, or appears to interfere, with the interests of the Company as a whole. A conflict of interest situation can arise when any Director or Executive Officer takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest also arise when a Director or Executive Officer, or a member of his or her immediate family, receives improper personal benefits as a result of his or her position as a Director or Executive Officer of the Company. The Company shall not make any personal loans or extensions of credit to nor become contingently liable for any indebtedness of Directors or Executive Officers or a member of his or her family.

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Directors and Executive Officers must avoid conflicts of interest with the Company. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company must be disclosed immediately to the Chair of the Audit Committee.

This Code does not attempt to describe all possible conflicts of interest which could develop. Some of the more common conflicts from which Directors and Executive Officers must refrain, however, are set out below.

- *Relationship of Company with third parties* Directors and Executive Officers may not engage in any conduct or activities that are inconsistent with the Company's best interests or that disrupt or impair the Company's relationship with any person or entity with which the Company has or proposes to enter into a business or contractual relationship.
- *Compensation from non-Company sources* Directors and Executive Officers may not accept compensation, in any form, for services performed for the Company from any source other than the Company.
- *Gifts* Directors and Executive Officers and members of their families may not offer, give or receive gifts from persons or entities who deal with the Company in those cases where any such gift is being made in order to influence the Directors' or Executive Officers' actions as members of the Board and senior management of the Company, or where acceptance of the gifts could create the appearance of a conflict of interest.

### **III. Related Party Transactions**

A "related party transaction" is a transaction in which the Company (including its affiliates) is a participant and in which any director or executive officer (or their immediate family members) had or will have a direct or indirect material interest. Although not all related party transactions involve conflicts of interest, such transactions can trigger a disclosure requirement which must be reviewed and analyzed by the Company. Therefore, all Directors and Executive Officers shall promptly bring to the attention of the General Counsel and, in the case of Directors, the Chair of the Nominating/Corporate Governance Committee or, in the case of Executive Officers, the Chair of the Audit Committee, any transaction or relationship that arises and of which she or he becomes aware that reasonably could be expected to constitute a related party transaction. Any such transaction or relationship shall be reviewed by the Company's management or the appropriate committee of the Board of Directors of the Company to ensure it does not constitute a conflict of interest and is reported appropriately.

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#### **IV. Corporate Opportunities**

Directors and Executive Officers owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Until such time as the Company has determined that it will not pursue the opportunity, Executive Officers, and Directors (when an opportunity that relates to the Company's business has been presented to the Directors solely by the Company or its agents) are prohibited from: (a) taking for themselves personally opportunities that are discovered through the use of corporate property, information or the Director's or Executive Officer's position; (b) using the Company's property, information, or position for personal gain; or (c) personally competing with the Company, directly or indirectly, for business opportunities. However, if it has been determined that the Company will not pursue an opportunity that relates to the Company's business, a non-management Director may do so.

#### **V. Confidentiality**

Directors and Executive Officers must maintain the confidentiality of information entrusted to them by the Company or its customers, and any other confidential information about the Company that comes to them, from whatever source, in their capacity as Director or Executive Officer, except when disclosure is authorized or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed.

#### **VI. Protection and Proper Use of Company Assets**

All Directors and Executive Officers should protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. All of the Company's assets should be used for legitimate business purposes.

#### **VII. Fair Dealing**

The conduct required by fair dealing requires honesty in fact and the observance of reasonable commercial standards of fair dealing. Directors and Executive Officers shall deal fairly and oversee fair dealing by employees and officers with the Company's directors, officers, employees, customers, suppliers and competitors. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, any other unfair-dealing practice, or anything that could be interpreted as dishonest or outside reasonable commercial standards of fair dealing.

#### **VIII. Compliance with Laws, Rules and Regulations**

Directors and Executive Officers shall comply, and oversee compliance by employees, officers and other directors, with all laws, rules and regulations applicable to the Company, including insider trading laws.

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**IX. Compliance with this Code Cannot be Waived**

While compliance with this Code cannot be waived by the Board or any Committee of the Board, the Board may, upon a favorable recommendation from its Audit Committee, determine that a proposed course of conduct does not contravene the substantive requirements of this Code.

**X. Encouraging the Reporting of any Illegal or Unethical Behavior**

Directors and Executive Officers should promote ethical behavior and take steps to create a working environment at the Company that: (a) encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation; (b) encourages employees to report violations of laws, rules, regulations or the Company's Code of Ethics to appropriate personnel; and (c) fosters the understanding among employees that the Company will not permit retaliation for reports made in good faith.

**XI. Failure to Comply; Compliance Procedures**

A failure by any Director or Executive Officer to comply with the laws or regulations governing the Company's business, this Code or any other Company policy or requirement may result in disciplinary action, and, if warranted, legal proceedings. Directors and Executive Officers should communicate any suspected violations of this Code promptly to the Chair of the Audit Committee. Violations will be investigated by the Audit Committee or by a person or persons designated by the Audit Committee and appropriate action will be taken in the event of any violations of this Code.

**XII. Annual Review**

Annually, each Director and Executive Officer shall provide written certification that he or she has read and understands this Code and its contents and that he or she has not violated, and is not aware that any other Director or Executive Officer has violated, this Code.

**NOW INC. (“COMPANY”)****CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS**

I certify that I will adhere to the following principles and responsibilities, as well as the Company’s Policy on Business Ethics, The Code of Business Conduct and Ethics for Members of the Board of Directors and Executive Officers, and other applicable legal and compliance policies and procedures (collectively, the “Code”). I will:

- act with honesty and integrity, avoiding actual or apparent conflicts of interest involving personal and professional relationships;
- to the best of my knowledge and abilities, provide other officials and constituents of the Company information that is full, fair, complete, objective, timely and understandable;
- to the maximum extent possible, take actions and develop financial and accounting procedures that ensure that the Company’s books and records are accurate, and in conformance with recognized and required accounting standards, nationally and internationally;
- to the best of my knowledge and abilities, comply with rules and regulations of U.S. and non-U.S. governmental entities, as well as other private and public regulatory agencies, to which the Company is subject;
- act at all times in good faith, responsibly, with due care, competence and diligence, and without any misrepresentation of material facts;
- act objectively, without allowing my independent judgment to be subordinated;
- respect the confidentiality of Company information, except when authorized or otherwise required to make any disclosure, and avoid the use of any Company information for personal advantage;
- share my knowledge and skills with others to improve the Company’s communications to its constituents;
- promote ethical behavior among employees under my supervision at the Company;
- not, directly or indirectly, take any action to coerce, manipulate, mislead or fraudulently influence any independent, public or certified public accountant or auditor engaged in the performance of any audit or review of the financial statements of the Company that are required to be filed with the Securities and Exchange Commission (“SEC”) or take any other action that could result in rendering such financial statements materially misleading;

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- promptly bring to the attention of the Company’s Board or Audit Committee any material information of which I become aware that may render the disclosures made by the Company in its public filings or other public communications materially misleading;
  - promptly bring to the attention of the Chair of the Audit Committee of the Board of Directors any information I may have concerning evidence of a violation of the Code, or the securities or other laws, rules and regulations applicable to the Company and the operation of its business, by the Company or any agent thereof;
  - promptly bring to the attention of the Company’s Audit Committee any information I have concerning:
    - Significant deficiencies or control weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; or
    - Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting; and
  - protect the Company’s assets and resources and ensure their efficient use.

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_





National Oilwell Varco  
7909 Parkwood Circle Drive  
Houston, Texas 77036

May 13, 2014

Dear NOV Stockholder:

We previously announced National Oilwell Varco, Inc.'s intention to pursue the separation of its distribution business from its other businesses. I am pleased to report that on May 30, 2014, NOW Inc., a Delaware corporation, will become an independent public company and will hold, through its subsidiaries, the assets (including the equity interests of certain NOV subsidiaries) and liabilities associated with NOV's distribution business.

The separation will be completed by way of a pro rata distribution of all of the outstanding shares of NOW Inc. common stock to NOV's stockholders of record as of 5:00 p.m. Eastern Time on May 22, 2014, the record date for the distribution. Each NOV stockholder of record will receive one share of NOW Inc. common stock for every four shares of NOV common stock held on the record date. The distribution will be made in electronic book-entry form, which means that no physical share certificates will be issued. No fractional shares of NOW Inc. common stock will be issued. Instead, the transfer agent will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing rates and distribute the net cash proceeds pro rata to each holder who would otherwise have been entitled to receive fractional shares in the distribution.

NOV expects to receive an opinion from its legal counsel that the distribution will qualify as a transaction that is generally tax-free for U.S. federal income tax purposes. However, any cash that you receive in lieu of fractional shares generally will be taxable to you. You should consult your own tax adviser as to the particular tax consequences of the distribution to you, including potential tax consequences under state, local and non-U.S. tax laws.

The distribution does not require stockholder approval, and you do not need to take any action to receive your shares of NOW Inc. common stock. NOV's common stock will continue to trade on the New York Stock Exchange under the ticker symbol "NOV." NOW Inc. common stock will trade on the New York Stock Exchange under the ticker symbol "DNOW."

The enclosed information statement, which we are mailing to all NOV stockholders, describes the separation and the distribution in detail and contains important information about NOW Inc., including its historical combined financial statements. We urge you to read this information statement carefully.

We want to thank you for your continued support of NOV.

Sincerely,

Merrill A. Miller, Jr.  
*Executive Chairman*  
*National Oilwell Varco, Inc.*



7402 N Eldridge Parkway  
Houston, TX 77041 USA  
(800) 228-2893

May 13, 2014

Dear Future NOW Inc. Stockholder:

It is our pleasure to welcome you as a future stockholder of NOW Inc. While we will be a new company upon our separation from National Oilwell Varco, Inc., our business has a history of strong financial and operating performance. Our common stock will trade on the New York Stock Exchange under the ticker symbol "DNOW."

Following the separation, we will continue to operate as a distributor to the energy and industrial sectors, doing business as DistributionNOW and Wilson Export. With over 5,000 employees and more than 300 locations worldwide, we stock and sell a comprehensive offering of energy products as well as an extensive selection of products for industrial applications. Our product offerings are needed throughout the oil and gas exploration and production process as well as in other industries, such as chemical processing, power generation and industrial manufacturing operations. We provide our customers a one-stop shop value proposition within the energy market and particularly in the targeted areas of artificial lift, measurement and controls, valve management and actuation and flow optimization. We also offer supply chain solutions such as procurement, inventory, warehouse management logistics, business process and performance metrics reporting.

We believe our extensive distribution network, broad product offerings, highly flexible business model, long-term relationship with NOV, as well as a results driven culture and management team will strengthen our position in a large, fragmented market. Going forward, we seek to grow our supply chain business, with particular emphasis on our industrial offering. We also plan to expand our geographic reach, continue to capitalize on non-conventional oil and gas plays, maintain focus on margin enhancement and selectively pursue strategic acquisitions and investments.

Our management team is excited about the opportunities ahead of us and is committed to unlocking the potential of NOW Inc. We invite you to learn more about our company and our plans by reading the enclosed materials and look forward to updating you on our progress.

Sincerely,

Robert R. Workman  
*President and Chief Executive Officer*  
NOW Inc.

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**Information Statement**  
**NOW Inc.**  
**Common Stock**  
**(par value \$0.01 per share)**

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This information statement is being furnished in connection with the pro rata distribution by National Oilwell Varco, Inc. of all of the shares of common stock of NOW Inc. outstanding immediately prior to the distribution. To implement the distribution, NOV will distribute shares of NOW Inc. common stock on a pro rata basis to the holders of NOV common stock. Each of you, as a holder of NOV common stock, will receive one share of NOW Inc. common stock for every four shares of NOV common stock that you held at 5:00 p.m. Eastern Time on May 22, 2014, the record date for the distribution. Following the distribution, NOW Inc. will hold, through its subsidiaries, the assets (including the equity interests of certain NOV subsidiaries) and liabilities associated with NOV's distribution business.

The distribution will be made in electronic book-entry form, without the delivery of any physical share certificates. No fractional shares of NOW Inc. will be issued. Instead, the transfer agent will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing rates and distribute the net cash proceeds pro rata to each holder who would otherwise have been entitled to receive fractional shares in the distribution.

The distribution will occur on May 30, 2014. Immediately after the distribution is completed, NOW Inc. will be an independent, publicly traded company. It is expected that the distribution will generally be tax-free to NOV stockholders for United States ("U.S.") federal income tax purposes, except to the extent that cash is received in lieu of fractional shares.

**No vote of the stockholders of NOV is required in connection with the distribution. We are not asking you for a proxy and you are requested not to send us a proxy.**

NOV stockholders will not be required to pay any consideration for the shares of NOW Inc. common stock they receive in the distribution, and they will not be required to surrender or exchange shares of their NOV common stock or take any other action in connection with the distribution. From and after the distribution, certificates representing NOV common stock will continue to represent NOV common stock, which at that point will include the remaining businesses of NOV.

All of the outstanding shares of NOW Inc. common stock are currently owned by NOV. There currently is no public trading market for NOW Inc. common stock. NOW Inc.'s common stock will trade on the New York Stock Exchange under the ticker symbol "DNOW." We anticipate that a limited market, commonly known as a "when-issued" trading market, for NOW Inc. common stock will develop on or shortly before the record date for the distribution and will continue up to and including the date the distribution occurs, and we anticipate that the "regular-way" trading of NOW Inc. common stock will begin on the first day of trading following the date the distribution occurs.

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**IN REVIEWING THIS INFORMATION STATEMENT, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DESCRIBED UNDER THE CAPTION "RISK FACTORS" BEGINNING ON PAGE 17 OF THIS INFORMATION STATEMENT.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS INFORMATION STATEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THIS INFORMATION STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES.**

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**The date of this information statement is May 13, 2014.**

NOV first mailed this information statement to NOV stockholders on or about May 23, 2014.

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## NOTE REGARDING THE USE OF CERTAIN TERMS

We use the following terms to refer to the items indicated:

- “We,” “us,” “our,” the “Company,” “DistributionNOW” and “NOW Inc.,” unless the context requires otherwise, refer to NOW Inc., a Delaware Corporation and the entity that at the time of the distribution will hold, through its subsidiaries, the assets (including the equity interests of certain NOV subsidiaries) and liabilities associated with NOV’s distribution business, as defined below.
- “NOV” refers to National Oilwell Varco, Inc. and, where appropriate in context, to one or more of its subsidiaries, or all of them taken as a whole.
- The term “separation” refers to the separation of the distribution business from NOV’s other businesses and the creation of an independent publicly traded company, NOW Inc., to hold the assets (including the equity interests of certain NOV subsidiaries) and liabilities associated with the distribution business of NOV from and after the distribution.
- The term “distribution” refers to the pro rata distribution of all of the shares of NOW Inc. common stock outstanding immediately prior to the distribution date by NOV to stockholders of NOV as of the record date.
- The terms “distribution business” or “NOV’s distribution business” refer to the worldwide distribution business of NOV and its subsidiaries prior to the distribution and assets (including the equity interests of certain NOV subsidiaries) and liabilities associated with NOV’s distribution business.
- The term “distribution date” means the date on which the distribution occurs.

## SUMMARY

This summary highlights selected information from this information statement relating to NOW Inc.'s separation from National Oilwell Varco, Inc. ("NOV") and the distribution of NOW Inc. common stock by NOV to NOV's stockholders. For a more complete understanding of our business and the separation and the distribution, you should read the entire information statement carefully, particularly the discussion set forth under "Risk Factors" beginning on page 17 of this information statement, and our audited historical combined financial statements, our unaudited pro forma combined financial statements and the respective notes to those statements appearing elsewhere in this information statement.

*Except as otherwise indicated or unless the context otherwise requires, the information included in this information statement, including the combined financial statements of NOW Inc., assumes the completion of all the transactions referred to in this information statement in connection with the separation and the distribution.*

## OUR BUSINESS

### Overview

We are a distributor to the oil and gas industry with a legacy of over one-hundred and fifty years operating in the oilfield. We operate primarily under the DistributionNOW and Wilson Export brands. Through our network of over 300 locations and over 5,000 employees worldwide, we stock and sell a comprehensive offering of energy products as well as an extensive selection of products for industrial applications. Our energy product offering is needed throughout all sectors of the oil and gas industry – from upstream drilling, completion and production to midstream infrastructure development to downstream petroleum refining – as well as in other industries, such as chemical processing, power generation and industrial manufacturing operations. The industrial distribution portion of our business targets a diverse range of manufacturing and other facilities across numerous industries and end markets. We also provide supply chain management to drilling contractors, exploration and production ("E&P") operators, pipeline operators, downstream energy and industrial manufacturing companies around the world. The addressable market of our core oil and gas industry offering is estimated to be approximately \$20 billion in North America and significantly larger globally.

Our global product offering includes consumable maintenance, repair and operating ("MRO") supplies, pipe, valves, fittings, flanges, line pipe, electrical, artificial lift solutions, mill tools, safety supplies and spare parts to support customers' operations. We provide a one-stop shop value proposition within the oil and gas E&P market and particularly in targeted areas of artificial lift, measurement and controls, valve actuation and flow optimization. We also offer warehouse management, vendor integration and various inventory management solutions. Through focused effort, we have built expertise in providing application systems and parts integration, optimization solutions and after-sales support.

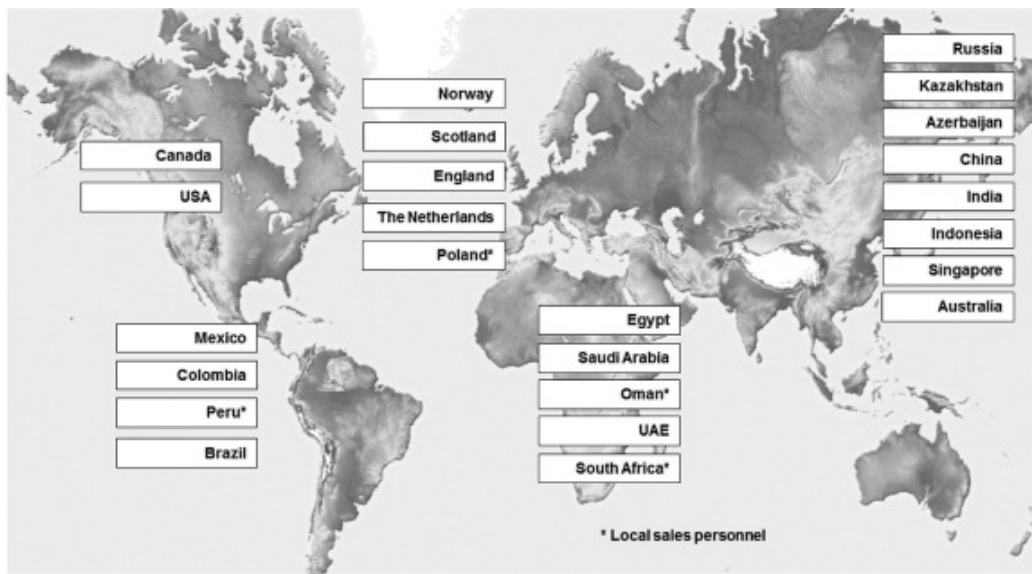
Our supply chain solutions include outsourcing the functions of procurement, inventory and warehouse management, logistics, business process and performance metrics reporting. This solutions offering allows us to leverage the infrastructure of our SAP™ ERP system to streamline the purchasing process for customers, from requisition to procurement to payment, by digitally managing approval routing and workflow and by providing robust reporting functionality.

We support major land and offshore operations for all the major oil and gas producing regions around the world through our comprehensive network of more than 270 Energy Branch locations. Our key markets beyond North America include Latin America, the North Sea, the Middle East, the Commonwealth of Independent States and Southeast Asia. Products sold through our Energy Branch locations support greenfield and expansion plant capital projects, midstream infrastructure, MRO and manufacturing consumables used in day-to-day production. We provide downstream energy and industrial products for petroleum refining, chemical processing, power generation and industrial manufacturing operations through more than 60 Supply Chain and customer on-site locations.

We stock or sell more than 150,000 stock keeping units (“SKUs”) through our branch network. Our supplier network consists of thousands of vendors in approximately 40 countries. From our operations in over 20 countries, we sell to customers operating in over 90 countries. The supplies and equipment stocked by each of our branches is customized to meet varied and changing local customer demands. The breadth and scale of our offering enhances our value proposition to vendors, customers and shareholders.

We employ advanced information technologies, including the implementation of a common ERP platform across essentially all of our business, to provide complete procurement, materials management and logistics coordination to our customers around the globe. Having a common ERP platform allows immediate visibility into the financials and operations of essentially all branches worldwide, enhancing decision-making and efficiency. Over the past two years, we have devoted significant resources to this initiative and we plan to have almost all of our locations aligned on one ERP platform in 2014.

### Global Operations



Demand for our products is driven primarily by the level of oil and gas drilling, servicing and production refining and petrochemical activities. It is also influenced by the global economy in general and by government policies. Several factors have driven the long-term growth in spending including investment in energy infrastructure, the North American shale plays and market expectations of future developments in the oil, natural gas, liquids, refined products, petrochemical, plant maintenance and other industrial and energy sectors. Approximately half of our revenue is attributable to multi-year MRO arrangements. MRO arrangements are generally repetitive activities that address recurring maintenance, repair, operational work, well hookups and drilling activities. Project activities, including facility expansions, exploration and new construction projects, are usually associated with customers’ capital expenditure budgets, sometimes in association with their construction partners. We mitigate our exposure to price volatility by limiting the length of price protection on such projects which allows us to adjust pricing depending on factors that influence our supply chain.

We have benefited from several strategic acquisitions during the past few years, including Wilson International, Inc. (“Wilson”) and CE Franklin Ltd. (“CE Franklin”), both of which were completed in 2012. We have also expanded through several other acquisitions and organic investments around the world, including the U.S., Canada, England, Scotland, the United Arab Emirates, Russia and Kazakhstan.

### Summary of Reportable Segments

We operate through three reportable segments: U.S., Canada and International. The table below is a summary of our three reportable segments.

	U.S.	Canada	International
<b>Overview</b>	Distributor of pipe, valves and fittings (“PVF”), MRO supplies and related products to the upstream, midstream and downstream energy and industrial sectors		
<b>2013 Revenue</b>	\$2,863 million	\$773 million	\$660 million
<b>Locations</b>	Over 200	Over 70	Over 30
<b>SKUs</b>	More than 150,000 items		
<b>Select Products</b>	MRO supplies, electrical products, mill tool & safety products, PVF, original equipment manufacturer (“OEM”) spare parts, artificial lift solutions, valve management solutions, fluid transfer products and supply chain solutions		
<b>Value-added Solutions</b>	Same-day delivery, customer training, inventory and warehouse management, logistics, business process and performance metrics reporting		
<b>Representative Customers</b>	Drilling contractors, E&P operators, well servicing companies, independent and national oil and gas companies, refineries, midstream operators, downstream energy processors and industrial manufacturers		

#### *United States*

We have more than 200 locations in the U.S., which are geographically positioned to best serve the upstream, midstream and downstream energy and industrial markets. Our U.S. branch network was significantly expanded with the locations added through the Wilson acquisition, which has enabled us to broaden our customer base, leverage our inventory and purchasing power and enhance our position in the midstream and downstream energy and industrial markets.

Approximately 75% of our U.S. locations are Energy Branches. Our Energy Branches primarily serve the upstream and midstream sectors of the oil and gas industry with locations in every major land and offshore area of the country. Within our branch network, we have a team of sales and operations professionals trained in the products, applications and customer service required to support our customers as they drill, explore, produce, transport and refine oil and gas products. Our locations offer a comprehensive line of products, including line pipe, valves, fittings and flanges, OEM spare parts, mill supplies, tools, safety supplies, personal protective equipment and miscellaneous expendable items. We also have a team of technical professionals who provide expertise in applied products and applications, such as artificial lift systems, coatings, electrical products, gas meter runs and valve actuation. The midstream segment is served through many of the same Energy Branches, including the locations added as part of the Wilson acquisition.

The balance of our U.S. locations are Supply Chain locations, which serve the upstream and downstream energy and industrial end markets and our customer on-site locations. Through our network of downstream and industrial facilities staffed by skilled personnel, we provide products primarily to refineries, chemical companies, utilities, manufacturers and engineering and construction companies in the areas of the country where these



markets are situated. Our primary product offering for the downstream and industrial markets includes all grades of pipe, valves, fittings, mill supplies, tools and safety supplies. Additionally, our downstream and industrial branches offer safety equipment, repair and maintenance, and also provide planning, sourcing and expediting of orders throughout the lifecycle of large capital projects. Our Supply Chain locations serve many oil and gas operators and drilling contractors. Supply Chain customers outsource procurement functions to us, which brings our sizeable vendor network to their doorstep and enables them to benefit from on-site management of their warehouses, inventory, materials, projects, logistics and manufacturing tool cribs. Customers engage our Supply Chain solutions to improve their bottom lines and accelerate their time to market through the identification and implementation of measurable operational efficiencies. To achieve this, we partner with our customers to review their current operations, allowing us to make informed recommendations regarding the restructuring of processes and inventories. Our Supply Chain solutions result in long term partnerships because they are customized to each customer's requirements, guided by a strategic framework, and are not easily replicated.

We also have extensive one-stop shop specialty operations in the U.S. that provide our customers a unique way to purchase artificial lift, valves and valve actuation, measurement and controls, fluid transfer and flow optimization, which enables them to better focus on their core business. In these businesses, we provide additional value to our customers through the design, assembly, fabrication and optimization of products and equipment essential to the safe and efficient production of oil and gas.

### *Canada*

We have a network of over 70 branches in the Canadian oilfield, predominantly in the oil rich provinces of Alberta and Saskatchewan in Western Canada. Our Canada segment primarily serves the energy exploration, production and drilling business, offering customers the same products and value-added solutions that we perform in the U.S. In Canada, we also provide training for and supervise the installation of fiberglass pipe, supported by substantial inventory and product expertise on the ground to serve our customers.

### *International*

We operate in over 20 countries and serve the needs of our international customers from more than 30 locations outside of the U.S. and Canada, all of which are strategically located in major oil and gas development areas. Our approach in these markets is similar to our approach in the U.S., as our customers look to us to provide inventory and support closer to their drilling and exploration activities. Our long legacy of operating in many international regions, combined with significant recent expansion into several new key markets, provides a significant competitive advantage as few of our competitors have a presence in all of these markets.

### **Distribution Industry Overview**

The total addressable market for our core oil and gas industry offering is estimated to be approximately \$20 billion in North America and significantly larger globally. The distribution industry is highly fragmented, comprised of a very small number of large players with global reach and a large number of small local and regional competitors. With thousands of smaller competitors, there are substantial opportunities for consolidation and product extensions.

Distribution companies act both as supply stores and supply chain management providers for their customers. Distributors deliver value to their customers by serving as a supply chain channel partner, managing vendor networks and carrying inventory of a wide range of products from numerous vendors at locations in close proximity to the end user.

Scale provides substantial advantages in the distribution industry, enhancing the value proposition for both vendors and customers. The ability to deliver predictable repeat business to the vendor network allows companies with scale the ability to purchase at competitive prices while also delivering value to those vendors and suppliers. In turn, distributors with scale are able to offer customers inventory at competitive prices and enable them to manage their own operations with lower inventory levels. Management believes that customers are increasingly centralizing purchasing operations and consolidating suppliers in an effort to reduce their procurement costs. This trend favors larger distributors with the product offering and geographic reach to supply customers across various geographies and industries.

Distribution companies with scale are thus able to extract economic rent from their businesses by offering a wide variety of SKUs at attractive volumes to vendors and prices to customers with minimal capital investment.

### **Our Market Sectors**

We offer a diverse range of products across the energy and industrial markets in the U.S., Canada and internationally. There are thousands of manufacturers of the products used in the markets in which we operate and customers demand a high level of service, responsiveness and availability across a broad set of products from these vendors. These market dynamics make the distributor an essential element in the value chain. Our product offering is aligned to meet the needs of our customer base.

#### *Energy Branches*

Our Energy Branches are the legacy brick and mortar supply store operations that provide products to multiple upstream and midstream customers from a single location. These branches serve repeat account and walk-in retail customers, across a variety of pricing models. Products are inventoried in our branch warehouses based on local market needs and are delivered or available for pick-up as needed.

#### *Supply Chain*

Our Supply Chain group targets the upstream and downstream energy and industrial markets, in which our customers are generally contractually committed to source from us under a single business model that includes a fixed pricing structure. We are typically integrated into our customers' facilities; have on-site NOW Inc. branches and inventory committed to a specific customer; perform duties otherwise managed by our customers; reach a broader customer segment to include downstream, industrial and manufacturing; manage third party materials on behalf of our customers; employ vending machines and/or tool cribs to store and dispense materials on-demand; and have a much greater component of technology to enable e-commerce and key performance indicators to be measured and reported specifically to each customer.

	<b>Energy Branches</b>	<b>Supply Chain</b>
<b>Target End Markets</b>	Upstream and midstream energy	Upstream, downstream energy and industrial
<b>Offering</b>	Branch locations supporting delivery and customer pick-up of a comprehensive range of upstream and midstream products and supplies	Dedicated customer on-site locations providing a tailored mix of downstream and industrial products
<b>Locations</b>	Over 270	Over 60
<b>2013 Revenue</b>	\$3,581 million	\$715 million

## Our Competitive Strengths

- **Global presence in large, fragmented market.** We are a distributor of PVF, MRO supplies and related products to the upstream, midstream and downstream energy and industrial sectors. Our scale is an important differentiator and source of competitive advantage that enhances our value proposition to both suppliers and customers:
  - *Extensive distribution network:* With more than 300 branches serving customers operating in over 90 countries around the world, we believe that we operate in more countries than any of our competitors.
  - *Global and national accounts:* The size of our network allows us to provide distribution capabilities to serve the needs of global and national accounts across multiple sites in various geographies.
  - *Product offering:* The breadth and depth of our product offering allows us to target a wide variety of end markets while offering complete solutions to our customer base. We serve as a one-stop shop for customers, stocking or selling more than 150,000 SKUs from thousands of vendors from a single source in proximity to their operations. We also maintain specific products to meet local customer needs and tailor inventory levels and mix as customer locations and needs change throughout their business lifecycle.
  - *Customer diversification:* Our large customer base provides a highly diversified revenue stream. Customer concentration is very limited, with no single customer accounting for more than 10% of our revenue. Our top 20 customers in aggregate comprise approximately one-third of our revenue. Furthermore, our customer base includes Fortune 500 companies that are among the largest and most well capitalized companies in the world.
  - *Purchasing power:* Our substantial purchasing volume allows us to offer value to our vendors and our customers while earning a strong return on capital with minimal investment. In many cases, we are able to bring business to vendors that they could not generate on their own. The size of our network enables us to purchase products at competitive prices and thereby deliver value to our customers. By carrying inventory close to our customers' operating locations, we enable them to focus on their core businesses.
- **Organic growth capability.** Our management team has a long track record of driving organic growth through both successful geographic expansion and product line extensions. We have grown organically into numerous new countries outside of the U.S. and Canada to meet the needs of our oil and gas customers. Organic expansions into new regions include South America (Brazil, Colombia, Mexico), Europe (Norway, Scotland), Middle East (Egypt, Saudi Arabia, United Arab Emirates), Asia (Azerbaijan, China, India, Indonesia) and Australia. We have also demonstrated the capability to expand the product lines offered by our network of branches. Successful product line extensions include artificial lift, electrical, safety products and valve actuation.
- **Highly flexible business model.** Our business model is highly flexible and allows us to respond quickly to changes in industry and economic conditions. We locate our branches near our customers' operations to provide the prompt product availability they require. We can quickly open new locations as needed to meet customer demand. We typically enter into short term leases and the fixed cost of operating our branches is low, which enables us to efficiently redeploy our people, resources and inventory in response to any changes in demand.
- **Relationship with NOV.** Our historic relationship with NOV provides significant value to both our Company and to our former parent. Our ability to leverage our more than 300 locations, inventory position and electronic ordering system brings business to NOV and delivers value to our common customers by providing last mile, real-time coverage of their operations. Additionally, we have the ability to offer procurement solutions to NOV manufacturing locations to deliver better prices through bundled purchases, while also enabling NOV to focus on plant operations rather than procurement of expendables. Our sales to NOV comprised approximately 3% of our 2013 revenue.

- **Supply chain business opportunity.** We believe many of our energy and industrial customers are increasingly considering outsourcing the management of larger portions of their supply chain operations. This creates a growth opportunity for our supply chain offering in both the energy and industrial end markets. We have broad supply chain capabilities, including procurement, warehouse layout, materials, assets and inventory management, all of which enable customers to focus on their core operations. Our supply chain solutions provide an attractive and important potential source of organic growth and further diversifies our revenue base.
- **Triple Impact Quality Program.** Our quality process, called the “Triple Impact Quality Program,” includes a manufacturer registration process which conducts assessments (review of documentation and on-site audits) and monitors and evaluates the quality of goods that are produced by our manufacturers. One of the results of this program is our Approved Manufacture List (“AML”) which is an important source of information sharing with our key customers regarding the results of our assessments. Many of our largest customers maintain their own AML and we work with those customers to collaborate on the results of assessments and performance. We conduct a statistical sampling of incoming products which allows us to quickly identify and address any issues with the supplier, which can reduce risk for not only us, but our customers, our suppliers and the industry. The importance placed on our AML by both our customers and suppliers reinforces our critical position in the supply chain. Key facilities are ISO 9001 registered and follow processes and procedures that support our ISO accreditation. We have one of the most extensive and comprehensive AMLs in the industry.
- **Common global ERP system.** We have invested in integrating a global ERP system which will provide a single platform that allows just in time visibility into the financials and operations at a branch level on a global basis and enables immediacy of decision-making and efficiency. In addition, our sophisticated software and infrastructure allow us to plan and optimize supply chain processes. Using a variety of integrated and bolt-on applications, we leverage demand management, statistical forecasting and lifecycle planning to make efficient decisions and allow flexible assortment planning. This ensures that our products are adapted to the local trends and customer needs across our distribution network.
- **Extensive acquisition track record.** With over 20 acquisitions completed during the past 15 years as part of NOV, our management team has a demonstrated track record of successfully executing and integrating acquisitions around the world. Our most recent acquisitions include Wilson and CE Franklin, which were completed during 2012. Management anticipates realizing substantial cost savings from these acquisitions in subsequent years.
- **Results driven culture and management team .** Our market-based, customer service oriented culture drives the organization to execute precisely. With an average tenure of 25 years (including NOV and its predecessor entities), our management team has extensive industry experience. Consistent across management is a focus on results, process and relationships. Together, with over 5,000 employees, we are a global distribution and supply chain business with an ambition to always exceed customer expectations and a passion for constant improvement.

#### **Our Business Strategy**

We are a distributor of PVF, MRO supplies and related products to the upstream, midstream and downstream energy and industrial sectors. Our objective is to strengthen our competitive position by enhancing our role within the energy market and selectively expanding our reach into industrial applications while maintaining an operational focus on margin enhancement and continuous productivity improvement to drive above-market earnings growth.

- **Extend our position in the energy supply chain.** We focus on providing supply chain solutions for the energy market in the United States and Canada. We provide a full complement of supply chain solutions

focused on improving the supply chain management process for our customers. Our solutions range from improved shop throughput and inventory management to customized ERP solutions to support specific customer needs. We plan to expand our position in the U.S. by building upon established relationships within our large customer base and premier supplier network to meet customers' continued interest in managing their spend through outsourcing. Furthermore, we plan to continue to build out our supply chain capability around the world by serving many of the same customers we serve in North America, as well as those in non-U.S. markets.

- **Expand geographic reach to provide products and solutions to the last mile in additional markets.** Our customers need our products in the locations where they operate, however remote. As our customers expand their operations beyond core markets into new geographies, they often rely on us to grow with them to supply them with products to support their safe and efficient operations. This presents attractive opportunities to expand our geographic reach into new areas outside of the U.S. and Canada. We operate our business with a primary focus on our customers, seeking to strengthen existing customer relationships as well as cultivate new ones. With a long track record of successfully expanding around the world, we believe we can continue to drive profitable growth on a global basis.
- **Continue to capitalize on non-conventional oil and gas plays.** We believe that the drilling environment in the U.S. and Canada, while sometimes volatile in the short term, will continue to exhibit long term growth as unconventional resources are fully exploited. This also creates significant opportunity for our products that are focused on the production of oil and gas, including artificial lift and fiberglass pipe. Finally, we believe that over the coming decade, other countries will move to develop unconventional resource plays and we will have the experience and global reach to help them do so more efficiently.
- **Increase market penetration in industrial manufacturing supply chain.** Our current industrial supply chain business provides a strong platform for substantial growth as an independent company. We currently serve many manufacturing facilities of NOV and other companies in the U.S. and abroad. Building upon our existing base of business with some of the world's leading manufacturing companies, as an independent company, we plan to aggressively target the supply chain opportunity for other leading manufacturers across a wide variety of industries. Our scale and experience in the oil and gas industry provide extensive infrastructure to support this expansion.
- **Maintain focus on margin enhancement and continuous productivity improvement .** Following the implementation of our common ERP platform, we believe we will be able to drive cost savings from the integration of the legacy NOV distribution business with that of Wilson and CE Franklin. We maintain operational focus on sourcing, pricing discipline, acquisition related consolidation savings and working capital management across all of our business units to enhance financial performance. Our fiscal discipline and operational flexibility to consolidate locations, product lines and corporate functions enables us to drive improved margins and pass cost savings through to the bottom line.
- **Selectively pursue strategic acquisitions and investments .** As an independent company, we plan to supplement our organic growth and targeted international expansion with select acquisitions in key markets to further enhance our geographic reach, product catalog and other capabilities. Our corporate development team will selectively pursue acquisitions that are culturally compatible and meet our growth, business model and returns criteria. Our management has significant experience in successfully executing and integrating strategic acquisitions. Our efficient operations, anticipated global integrated ERP platform, global distribution network and strong supplier relationships create opportunities to achieve substantial synergies in our acquisitions.

## Questions and Answers About the Separation and the Distribution

### **Q: Why is NOV separating its distribution business from its other businesses?**

A: The Board of Directors and management of NOV believe the separation and the distribution will allow each company to pursue a more focused, industry-specific strategy; enable the management of each company to concentrate resources wholly on its particular market segments, customers and core businesses, with greater ability to anticipate and respond to changing markets and opportunities; allow each company to recruit and retain employees with expertise directly applicable to its needs; provide NOW Inc. with a valuable acquisition currency; eliminate competition for capital between NOW Inc.'s business and NOV's other businesses and allow more direct and efficient access to capital; and provide investors in each company with a more targeted investment opportunity.

See "The Separation and the Distribution—Reasons for the Separation and the Distribution" included elsewhere in this information statement.

### **Q: How will NOV accomplish the separation and the distribution of NOW Inc.?**

A: The separation will be accomplished through a series of transactions in which the assets (including the equity interests of certain NOV subsidiaries) and liabilities associated with NOV's distribution business will be transferred to NOW Inc. or entities that are, or will become prior to the distribution, subsidiaries of NOW Inc. In the distribution, NOV will distribute to its stockholders all of the shares of NOW Inc.'s common stock. See "The Separation and the Distribution—Manner of Effecting the Separation and the Distribution" included elsewhere in this information statement.

### **Q: What will I receive in the distribution?**

A: NOV will distribute one share of NOW Inc. common stock for every four shares of NOV common stock outstanding at 5:00 p.m. Eastern Time on May 22, 2014, the record date for the distribution. You will pay no consideration and will not give up any portion of your NOV common stock to receive shares of NOW Inc. common stock in the distribution.

### **Q: What is the record date for the distribution, and when will the distribution occur?**

A: The record date is May 22, 2014, and ownership will be determined as of 5:00 p.m., Eastern Time, on that date. When we refer to the "record date," we are referring to that time and date. NOV will distribute shares of NOW Inc. common stock on May 30, 2014, which we refer to as the "distribution date."

### **Q: As a holder of NOV common stock on the record date, what do I need to do to participate in the distribution?**

A: Nothing. You do not need to take any action, but we urge you to read this entire document carefully. No stockholder approval of the distribution is required or sought. You are not being asked for a proxy. You are not required to make any payment, surrender or exchange any of your shares of NOV common stock or take any other action to receive your shares of NOW Inc. common stock.

### **Q: How will fractional shares be treated in the distribution?**

A: NOV will not distribute any fractional shares of NOW Inc. common stock to NOV stockholders. Fractional shares of NOW Inc. common stock to which NOV stockholders of record would otherwise be entitled will be aggregated and sold in the public market by the transfer agent. The aggregate net cash proceeds of the sales will be distributed pro rata to each holder who would otherwise have been entitled to receive a

fractional share in the distribution. Proceeds from these sales will generally result in a taxable gain or loss to those stockholders. Each stockholder entitled to receive cash proceeds from these shares should consult his, her or its own tax adviser as to such stockholder's particular circumstances. The tax consequences of the distribution are described in more detail under "The Separation and the Distribution—Material U.S. Federal Income Tax Consequences of the Distribution."

**Q: If I sell, on or before the distribution date, shares of NOV common stock that I held on the record date, am I still entitled to receive shares of NOW Inc. common stock in the distribution?**

A: Beginning on or shortly before the record date and continuing up to and including the distribution date, we expect there will be two markets in NOV common stock: a "regular way" market and an "ex-distribution" market. Shares of NOV common stock that trade on the regular way market will trade with an entitlement to receive shares of NOW Inc. common stock to be distributed in the distribution. Shares that trade on the ex-distribution market will trade without an entitlement to receive shares of NOW Inc. common stock to be distributed in the distribution, so that holders who sell shares ex-distribution will be entitled to receive shares of NOW Inc. common stock even though they have sold their shares of NOV common stock after the record date. Therefore, if you owned shares of NOV common stock on the record date and sell those shares on the regular way market before the distribution date, you will also be selling the shares of our common stock that would have been distributed to you in the distribution. You are encouraged to consult with your financial adviser regarding the specific implications of selling your NOV common stock prior to or on the distribution date.

**Q: Will the distribution affect the number of shares of NOV I currently hold?**

A: No. The number of shares of NOV common stock held by a stockholder will be unchanged. The market value of each NOV share, however, is expected to decline to reflect the impact of the distribution. See "The Separation and the Distribution—The Number of Shares You Will Receive" included elsewhere in this information statement.

**Q: What are the U.S. federal income tax consequences of the distribution to me?**

A: NOV expects that the distribution will qualify as tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "Code"). NOV expects to receive an opinion from its legal counsel to the effect that the distribution will so qualify. On the basis that the distribution so qualifies, for U.S. federal income tax purposes, you will not recognize any gain or loss, and no amount will be included in your income, upon your receipt of shares of NOW Inc. common stock pursuant to the distribution, except with respect to any cash received in lieu of fractional shares.

You should consult your own tax adviser as to the particular consequences of the distribution to you, including the applicability and effect of any U.S. federal, state and local tax laws, as well as foreign tax laws, which may result in the distribution being taxable to you. For more information, see "The Separation and the Distribution—Material U.S. Federal Income Tax Consequences of the Distribution" included elsewhere in this information statement.

**Q: How will I determine the tax basis I will have in my NOV shares after the distribution and the NOW Inc. shares I receive in the distribution?**

A: Generally, for U.S. federal income tax purposes, your aggregate basis in your shares of NOV common stock and the shares of NOW Inc. common stock you receive in the distribution (including any fractional share for which cash is received) will equal the aggregate basis of NOV common stock held by you immediately before the distribution. This aggregate basis should be allocated between your shares of NOV common

stock and the shares of NOW Inc. common stock you receive in the distribution (including any fractional share for which cash is received) in proportion to the relative fair market value of each immediately following the distribution. See “The Separation and the Distribution—Material U.S. Federal Income Tax Consequences of the Distribution.”

**Q: Will I receive a stock certificate for NOW Inc. shares distributed in the distribution?**

A: No. Registered holders of NOV common stock (meaning NOV stockholders who hold NOV stock directly through an account with NOV’s transfer agent, American Stock Transfer & Trust Co., LLC (“AST”)) who are entitled to participate in the distribution will receive from AST a book-entry account statement reflecting their ownership of NOW Inc. common stock. For additional information, registered stockholders in the U.S. should contact NOV’s transfer agent, AST, through its website at [www.amstock.com](http://www.amstock.com). Stockholders from outside the U.S. may call AST at (800) 937-5449. See “The Separation and the Distribution—When and How You Will Receive the Distributions of NOW Inc. Shares.”

**Q: What if I hold my shares through a broker, bank or other nominee?**

A: NOV stockholders who hold their shares through a broker, bank or other nominee will have their brokerage account credited with NOW Inc. common stock. For additional information, those stockholders should contact their broker, bank or other nominee directly.

**Q: What if I have stock certificates reflecting my shares of NOV common stock? Should I send them to the transfer agent or to NOV?**

A: No. You should not send your stock certificates to the transfer agent or to NOV. You should retain your NOV stock certificates.

**Q: Can NOV decide to cancel the distribution of NOW Inc. common stock, even if all the conditions are met?**

A: Yes. Until the distribution has occurred, the NOV Board of Directors has the right, in its sole discretion, to terminate the distribution, even if all the conditions are met. See “The Separation and the Distribution—Conditions to the Distribution” included elsewhere in this information statement.

**Q: Will NOW Inc. incur any debt prior to or at the time of separation?**

A: No. However, NOW Inc. has entered into a five-year \$750 million senior unsecured credit facility in connection with the separation and the distribution. See “Description of Indebtedness” included elsewhere in this information statement.

Following the separation, NOW Inc.’s debt obligations could restrict its business and may adversely impact its financial condition, results of operations or cash flows. In addition, its separation from NOV’s other businesses may increase the overall cost of debt funding and decrease the overall debt capacity and commercial credit available to the businesses collectively. NOW Inc.’s business, financial condition, results of operations and cash flows could be harmed by a deterioration of its credit profile or by factors adversely affecting the credit markets generally. See “Risk Factors—Risks Relating to the Separation and the Distribution.”



**Q: Does NOW Inc. intend to pay dividends?**

A: NOW Inc. does not currently anticipate paying dividends on its common stock. NOW Inc. currently intends to retain its future earnings to support the growth and development of its business. The payment of future cash dividends, if any, will be at the discretion of the NOW Inc. Board of Directors and will depend upon, among other things, NOW Inc.'s financial condition, results of operations, capital requirements and development expenditures, future business prospects and any restrictions imposed by future debt instruments. See "Dividend Policy" included elsewhere in this information statement.

**Q: Will my shares of NOW Inc. common stock trade on a stock market?**

A: Yes. Currently, there is no public market for NOW Inc. common stock. Our common stock will trade on the New York Stock Exchange ("NYSE") under the ticker symbol "DNOW." We cannot predict the trading prices for NOW Inc. common stock when such trading begins.

**Q: Will my shares of NOV common stock continue to trade?**

A: Yes. NOV common stock will continue to be listed and trade on the NYSE under the ticker symbol "NOV."

**Q: Will the distribution of NOW Inc. common stock affect the market price of my NOV shares?**

A: Yes. As a result of the distribution, the trading price of shares of NOV common stock immediately after the distribution is expected to change from the trading price immediately before the distribution, because the trading price immediately after the distribution will no longer reflect the value of NOV's distribution business. Furthermore, until the market has fully analyzed the value of NOV after the distribution, NOV may experience more stock price volatility than usual. It is possible that the combined trading prices of NOV common stock and NOW Inc. common stock immediately after the distribution will be less than the trading price of shares of NOV common stock immediately before the distribution.

**Q: What will happen to NOV stock options, restricted stock and performance shares?**

A: For more information on the treatment of equity based compensation awards in the distribution, see "The Separation and the Distribution —Treatment of Stock-Based Compensation."

**Q: What costs does NOV and NOW Inc. expect to incur in connection with the separation and distribution?**

A: NOV currently expects to incur one-time, non-recurring pre-tax separation costs of approximately \$25 to \$35 million in connection with the consummation of the separation plan. These one-time costs are expected to include: financial, legal, tax, accounting and other advisory fees; non-income tax costs and regulatory fees incurred as part of the reorganization and separation; costs for building and/or reconfiguring the required information systems and buildings to run the stand-alone companies; other various costs for branding the new company, NYSE listing fees, investor and other stakeholder communications, printing costs, fees of the distribution agent; and employee recruiting fees and incentive compensation, among other things. Nearly all of these costs will be incurred by NOV prior to the spin-off and do not include incremental capital expenditures related to the spin-off. To the extent additional separation costs are incurred by NOW Inc. after the spin-off, they will be the responsibility of NOW Inc. In addition, there are expected to be recurring total net incremental costs incurred on a going-forward basis in connection with operating NOW Inc. as an independent publicly traded company. These costs, which are currently expected to be approximately \$45 million, will be NOW Inc.'s responsibility.

**Q: What will the relationship be between NOV and NOW Inc. after the separation and the distribution?**

A: Following the distribution, NOV will not own any of the common stock of NOW Inc., and each of NOV and NOW Inc. will be independent, publicly traded companies with their own management teams and Boards of Directors. However, in connection with the separation and the distribution, NOW Inc. will enter into a Separation and Distribution Agreement and several other agreements with NOV for the purpose of both effecting the separation and governing the relationship of NOV and NOW Inc. following the separation. We describe these agreements in more detail under “Certain Relationships and Related-Party Transactions—Agreements Between Us and NOV” included elsewhere in this information statement.

**Q: Are there risks to owning NOW Inc. common stock?**

A: Yes. There are risks associated with NOW Inc.’s business, the separation and the distribution and NOW Inc.’s operation as an independent, publicly traded company. These risks are described in the section entitled “Risk Factors” included elsewhere in this information statement. We encourage you to read that entire section carefully.

**Q: Will I have appraisal rights in connection with the separation and the distribution?**

A: No. Holders of NOV common stock are not entitled to appraisal rights in connection with the separation or the distribution.

**Q: Where can I get more information?**

A: If you have any questions relating to the transfer or mechanics of the stock distribution, you should contact the distribution agent:

American Stock Transfer & Trust Co., LLC  
Operations Center  
6201 15th Avenue  
Brooklyn, New York 11219  
(800) 937-5449

For other questions relating to the separation or the distribution, prior to the distribution, or for questions relating to NOV’s stock after the distribution, you should contact NOV’s investor relations department:

NOV Investor Relations  
7909 Parkwood Circle Drive  
Houston, Texas 77036  
(713) 346-7500

For other questions relating to the separation or the distribution, after the distribution, you should contact NOW Inc.’s investor relations department:

NOW Inc. Investor Relations  
7402 North Eldridge Parkway  
Houston, Texas 77041  
(281) 823-4700

## **The Separation and the Distribution**

### **Distributing Company**

NOV is currently the sole stockholder of NOW Inc. After the distribution, NOV will not own any of the shares of NOW Inc.'s common stock.

### **Distributed Company**

NOW Inc. is wholly owned by NOV. After the distribution, NOW Inc. will be an independent, publicly traded company.

### **Distribution Ratio**

One share of NOW Inc. common stock for every four shares of NOV common stock held on the record date.

### **Shares to Be Distributed**

NOV will distribute 100 percent of the shares of NOW Inc. common stock outstanding immediately before the distribution. Based on approximately 429 million shares of NOV common stock outstanding as of April 1, 2014 and applying the distribution ratio (without accounting for cash to be issued in lieu of fractional shares), we expect that approximately 107 million shares of NOW Inc. common stock will be distributed to NOV stockholders.

### **Record Date for the Distribution**

The record date for the distribution is 5:00 p.m. Eastern Time on May 22, 2014.

### **Distribution Date**

The distribution date is May 30, 2014.

### **Fractional Shares**

The distribution agent will not distribute any fractional shares of NOW Inc. common stock to NOV stockholders. Instead, it will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing prices and distribute the net cash proceeds pro rata to each holder who would otherwise have been entitled to receive fractional shares in the distribution. NOV stockholders will not be entitled to any interest on the amount of any payment made in lieu of a fractional share.

### **Distribution Method**

The distribution will be made in electronic book-entry form, without the delivery of any physical share certificates. Registered stockholders will receive additional information from the distribution agent shortly before the distribution date. Beneficial holders will receive information from their brokerage firms.

### **Conditions to the Distribution**

The distribution is subject to the satisfaction, or waiver by NOV, of the following conditions, among others:

- The Securities and Exchange Commission (the "SEC") will have declared effective our registration statement on Form 10, of which this information statement is a part, under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with no order suspending the effectiveness of the registration statement in effect and no proceedings for such purposes pending before or threatened by the SEC.
- Any required actions and filings with regard to state securities and blue sky laws of the U.S. (and any comparable laws under any foreign jurisdictions) will have been taken and, where applicable, will have become effective or been accepted.

- NOW Inc.'s common stock will have been authorized for listing on the NYSE, or another national securities exchange approved by NOV, subject to official notice of issuance.
- Prior to the distribution, this information statement will have been mailed to the holders of NOV common stock as of the record date.
- NOV will have received an opinion from its legal counsel to the effect that the distribution will qualify as tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code.
- No order, injunction, decree or regulation issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing completion of the distribution will be in effect.
- Any government approvals and other material consents necessary to consummate the distribution will have been obtained and be in full force and effect.
- The NOV Board of Directors has granted final approval of the distribution.
- The Separation and Distribution Agreement will not have been terminated.

See: "The Separation and the Distribution—Conditions to the Distribution" included elsewhere in this information statement.

**Stock Exchange Listing**

There currently is not a public market for NOW Inc. common stock. NOW Inc. common stock will trade on the NYSE under the symbol "DNOW."

**Dividend Policy after the Distribution**

We do not currently anticipate paying dividends on our common stock. See "Dividend Policy" included elsewhere in this information statement.

**Distribution Agent**

American Stock Transfer & Trust Co., LLC  
 Operations Center  
 6201 15th Avenue  
 Brooklyn, New York 11219  
 (800) 937-5449

**Transfer Agent and Registrar for Our Shares of Common Stock**

American Stock Transfer & Trust Co., LLC  
 Operations Center  
 6201 15th Avenue  
 Brooklyn, New York 11219  
 (800) 937-5449

**U.S. Federal Income Consequences**

On the basis that the distribution, together with certain related transactions, will qualify as generally tax-free for U.S. federal income tax purposes, no gain or loss will be recognized by a stockholder of NOV, and no amount will be included in the income of a stockholder of NOV for U.S. federal income tax purposes, upon the receipt of shares of our common stock pursuant to the distribution, except with respect to any cash received in lieu of fractional shares. For more information regarding the potential U.S. federal income tax consequences to you of the distribution, see “The Separation and the Distribution—Material U.S. Federal Income Tax Consequences of the Distribution.”

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## RISK FACTORS

*You should carefully consider each of the following risks and all of the other information contained in this information statement. Some of these risks relate principally to our separation from NOV, while others relate principally to our business and the industry in which we operate or to the securities markets generally and ownership of our common stock. Our business, prospects, financial condition, results of operations or cash flows could be materially and adversely affected by any of these risks, and, as a result, the trading price of our common stock could decline.*

### **Risks Relating to the Separation and the Distribution**

***We may not realize the potential benefits from the separation, and our historical and pro forma combined financial information is not necessarily indicative of our future prospects. We may be unable to achieve some or all of the benefits that we expect to achieve as an independent, publicly traded company.***

We may not realize the potential benefits we expect from our separation from NOV. We have described those anticipated benefits elsewhere in this information statement. See “The Separation and the Distribution—Reasons for the Separation and the Distribution.” In addition, we will incur significant costs, including those described below, which may exceed our estimates, and we will incur some negative effects from our separation from NOV, including loss of access to some of the financial, managerial and professional resources from which we have benefited in the past.

Our historical and pro forma combined financial statements do not necessarily reflect the financial condition, results of operations or cash flows that we would have achieved as an independent, publicly traded company during the periods presented or those that we will achieve in the future, as a result of the following factors:

- Our historical combined financial results reflect allocations of expenses for services historically provided by NOV, and those allocations may be significantly lower than the comparable expenses we would have incurred as an independent company.
- Our working capital requirements historically have been satisfied as part of NOV’s corporate-wide cash management programs, and our cost of debt and other capital may differ significantly from that reflected in our historical combined financial statements.
- Our historical combined financial information may not fully reflect the costs associated with being an independent public company, including significant changes that may occur in our cost structure, management, financing arrangements and business operations as a result of our separation from NOV, including all the costs related to being an independent public company.
- The historical combined financial information may not fully reflect the effects of certain liabilities that we will incur or assume.

We based the pro forma adjustments on available information and assumptions that we believe are reasonable and factually supportable; however, our assumptions may prove not to be accurate. In addition, our unaudited pro forma combined financial information may not give effect to various ongoing additional costs we may incur in connection with being an independent public company. Accordingly, our unaudited pro forma combined financial information does not reflect what our financial condition, results of operations or cash flows would have been as an independent public company and is not necessarily indicative of our future financial condition or future results of operations. Please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Unaudited Pro Forma Combined Financial Statements” and our historical audited combined financial statements and the notes to those statements included elsewhere in this information statement.

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***Until the distribution occurs, NOV has sole discretion to change the terms of the distribution in ways that may be unfavorable to us.***

Until the distribution occurs, we are and will be a wholly owned subsidiary of NOV. Accordingly, NOV has the sole and absolute discretion to determine and change the terms of the distribution, including the establishment of the record date and distribution date. These changes could be unfavorable to us. In addition, NOV may decide at any time not to proceed with the separation or the distribution.

***In connection with our separation from NOV, NOV will indemnify us for certain liabilities, and we will indemnify NOV for certain liabilities. If we are required to act on these indemnities to NOV, we may need to divert cash to meet those obligations, and our financial results could be negatively impacted. In the case of NOV's indemnity, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities, or as to NOV's ability to satisfy its indemnification obligations in the future.***

Pursuant to the Separation and Distribution Agreement and other agreements with NOV, NOV will agree to indemnify us for certain liabilities, and we will agree to indemnify NOV for certain liabilities, in each case for uncapped amounts, as discussed further in "Certain Relationships and Related-Party Transactions—Agreements Between Us and NOV." Indemnities that we may be required to provide NOV will not be subject to any cap, may be significant and could negatively impact our business, particularly indemnities relating to our actions that could impact the tax-free nature of the distribution. Third parties could also seek to hold us responsible for any of the liabilities that NOV has agreed to retain. Further, there can be no assurance that the indemnity from NOV will be sufficient to protect us against the full amount of such liabilities, or that NOV will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from NOV any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, cash flows, results of operations and financial condition.

***We will be subject to continuing contingent liabilities of NOV following the separation.***

After the separation, there will be several significant areas where the liabilities of NOV may become our obligations. For example, under the Code and the related rules and regulations, each corporation that was a member of the NOV combined U.S. federal income tax reporting group during any taxable period or portion of any taxable period ending on or before the effective time of the distribution is jointly and severally liable for the U.S. federal income tax liability of the entire NOV combined tax reporting group for that taxable period. In connection with the separation, we will enter into a Tax Matters Agreement with NOV that will allocate the responsibility for prior period taxes of the NOV combined tax reporting group between us and NOV. See "Certain Relationships and Related-Party Transactions—Agreements Between Us and NOV—Tax Matters Agreement." However, if NOV is unable to pay any prior period taxes for which it is responsible, we could be required to pay the entire amount of such taxes.

***Potential liabilities associated with certain assumed obligations under the Tax Matters Agreement cannot be precisely quantified at this time.***

Under the Tax Matters Agreement with NOV, we will be responsible for, and must indemnify NOV with respect to, all taxes arising as a result of the distribution (or certain internal restructuring transactions) failing to qualify as transactions under Sections 355 and 368(a)(1)(D) (or other applicable provisions) of the Code for U.S. federal income tax purposes (which could result, for example, from a merger or other transaction involving an acquisition of our stock) to the extent such tax liability arises as a result of any breach of any representation, warranty, covenant or other obligation by us or our affiliates made in connection with the issuance of the tax opinion relating to the distribution or in the Tax Matters Agreement. Such tax liability would be calculated as though NOV (or its affiliate) had sold its shares of common stock of our company in a taxable sale for their fair market value, and NOV (or its affiliate) would recognize taxable gain in an amount equal to the excess of the fair market value of such shares over its tax basis in such shares. That tax liability could have a material adverse effect on our company. For a more detailed discussion, see "Certain Relationships and Related-Party Transactions—Agreements Between Us and NOV—Tax Matters Agreement."

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***If the distribution, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, you and NOV could be subject to significant tax liability and, in certain circumstances, we could be required to indemnify NOV for material taxes pursuant to indemnification obligations under the Tax Matters Agreement.***

If the distribution or certain internal transactions undertaken in anticipation of the distribution are determined to be taxable for U.S. federal income tax purposes, then we, NOV and/or our stockholders could be subject to significant tax liability. NOV expects the distribution, except for cash received in lieu of fractional shares, will qualify as tax-free under Sections 355 and 361 of the Code, and that certain internal transactions undertaken in anticipation of the distribution will generally qualify as tax-free for U.S. federal income tax purposes. The IRS could determine on audit that the distribution or the internal transactions should be treated as taxable transactions, including as a result of a significant change in stock or asset ownership after the distribution. If the distribution ultimately is determined to be taxable, the distribution could be treated as a taxable dividend or capital gain to you for U.S. federal income tax purposes, and you could incur significant U.S. federal income tax liabilities. In addition, NOV would recognize gain in an amount equal to the excess of the fair market value of shares of our common stock distributed to NOV stockholders on the distribution date over NOV's tax basis in such shares of our common stock. Moreover, NOV could incur significant U.S. federal income tax liabilities if it is ultimately determined that certain internal transactions undertaken in anticipation of the distribution are taxable. For a more detailed discussion, see "The Separation and the Distribution—Material U.S. Federal Income Tax Consequences of the Distribution."

In connection with the separation and distribution, we and NOV will enter into a Tax Matters Agreement. The Tax Matters Agreement will (among other things) set forth each party's rights and obligations with respect to federal, state, local, and foreign taxes attributable to the separation and distribution. To the extent that we are required to indemnify NOV (or its subsidiaries or other affiliates) or otherwise bear tax liabilities attributable to the separation and distribution under the Tax Matters Agreement, we may be subject to substantial liabilities. See "Certain Relationships and Related-Party Transactions—Agreements Between Us and NOV—Tax Matters Agreement."

***We might not be able to engage in desirable strategic transactions and equity issuances following the distribution because of certain restrictions relating to requirements for tax-free distributions.***

In connection with the separation and distribution, we and NOV will enter into a Tax Matters Agreement. It is anticipated that, under the terms of the Tax Matters Agreement, for a two-year period (or, in certain cases, potentially longer) we will be limited or prohibited from: undertaking certain sales, redemptions, issuances of our stock, stock repurchases, mergers, liquidations, asset dispositions; ceasing to actively conduct the distribution business; and, taking or failing to take other actions that prevent the distribution and related transactions from being tax-free. Any such restrictions may limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business. See "Certain Relationships and Related-Party Transactions—Agreements Between Us and NOV—Tax Matters Agreement."

***We potentially could have received better terms from unaffiliated third parties than the terms we receive in our agreements with NOV.***

The agreements we will enter into with NOV in connection with the separation, including the Separation and Distribution Agreement, the Tax Matters Agreement and other agreements, were negotiated in the context of the separation while we were still a wholly owned subsidiary of NOV. Accordingly, during the period in which the terms of those agreements were negotiated, we did not have an independent Board of Directors or a management team independent of NOV. As a result, the terms of those agreements may not reflect terms that would have resulted from arm's-length negotiations between unaffiliated third parties. The terms of the agreements to be negotiated in the context of the separation relate to, among other things, the allocation of assets, liabilities, rights and other obligations between NOV and us. Arm's-length negotiations between NOV and an unaffiliated third



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party in another form of transaction, such as a buyer in a sale of a business transaction, may have resulted in more favorable terms to the unaffiliated third party. See “Certain Relationships and Related-Party Transactions—Agreements Between Us and NOV” included elsewhere in this information statement.

***We have no history operating as an independent public company. We will incur significant costs to create the corporate infrastructure necessary to operate as an independent public company, and we may experience increased ongoing costs in connection with being an independent public company.***

We have historically used NOV’s corporate infrastructure to support our business functions, including information technology systems. The expenses related to establishing and maintaining this infrastructure were spread among all of NOV’s businesses. Following the separation and after the expiration of the Transition Services Agreement, we will no longer have access to NOV’s infrastructure, and we will need to establish our own. We expect to incur costs beginning in 2014 to establish the necessary infrastructure. See “Unaudited Pro Forma Combined Financial Statements.”

NOV currently performs many important corporate functions for us, including some treasury, tax administration, accounting, financial reporting, human resources, compensation, legal and other services. Following the separation, NOV will continue to provide some of these services to us on a transitional basis, pursuant to a Transition Services Agreement that we will enter into with NOV. For more information regarding the Transition Services Agreement, see “Certain Relationships and Related-Party Transactions—Agreements Between Us and NOV—Transition Services Agreement.” NOV may not successfully execute all these functions during the transition period or we may have to expend significant efforts or costs materially in excess of those estimated under the Transition Services Agreement. Any interruption in these services could have a material adverse effect on our business, financial condition, results of operation and cash flows. In addition, at the end of this transition period, we will need to perform these functions ourselves or hire third parties to perform these functions on our behalf. The costs associated with performing or outsourcing these functions may exceed the amounts reflected in our historical combined financial statements or that we have agreed to pay NOV during the transition period. A significant increase in the costs of performing or outsourcing these functions could materially and adversely affect our business, financial condition, results of operations and cash flows.

Currently, we are not directly subject to the reporting and other requirements of the Exchange Act. After the separation, we will be directly subject to reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which will require, in the future, annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing the effectiveness of these controls. These reporting and other obligations will place significant demands on our management and administrative and operational resources, including accounting resources.

***After the separation, NOV’s insurers may deny coverage to us for losses associated with occurrences prior to the separation.***

In connection with the separation, we will enter into agreements with NOV to address several matters associated with the separation, including insurance coverage. See “Certain Relationships and Related Transactions—Agreements Between Us and NOV.” After the separation, NOV’s insurers may deny coverage to us for losses associated with occurrences prior to the separation. Accordingly, we may be required to temporarily or permanently bear the costs of such lost coverage.

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## Risks Relating to Our Business

***Decreased capital and other expenditures in the energy industry, which can result from decreased oil and natural gas prices, among other things, can adversely impact our customers' demand for our products and our revenue.***

A large portion of our revenue depends upon the level of capital and operating expenditures in the oil and natural gas industry, including capital and other expenditures in connection with exploration, drilling, production, gathering, transportation, refining and processing operations. Demand for the products we distribute is particularly sensitive to the level of exploration, development and production activity of, and the corresponding capital and other expenditures by, oil and natural gas companies. A material decline in oil or natural gas prices could depress levels of exploration, development and production activity and, therefore, could lead to a decrease in our customers' capital and other expenditures.

The willingness of oil and gas operators to make capital and operating expenditures to explore for and produce oil and natural gas and the willingness of oilfield service companies to invest in capital and operating equipment will continue to be influenced by numerous factors over which we have no control, including:

- the ability of the members of the Organization of Petroleum Exporting Countries ("OPEC"), to maintain price stability through voluntary production limits, the level of production by non-OPEC countries and worldwide demand for oil and gas;
- level of production from known reserves;
- cost of exploring for and producing oil and gas;
- level of drilling activity and drilling rig dayrates;
- worldwide economic activity;
- national government political requirements;
- development of alternate energy sources; and
- environmental regulations.

If there is a significant reduction in demand for drilling services, in cash flows of drilling contractors, well servicing companies, or production companies or in drilling or well servicing rig utilization rates, then demand for our products will decline.

### ***Volatile oil and gas prices affect demand for our products.***

Demand for our products is largely determined by current and anticipated oil and natural gas prices, and the related spending and level of activity by our customers, including spending on production and level of drilling activities. Volatility or weakness in oil or natural gas prices (or the perception that oil or natural gas prices will decrease) affects the spending pattern of our customers, and may result in the drilling of fewer new wells or lower production spending on existing wells. This, in turn, could result in lower demand for our products. Any sustained decrease in capital expenditures in the oil and natural gas industry could have a material adverse effect on us.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of other factors that are beyond our control.

Many factors affect the supply of and demand for energy and, therefore, influence oil and natural gas prices, including:

- the level of domestic and worldwide oil and natural gas production and inventories;

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- the level of drilling activity and the availability of attractive oil and natural gas field prospects, which governmental actions may affect, such as regulatory actions or legislation, or other restrictions on drilling, including those related to environmental concerns (e.g., a temporary moratorium on deepwater drilling in the Gulf of Mexico following a rig accident or oil spill);
  - the discovery rate of new oil and natural gas reserves and the expected cost of developing new reserves;
  - the actual cost of finding and producing oil and natural gas;
  - depletion rates;
  - domestic and worldwide refinery overcapacity or undercapacity and utilization rates;
  - the availability of transportation infrastructure and refining capacity;
  - increases in the cost of products that the oil and gas industry uses, such as those that we provide, which may result from increases in the cost of raw materials such as steel;
  - shifts in end-customer preferences toward fuel efficiency and the use of natural gas;
  - the economic or political attractiveness of alternative fuels, such as coal, hydrocarbon, wind, solar energy and biomass-based fuels;
  - increases in oil and natural gas prices or historically high oil and natural gas prices, which could lower demand for oil and natural gas products;
  - worldwide economic activity including growth in non-Organization for Economic Co-operation and Development (“OECD”) countries, including China and India;
  - interest rates and the cost of capital;
  - national government policies, including government policies that could nationalize or expropriate oil and natural gas E&P, refining or transportation assets;
  - the ability of OPEC to set and maintain production levels and prices for oil;
  - the impact of armed hostilities, or the threat or perception of armed hostilities;
  - environmental regulation;
  - technological advances;
  - global weather conditions and natural disasters;
  - currency fluctuations; and
  - tax policies.

Oil and natural gas prices have been and are expected to remain volatile. This volatility has historically caused oil and natural gas companies to change their strategies and expenditure levels from year to year. We have experienced in the past, and we will likely experience in the future, significant fluctuations in operating results based on these changes.

***General economic conditions may adversely affect our business.***

U.S. and global general economic conditions affect many aspects of our business, including demand for the products we distribute and the pricing and availability of supplies. General economic conditions and predictions regarding future economic conditions also affect our forecasts. A decrease in demand for the products we distribute or other adverse effects resulting from an economic downturn may cause us to fail to achieve our anticipated financial results. General economic factors beyond our control that affect our business and customers

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include interest rates, recession, inflation, deflation, customer credit availability, consumer credit availability, consumer debt levels, performance of housing markets, energy costs, tax rates and policy, unemployment rates, commencement or escalation of war or hostilities, the threat or possibility of war, terrorism or other global or national unrest, political or financial instability, and other matters that influence our customers' spending. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency or increase in magnitude. In addition, worldwide economic conditions could have an adverse effect on our business, prospects, operating results, financial condition and cash flows.

***We may be unable to compete successfully with other companies in our industry.***

We sell products in very competitive markets. In some cases, we compete with large companies with substantial resources. In other cases, we compete with smaller regional players that may increasingly be willing to provide similar products at lower prices. Certain of these competitors may have greater financial, technical and marketing resources than us, and may be in a better competitive position. The following competitive actions can each adversely affect our revenues and earnings:

- price changes;
- consolidation in the industry; and
- improvements in availability and delivery.

We could experience a material adverse effect to the extent that our competitors are successful in reducing our customers' purchases of products from us. Competition could also cause us to lower our prices, which could reduce our margins and profitability. Furthermore, consolidation in our industry could heighten the impacts of the competition on our business and results of operations discussed above, particularly if consolidation results in competitors with stronger financial and strategic resources, and could also result in increases to the prices we are required to pay for acquisitions we may make in the future. In addition, certain foreign jurisdictions and government-owned petroleum companies located in some of the countries in which we operate have adopted policies or regulations which may give local nationals in these countries competitive advantages. Competition in our industry could lead to lower revenues and earnings.

***Demand for the products we distribute could decrease if the manufacturers of those products were to sell a substantial amount of goods directly to end users in the sectors we serve.***

Historically, users of pipes, valves and fittings and related products have purchased certain amounts of these products through distributors and not directly from manufacturers. If customers were to purchase the products that we sell directly from manufacturers, or if manufacturers sought to increase their efforts to sell directly to end users, we could experience a significant decrease in profitability. These or other developments that remove us from, or limit our role in, the distribution chain, may harm our competitive position in the marketplace and reduce our sales and earnings and adversely affect our business.

***We may experience unexpected supply shortages.***

We distribute products from a wide variety of manufacturers and suppliers. Nevertheless, in the future we may have difficulty obtaining the products we need from suppliers and manufacturers as a result of unexpected demand or production difficulties that might extend lead times. Also, products may not be available to us in quantities sufficient to meet our customer demand. Our inability to obtain products from suppliers and manufacturers in sufficient quantities, or at all, could adversely affect our product offerings and our business.

***We may experience cost increases from suppliers, which we may be unable to pass on to our customers.***

In the future, we may face supply cost increases due to, among other things, unexpected increases in demand for supplies, decreases in production of supplies or increases in the cost of raw materials or transportation. Any inability to pass supply price increases on to our customers could have a material adverse effect on us. In

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addition, if supply costs increase, our customers may elect to purchase smaller amounts of products or may purchase products from other distributors. While we may be able to work with our customers to reduce the effects of unforeseen price increases because of our relationships with them, we may not be able to reduce the effects of the cost increases. In addition, to the extent that competition leads to reduced purchases of products from us or a reduction of our prices, and these reductions occur concurrently with increases in the prices for selected commodities which we use in our operations, the adverse effects described above would likely be exacerbated and could result in a prolonged downturn in profitability.

***We do not have contracts with most of our suppliers. The loss of a significant supplier would require us to rely more heavily on our other existing suppliers or to develop relationships with new suppliers. Such a loss may have an adverse effect on our product offerings and our business.***

Given the nature of our business, and consistent with industry practice, we do not have contracts with most of our suppliers. We generally make our purchases through purchase orders. Therefore, most of our suppliers have the ability to terminate their relationships with us at any time. Although we believe there are numerous manufacturers with the capacity to supply the products we distribute, the loss of one or more of our major suppliers could have an adverse effect on our product offerings and our business. Such a loss would require us to rely more heavily on our other existing suppliers or develop relationships with new suppliers, which may cause us to pay higher prices for products due to, among other things, a loss of volume discount benefits currently obtained from our major suppliers.

***Price reductions by suppliers of products that we sell could cause the value of our inventory to decline. Also, these price reductions could cause our customers to demand lower sales prices for these products, possibly decreasing our margins and profitability on sales to the extent that we purchased our inventory of these products at the higher prices prior to supplier price reductions.***

The value of our inventory could decline as a result of manufacturer price reductions with respect to products that we sell. There is no assurance that a substantial decline in product prices would not result in a write-down of our inventory value. Such a write-down could have an adverse effect on our financial condition.

Also, decreases in the market prices of products that we sell could cause customers to demand lower sales prices from us. These price reductions could reduce our margins and profitability on sales with respect to the lower-priced products. Reductions in our margins and profitability on sales could have a material adverse effect on us.

***A substantial decrease in the price of steel tubular products could significantly lower our gross profit or cash flow.***

At times, pricing and availability of steel tubular products can be volatile due to numerous factors beyond our control, including general domestic and international economic conditions, labor costs, sales levels, competition, consolidation of steel producers, fluctuations in and the costs of raw materials necessary to produce steel, steel manufacturers' plant utilization levels and capacities, import duties and tariffs and currency exchange rates. Increases in manufacturing capacity for the tubular products could put pressure on the prices we receive for our tubular products. When steel tubular prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sales prices and, consequently, lower gross profit and cash flow.

***If steel tubular prices rise, we may be unable to pass along the cost increases to our customers.***

We maintain inventories of steel tubular products to accommodate the lead time requirements of our customers. Accordingly, we purchase steel tubular products in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon historic buying practices, contracts with

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customers and market conditions. Our commitments to purchase steel tubular products are generally at prevailing market prices in effect at the time we place our orders. If steel tubular prices increase between the time we order and the time of delivery of the products to us, our suppliers may impose surcharges that require us to pay for increases in steel prices during the period. Demand for the products we distribute, the actions of our competitors and other factors will influence whether we will be able to pass on cost increases and surcharges to our customers, and we may be unsuccessful in doing so. Tubular goods represent approximately 20% of our revenues in 2013.

***We do not have long-term contracts or agreements with many of our customers. The contracts and agreements that we do have generally do not commit our customers to any minimum purchase volume. The loss of a significant customer may have a material adverse effect on us.***

Given the nature of our business, and consistent with industry practice, we do not have long-term contracts with many of our customers. In addition, our contracts, including our MRO contracts, generally do not commit our customers to any minimum purchase volume. Therefore, a significant number of our customers, including our MRO customers, may terminate their relationships with us or reduce their purchasing volume at any time. Furthermore, the long-term customer contracts that we do have are generally terminable without cause on short notice. Our 20 largest customers represented approximately one-third of our revenue for the year ended December 31, 2013. The products that we may sell to any particular customer depend in large part on the size of that customer's capital expenditure budget in a particular year and on the results of competitive bids for major projects. Consequently, a customer that accounts for a significant portion of our sales in one fiscal year may represent an immaterial portion of our sales in subsequent fiscal years. The loss of a significant customer, or a substantial decrease in a significant customer's orders, may have an adverse effect on our sales and revenue.

In addition, we are subject to customer audit clauses in many of our multi-year contracts. If we are not able to provide the proper documentation or support for invoices per the contract terms, we may be subject to negotiated settlements with our major customers.

***Changes in our customer and product mix could cause our gross profit percentage to fluctuate.***

From time to time, we may experience changes in our customer mix or in our product mix. Changes in our customer mix may result from geographic expansion, daily selling activities within current geographic markets and targeted selling activities to new customer segments. Changes in our product mix may result from marketing activities to existing customers and needs communicated to us from existing and prospective customers. If customers begin to require more lower-margin products from us and fewer higher-margin products, our business, results of operations and financial condition may suffer.

***Customer credit risks could result in losses.***

The concentration of our customers in the energy industry may impact our overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions. Further, laws in some jurisdictions in which we operate could make collection difficult or time consuming. We perform ongoing credit evaluations of our customers and do not generally require collateral in support of our trade receivables. While we maintain reserves for expected credit losses, we cannot assure these reserves will be sufficient to meet write-offs of uncollectible receivables or that our losses from such receivables will be consistent with our expectations.

***We may be unable to successfully execute or effectively integrate acquisitions.***

One of our key operating strategies is to selectively pursue acquisitions, including large scale acquisitions, to continue to grow and increase profitability. However, acquisitions, particularly of a significant scale, involve numerous risks and uncertainties, including intense competition for suitable acquisition targets, the potential unavailability of financial resources necessary to consummate acquisitions in the future, increased leverage due

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to additional debt financing that may be required to complete an acquisition, dilution of our stockholders' net current book value per share if we issue additional equity securities to finance an acquisition, difficulties in identifying suitable acquisition targets or in completing any transactions identified on sufficiently favorable terms, assumption of undisclosed or unknown liabilities and the need to obtain regulatory or other governmental approvals that may be necessary to complete acquisitions. In addition, any future acquisitions may entail significant transaction costs and risks associated with entry into new markets.

Even when acquisitions are completed, integration of acquired entities can involve significant difficulties, such as:

- failure to achieve cost savings or other financial or operating objectives with respect to an acquisition;
- complications and issues resulting from the integration/conversion of ERP systems;
- strain on the operational and managerial controls and procedures of our business, and the need to modify systems or to add management resources;
- difficulties in the integration and retention of customers or personnel and the integration and effective deployment of operations or technologies;
- amortization of acquired assets, which would reduce future reported earnings;
- possible adverse short-term effects on our cash flows or operating results;
- diversion of management's attention from the ongoing operations of our business;
- integrating personnel with diverse backgrounds and organizational cultures;
- coordinating sales and marketing functions;
- failure to obtain and retain key personnel of an acquired business; and
- assumption of known or unknown material liabilities or regulatory non-compliance issues.

Failure to manage these acquisition growth risks could have an adverse effect on us.

***We are a holding company and depend upon our subsidiaries for our cash flow.***

We are a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Consequently, our cash flow and our ability to meet our obligations or to make other distributions in the future will depend upon the cash flow of our subsidiaries and our subsidiaries' payment of funds to us in the form of dividends, tax sharing payments or otherwise.

The ability of our subsidiaries to make any payments to us will depend on their earnings, the terms of their current and future indebtedness, tax considerations and legal and contractual restrictions on the ability to make distributions.

Our subsidiaries are separate and distinct legal entities. Any right that we have to receive any assets or distributions from any of our subsidiaries upon the bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of their assets, will be junior to the claims of that subsidiary's creditors, including trade creditors and holders of debt that the subsidiary issued.

***Changes in our credit profile may affect our relationship with our suppliers, which could have a material adverse effect on our liquidity.***

Changes in our credit profile may affect the way our suppliers view our ability to make payments and may induce them to shorten the payment terms of their invoices. Given the large dollar amounts and volume of our purchases from suppliers, a change in payment terms may have a material adverse effect on our liquidity and our ability to make payments to our suppliers and, consequently, may have a material adverse effect on us.

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***If tariffs and duties on imports into the U.S. of line pipe or certain of the other products that we sell are lifted, we could have too many of these products in inventory competing against less expensive imports.***

U.S. law currently imposes tariffs and duties on imports from certain foreign countries of line pipe and, to a lesser extent, on imports of certain other products that we sell. If these tariffs and duties are lifted or reduced or if the level of these imported products otherwise increases, and our U.S. customers accept these imported products, we could be materially and adversely affected to the extent that we would then have higher-cost products in our inventory or increased supplies of these products drive down prices and margins. If prices of these products were to decrease significantly, we might not be able to profitably sell these products, and the value of our inventory would decline. In addition, significant price decreases could result in a significantly longer holding period for some of our inventory.

***We are subject to strict environmental, health and safety laws and regulations that may lead to significant liabilities and negatively impact the demand for our products.***

We are subject to a variety of federal, state, local, foreign and provincial environmental, health and safety laws; regulations and permitting requirements, including those governing the discharge of pollutants or hazardous substances into the air, soil or water, the generation, handling, use, management, storage and disposal of, or exposure to, hazardous substances and wastes, the responsibility to investigate and clean up contamination and occupational health and safety. Regulations and courts may impose fines and penalties for non-compliance with applicable environmental, health and safety requirements and the failure to have or to comply with the terms and conditions of required permits. Our failure to comply with applicable environmental, health and safety requirements could result in fines, penalties, enforcement actions, third-party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup or regulatory or judicial orders requiring corrective measures, including the installation of pollution control equipment or remedial actions.

Certain laws and regulations, such as the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA” or the “U.S. federal Superfund law”) or its state and foreign equivalents, may impose the obligation to investigate and remediate contamination at a facility on current and former owners or operators or on persons who may have sent waste to that facility for disposal. These laws and regulations may impose liability without regard to fault or to the legality of the activities giving rise to the contamination.

Moreover, we may incur liabilities in connection with environmental conditions currently unknown to us relating to our existing, prior or future owned or leased sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired. We believe that indemnities contained in certain of our acquisition agreements may cover certain environmental conditions existing at the time of the acquisition, subject to certain terms, limitations and conditions. However, if these indemnification provisions terminate or if the indemnifying parties do not fulfill their indemnification obligations, we may be subject to liability with respect to the environmental matters that those indemnification provisions address.

In addition, environmental, health and safety laws and regulations applicable to our business and the business of our customers, including laws regulating the energy industry, and the interpretation or enforcement of these laws and regulations, are constantly evolving. It is impossible to predict accurately the effect that changes in these laws and regulations, or their interpretation or enforcement, may have on us. Should environmental laws and regulations, or their interpretation or enforcement, become more stringent, our costs, or the costs of our customers, could increase, which may have a material adverse effect on us.

***We may not have adequate insurance for potential liabilities, including liabilities arising from litigation.***

In the ordinary course of business, we have and in the future may become the subject of various claims, lawsuits and administrative proceedings seeking damages or other remedies concerning our commercial operations, the products we distribute, employees and other matters, including potential claims by individuals alleging exposure



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to hazardous materials as a result of the products we distribute or our operations. Some of these claims may relate to the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of the businesses. The products we distribute are sold primarily for use in the energy industry, which is subject to inherent risks that could result in death, personal injury, property damage, pollution, release of hazardous substances or loss of production. In addition, defects in the products we distribute could result in death, personal injury, property damage, pollution, release of hazardous substances or damage to equipment and facilities. Actual or claimed defects in the products we distribute may give rise to claims against us for losses and expose us to claims for damages.

We maintain insurance to cover certain of our potential losses, and we are subject to various self-retentions, deductibles and caps under our insurance. We maintain insurance to cover certain of our potential losses, and we are subject to various self-retentions, deductibles and caps under our insurance. We face the following risks with respect to our insurance coverage:

- we may not be able to continue to obtain insurance on commercially reasonable terms;
- we may incur losses from interruption of our business that exceed our insurance coverage;
- we may be faced with types of liabilities that will not be covered by our insurance;
- our insurance carriers may not be able to meet their obligations under the policies; or
- the dollar amount of any liabilities may exceed our policy limits.

Even a partially uninsured claim, if successful and of significant size, could have a material adverse effect on us. Finally, even in cases where we maintain insurance coverage, our insurers may raise various objections and exceptions to coverage that could make uncertain the timing and amount of any possible insurance recovery.

***Due to our position as a distributor, we are subject to personal injury, product liability and environmental claims involving allegedly defective products.***

Our customers use certain of the products we distribute in potentially hazardous applications that can result in personal injury, product liability and environmental claims. A catastrophic occurrence at a location where end users use the products we distribute may result in us being named as a defendant in lawsuits asserting potentially large claims, even though we did not manufacture the products. Applicable law may render us liable for damages without regard to negligence or fault. In particular, certain environmental laws provide for joint and several and strict liability for remediation of spills and releases of hazardous substances. Certain of these risks are reduced by the fact that we are a distributor of products that third-party manufacturers produce, and, thus, in certain circumstances, we may have third-party warranty or other claims against the manufacturer of products alleged to have been defective. However, there is no assurance that these claims could fully protect us or that the manufacturer would be able financially to provide protection. There is no assurance that our insurance coverage will be adequate to cover the underlying claims. Our insurance does not provide coverage for all liabilities (including liability for certain events involving pollution or other environmental claims).

***If we lose any of our key personnel, we may be unable to effectively manage our business or continue our growth.***

Our future performance depends to a significant degree upon the continued contributions of our management team and our ability to attract, hire, train and retain qualified managerial, sales and marketing personnel. In particular, we rely on our sales and marketing teams to create innovative ways to generate demand for the products we distribute. The loss or unavailability to us of any member of our management team or a key sales or marketing employee could have a material adverse effect on us to the extent we are unable to timely find adequate replacements. We face competition for these professionals from our competitors, our customers and other companies operating in our industry. We may be unsuccessful in attracting, hiring, training and retaining qualified personnel.

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***Interruptions in the proper functioning of our information systems could disrupt operations and cause increases in costs or decreases in revenues.***

The proper functioning of our information systems is critical to the successful operation of our business. We depend on our information management systems to process orders, track credit risk, manage inventory and monitor accounts receivable collections. Our information systems also allow us to efficiently purchase products from our vendors and ship products to our customers on a timely basis, maintain cost-effective operations and provide superior service to our customers. However, our information systems could be vulnerable to natural disasters, power losses, telecommunication failures, security breaches and other problems. If critical information systems fail or are otherwise unavailable, our ability to procure products to sell, process and ship customer orders, identify business opportunities, maintain proper levels of inventories, collect accounts receivable and pay accounts payable and expenses could be adversely affected. Our ability to integrate our systems with our customers' systems would also be significantly affected. We maintain information systems controls designed to protect against, among other things, unauthorized program changes and unauthorized access to data on our information systems. If our information systems controls do not function properly, we face increased risks of unexpected errors and unreliable financial data or theft of proprietary Company information.

***The loss of third-party transportation providers upon whom we depend, or conditions negatively affecting the transportation industry, could increase our costs or cause a disruption in our operations.***

We depend upon third-party transportation providers for delivery of products to our customers. Strikes, slowdowns, transportation disruptions or other conditions in the transportation industry, including, but not limited to, shortages of truck drivers, disruptions in rail service, increases in fuel prices and adverse weather conditions, could increase our costs and disrupt our operations and our ability to service our customers on a timely basis. We cannot predict whether or to what extent increases or anticipated increases in fuel prices may impact our costs or cause a disruption in our operations going forward.

***We may need additional capital in the future, and it may not be available on acceptable terms, or at all.***

We may require more capital in the future to:

- fund our operations;
- finance investments in equipment and infrastructure needed to maintain and expand our distribution capabilities;
- enhance and expand the range of products we offer; and
- respond to potential strategic opportunities, such as investments, acquisitions and international expansion.

We can give no assurance that additional financing will be available on terms favorable to us, or at all. The terms of available financing may place limits on our financial and operating flexibility. If adequate funds are not available on acceptable terms, we may be forced to reduce our operations or delay, limit or abandon expansion opportunities. Moreover, even if we are able to continue our operations, the failure to obtain additional financing could reduce our competitiveness.

***Adverse weather events or natural disasters could negatively affect our local economies or disrupt our operations.***

Certain areas in which we operate are susceptible to adverse weather conditions or natural disasters, such as hurricanes, tornadoes, floods and earthquakes. These events can disrupt our operations, result in damage to our properties and negatively affect the local economies in which we operate. Additionally, we may experience communication disruptions with our customers, vendors and employees. These events can cause physical damage to our locations and require us to close locations. Additionally, our sales orders and shipments can experience a temporary decline immediately following these events.

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We cannot predict whether or to what extent damage caused by these events will affect our operations or the economies in regions where we operate. These adverse events could result in disruption of our purchasing or distribution capabilities, interruption of our business that exceeds our insurance coverage, our inability to collect from customers and increased operating costs. Our business or results of operations may be adversely affected by these and other negative effects of these events.

***We have a substantial amount of goodwill and other intangible assets recorded on our balance sheets. The amortization of acquired intangible assets may reduce our future reported earnings. Furthermore, if our goodwill or other intangible assets become impaired, we may be required to recognize charges that would reduce our income.***

As of December 31, 2013, we had \$333 million of goodwill and \$68 million in other intangibles recorded on our balance sheet. Under generally accepted accounting principles in the U.S. ("GAAP"), goodwill is not amortized but must be reviewed for possible impairment annually, or more often in certain circumstances where events indicate that the asset values are not recoverable. These reviews could result in an earnings charge for impairment, which would reduce our net income even though there would be no impact on our underlying cash flow.

Additionally, under generally accepted accounting principles, goodwill must be reviewed for possible impairment annually, or more often in certain circumstances where events indicate that the asset values are not recoverable. These reviews could result in an earnings charge for impairment, which would reduce our net income even though there would be no impact on our underlying cash flow.

***We face risks associated with conducting business in markets outside of the U.S. and Canada.***

We currently conduct business in countries outside of the U.S. and Canada. We could be materially and adversely affected by economic, legal, political and regulatory developments in the countries in which we do business in the future or in which we expand our business, particularly those countries which have historically experienced a high degree of political or economic instability. Examples of risks inherent in such non-North American activities include:

- changes in the political and economic conditions in the countries in which we operate, including civil uprisings and terrorist acts;
- unexpected changes in regulatory requirements;
- changes in tariffs;
- the adoption of foreign or domestic laws limiting exports to or imports from certain foreign countries;
- fluctuations in currency exchange rates and the value of the U.S. dollar;
- restrictions on repatriation of earnings;
- expropriation of property without fair compensation;
- governmental actions that result in the deprivation of contract or proprietary rights; and
- the acceptance of business practices which are not consistent with or are antithetical to prevailing business practices we are accustomed to in North America including export compliance and anti-bribery practices and governmental sanctions.

If we begin doing business in a foreign country in which we do not presently operate, we may also face difficulties in operations and diversion of management time in connection with establishing our business there.

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***We are subject to U.S. and other anti-corruption laws, trade controls, economic sanctions, and similar laws and regulations, including those in the jurisdictions where we operate. Our failure to comply with these laws and regulations could subject us to civil, criminal and administrative penalties and harm our reputation.***

Doing business on a worldwide basis requires us to comply with the laws and regulations of the U.S. government and various foreign jurisdictions. These laws and regulations place restrictions on our operations, trade practices, partners and investment decisions. In particular, our operations are subject to U.S. and foreign anti-corruption and trade control laws and regulations, such as the Foreign Corrupt Practices Act ("FCPA"), export controls and economic sanctions programs, including those administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). As a result of doing business in foreign countries and with foreign partners, we are exposed to a heightened risk of violating anti-corruption and trade control laws and sanctions regulations.

The FCPA prohibits us from providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. It also requires us to keep books and records that accurately and fairly reflect the Company's transactions. As part of our business, we may deal with state-owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA. In addition, the United Kingdom Bribery Act (the "Bribery Act") has been enacted and came into effect on July 1, 2011. The provisions of the Bribery Act extend beyond bribery of foreign public officials and also apply to transactions with individuals that a government does not employ. The provisions of the Bribery Act are also more onerous than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties. Some of the international locations in which we operate lack a developed legal system and have higher than normal levels of corruption. Our continued expansion outside the U.S., including in developing countries, and our development of new partnerships and joint venture relationships worldwide, could increase the risk of FCPA, OFAC or Bribery Act violations in the future.

Economic sanctions programs restrict our business dealings with certain sanctioned countries, persons and entities. In addition, because we act as a distributor, we face the risk that our customers might further distribute our products to a sanctioned person or entity, or an ultimate end-user in a sanctioned country, which might subject us to an investigation concerning compliance with the OFAC or other sanctions regulations.

Violations of anti-corruption and trade control laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment. We have established policies and procedures designed to assist our compliance with applicable U.S. and international anti-corruption and trade control laws and regulations, including the FCPA, the Bribery Act and trade controls and sanctions programs administered by the OFAC, and have trained our employees to comply with these laws and regulations. However, there can be no assurance that all of our employees, consultants, agents or other associated persons will not take actions in violation of our policies and these laws and regulations, and that our policies and procedures will effectively prevent us from violating these regulations in every transaction in which we may engage or provide a defense to any alleged violation. In particular, we may be held liable for the actions that our local, strategic or joint venture partners take inside or outside of the United States, even though our partners may not be subject to these laws. Such a violation, even if our policies prohibit it, could have a material adverse effect on our reputation, business, financial condition and results of operations. In addition, various state and municipal governments, universities and other investors maintain prohibitions or restrictions on investments in companies that do business with sanctioned countries, persons and entities, which could adversely affect the market for our common stock and other securities.

***The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information or damage to our Company's image, all of which could negatively impact our financial results.***

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event

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that can include gaining unauthorized access to systems to disrupt operations, corrupt data or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our Company's image, and private data exposure. We have implemented solutions, processes, and procedures to help mitigate this risk, but these measures, as well as our organization's increased awareness of our risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

***Compliance with and changes in laws and regulations in the countries in which we operate could have a significant financial impact and effect how and where we conduct our operations.***

We have operations in the U.S. and in other countries that can be impacted by expected and unexpected changes in the business and legal environments in the countries in which we operate. Compliance with and changes in laws, regulations, and other legal and business issues could impact our ability to manage our costs and to meet our earnings goals. Compliance related matters could also limit our ability to do business in certain countries. Changes that could have a significant cost to us include new legislation, new regulations, or a differing interpretation of existing laws and regulations, changes in tax law or tax rates, the unfavorable resolution of tax assessments or audits by various taxing authorities, the expansion of currency exchange controls, export controls or additional restrictions on doing business in countries subject to sanctions in which we operate or intend to operate.

**Risks Relating to Our Common Stock**

***There is no existing market for our common stock, and a trading market that will provide you with adequate liquidity may not develop for our common stock. In addition, once our common stock begins trading, the market price of our shares may fluctuate widely.***

There is currently no public market for our common stock. Our common stock will trade on the NYSE under the ticker symbol "DNOW." It is anticipated that on or prior to the record date for the distribution, trading of shares of our common stock will begin on a "when-issued" basis and will continue up to and including the distribution date. However, there can be no assurance that an active trading market for our common stock will develop as a result of the distribution or be sustained in the future.

We cannot predict the prices at which our common stock may trade after the distribution. The market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control, including:

- our business profile and market capitalization may not fit the investment objectives of NOV's current stockholders, and our common stock may not be included in some indices, causing certain holders to sell their shares, though some of this selling pressure may be offset to the extent our stock is purchased by other investors due to our inclusion in other indices;
- a shift in our investor base;
- our quarterly or annual earnings, or those of other companies in our industry;
- actual or anticipated fluctuations in our operating results;
- announcements by us or our competitors of significant acquisitions or dispositions;
- the failure of securities analysts to cover our common stock after the distribution;
- the failure of our operating results to meet the estimates of securities analysts or the expectations of our stockholders;
- changes in earnings estimates by securities analysts or our ability to meet our earnings guidance;
- the operating and stock price performance of other comparable companies;

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- overall market fluctuations and general economic conditions; and
  - the other factors described in these “Risk Factors” and elsewhere in this information statement.

Stock markets in general have also experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could negatively affect the trading price of our common stock.

***If our common stock is not included in the Standard & Poor’s 500 Index or other stock indices, significant amounts of our common stock could be sold in the open market where they may not meet with offsetting new demand.***

A portion of NOV’s outstanding common stock is held by index funds tied to the Standard & Poor’s 500 Index or other stock indices. To the extent our common stock is not included in this or other stock indices at the time of the distribution, index funds currently holding shares of NOV common stock will be required to sell the shares of our common stock they receive in the distribution. There may not be sufficient new buying interest to offset sales by those index funds. Accordingly, our common stock could experience a high level of volatility immediately following the distribution and, as a result, the price of our common stock could be adversely affected.

***Future sales or distributions of our common stock could depress the market price for shares of our common stock.***

The shares of our common stock that NOV distributes to its stockholders generally may be sold immediately in the public market. It is possible that some stockholders of NOV, including possibly some of NOV’s major stockholders and index fund investors, will sell NOV or our common stock received in the distribution for various reasons (for example, if our business profile or market capitalization as an independent company does not fit their investment objectives). The sales of significant amounts of our common stock or the perception in the market that this will occur may result in the lowering of the market price of our common stock. A prolonged, significant decline in our share price and market capitalization could provide evidence for a need to record a material impairment of the amount of goodwill on our balance sheet.

***Your percentage ownership in us may be diluted in the future.***

As with any publicly traded company, your percentage ownership in us may be diluted in the future because of equity issuances for acquisitions, capital market transactions or otherwise, including, without limitation, equity awards that we expect will be granted to our directors, officers and employees.

***We cannot assure you that we will pay dividends on our common stock.***

We do not currently anticipate paying dividends on our common stock. We currently intend to retain our future earnings to support the growth and development of our business. The payment of future cash dividends, if any, will be at the discretion of our Board of Directors and will depend upon, among other things, our financial condition, results of operations, capital requirements and development expenditures, future business prospects and any restrictions imposed by future debt instruments. For more information, see “Dividend Policy” included elsewhere in this information statement.

***Certain provisions in our corporate documents and Delaware law may prevent or delay an acquisition of our company, even if that change may be considered beneficial by some of our stockholders.***

The existence of some provisions of our certificate of incorporation and bylaws and Delaware law could discourage, delay or prevent a change in control of us that a stockholder may consider favorable. These include provisions:

- providing our Board of Directors with the right to issue preferred stock without stockholder approval;
- prohibiting stockholders from taking action by written consent;

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- restricting the ability of our stockholders to call a special meeting;
  - providing for a classified Board of Directors;
  - providing that the number of directors will be filled by the Board of Directors and vacancies on the Board of Directors, including those resulting from an enlargement of the Board of Directors, will be filled by the Board of Directors;
  - requiring cause and an affirmative vote of at least 80 percent of the voting power of the then-outstanding voting stock to remove directors;
  - requiring the affirmative vote of at least 80 percent of the voting power of the then-outstanding voting stock to amend certain provisions of our certificate of incorporation and bylaws; and
  - establishing advance notice requirements for nominations of candidates for election to our Board of Directors or for stockholder proposals.

In addition, following the distribution, we will be subject to Section 203 of the Delaware General Corporation Law (the “DGCL”) which may have an anti-takeover effect with respect to transactions not approved in advance by our Board of Directors, including discouraging takeover attempts that could have resulted in a premium over the market price for shares of our common stock.

We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make our company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of our company and our stockholders.

See “Description of Capital Stock” included elsewhere in this information statement for more information.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

### Forward-Looking Statements

Some of the information in this document contains, or has incorporated by reference, forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements typically are identified by use of terms such as “may,” “expect,” “anticipate,” “estimate,” and similar words, although some forward-looking statements are expressed differently. Forward-looking statements also include statements about our business strategy, our industry, our future profitability, growth in the industry sectors we serve, our expectations, beliefs, plans, strategies, objectives, prospects and assumptions, and estimates and projections of future activity and trends in the oil and natural gas industry. These forward-looking statements are not guarantees of future performance. You should also consider carefully the statements under “Risk Factors” which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements. You should also be aware that our actual results could differ materially from results anticipated in the forward-looking statements due to a number of factors, including but not limited to:

- decreases in oil and natural gas prices;
- decreases in oil and natural gas industry expenditure levels;
- increased usage of alternative fuels, which may negatively affect oil and natural gas industry expenditure levels;
- U.S. and international general economic conditions;
- our ability to compete successfully with other companies in our industry;
- the risk that manufacturers of the products we distribute will sell a substantial amount of goods directly to end users in the industry sectors we serve;
- unexpected supply shortages;
- cost increases by our suppliers;
- our lack of long-term contracts with most of our suppliers;
- increases in customer, manufacturer and distributor inventory levels;
- suppliers’ price reductions of products that we sell, which could cause the value of our inventory to decline;
- our lack of long-term contracts with many of our customers and our lack of contracts with customers that require minimum purchase volumes;
- changes in our customer and product mix;
- risks related to our customers’ creditworthiness;
- the potential adverse effects associated with integrating acquisitions into our business and whether these acquisitions will yield their intended benefits;
- the success of our acquisition strategies;
- changes in our credit profile;
- a decline in demand for certain of the products we distribute if import restrictions on these products are lifted;
- environmental, health and safety laws and regulations and the interpretation or implementation thereof;
- the sufficiency of our insurance policies to cover losses, including liabilities arising from litigation;



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- product liability claims against us;
  - pending or future asbestos-related claims against us;
  - the potential loss of key personnel;
  - interruption in the proper functioning of our information systems;
  - loss of third-party transportation providers;
  - potential inability to obtain necessary capital;
  - risks related to adverse weather events or natural disasters;
  - changes in tax laws or adverse positions taken by taxing authorities in the countries in which we operate;
  - exposure to U.S. and international laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act and other economic sanction programs;
  - adverse changes in political or economic conditions in the countries in which we operate; and
  - the occurrence of cybersecurity incidents.

Given these uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements. Although forward-looking statements reflect our good faith beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. We undertake no obligation to update any such factors or forward-looking statements to reflect future events or developments.

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## THE SEPARATION AND THE DISTRIBUTION

### General

On September 24, 2013, NOV announced its intention to pursue the separation of NOV's distribution business.

The separation will be accomplished through a series of transactions in which the assets (including the equity interests of certain NOV subsidiaries) and liabilities associated with NOV's distribution business will be transferred to NOW Inc. or entities that are, or will become prior to the distribution, subsidiaries of NOW Inc. The transferred assets will include:

- real and personal property assets, including owned and leased sites;
- inventories;
- the NOW Inc. brands (including certain trade names and trademarks), certain other intellectual property and software used in the business;
- certain contracts;
- cash on hand related to the distribution business; and
- receivables related to the distribution business and other assets reflected on NOW Inc.'s combined balance sheet.

These assets will be transferred to NOW Inc. or entities that are, or will become prior to the distribution, subsidiaries of NOW Inc., either directly or by the transfer of equity interests in entities that hold such assets. The liabilities transferred to NOW Inc. will consist of liabilities related to the transferred assets described above and the liabilities reflected on NOW Inc.'s combined balance sheet. See "Business" and "Properties" included elsewhere in this information statement for information regarding some of the particular assets and liabilities of the distribution business, and "Certain Relationships and Related-Party Transactions—Agreements Between Us and NOV—Separation and Distribution Agreement" for information regarding the legal agreement pursuant to which the assets and liabilities of the distribution business will be transferred to NOW Inc.

Following the separation, the distribution will be effected on the distribution date by way of a pro rata distribution of all of the outstanding shares of NOW Inc. common stock to NOV's stockholders of record as of 5:00 p.m. Eastern Time on May 22, 2014, the record date for the distribution.

### Reasons for the Separation and the Distribution

The Board of Directors of NOV believes that the separation and the distribution are in the best interests of NOV and its stockholders and will provide NOV and NOW Inc. with a number of opportunities and benefits, including the following:

- *Strategic Focus and Operational Flexibility*—Position each company to pursue a more focused, industry-specific strategy, with NOW Inc. well-positioned to pursue value creation strategies in the distribution business and NOV well-positioned to focus on its remaining businesses, and create additional operational flexibility within each of NOW Inc. and NOV.
- *Management Focus*—Allow management of each company to concentrate that company's resources wholly on its particular market segments, customers and core businesses, with greater ability to anticipate and respond rapidly to changing markets and new opportunities. Management of each company will be able to focus on core operations, with greater focus on customized strategies that can deliver long-term shareholder value.
- *Recruiting and Retaining Employees*—Allow each company to recruit and retain employees with expertise directly applicable to its needs and pursuant to compensation policies that are appropriate for its specific lines of business. In particular, following the distribution, the value of equity-based incentive compensation arrangements offered by each company should be more closely aligned with

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the performance of its businesses, and the employee benefits offered by each company should be better tailored to the nature of each company's business. The equity-based compensation arrangements following the distribution should provide enhanced incentives for employee performance and improve the ability of each company to attract, retain and motivate qualified personnel at all levels of the organization.

- *Access to Capital and Capital Structure*—Eliminate competition for capital between the business lines. Instead, both companies will have direct access to the debt and equity capital markets to fund their respective growth strategies and to establish a capital structure and dividend policy appropriate for their business needs. In addition, the separation will result in separately traded stock that will facilitate each company's growth strategy.
- *Acquisition Currency*—NOW Inc.'s common stock will become a valuable acquisition currency after the distribution. Financial advisers to NOW Inc. have advised that the distribution may result in a greater willingness of certain targets to accept the equity of NOW Inc. as merger consideration because of a more aligned investment profile and growth strategy. Accordingly, the distribution is anticipated to further drive NOW Inc.'s growth by enhancing its mergers and acquisitions program.
- *Investor Choice*—Provide investors with a more targeted investment opportunity in each company that offers different investment business characteristics, including different opportunities for growth, capital structure, business models and financial returns. This will allow investors to evaluate the separate and distinct merits, performance and future prospects of each company.

The NOV Board of Directors also considered a number of potentially negative factors in evaluating the separation and the distribution, including potential loss of synergies from operating as one company, increased costs, loss of joint purchasing power, disruptions to the business as a result of the separation, limitations placed on NOW Inc. as a result of the agreements it will enter into with NOV in connection with the separation, the risk of not being able to realize the expected benefits of the separation in a timely manner or at all, the risk that the separation might not be completed in a timely manner or at all and the one-time and ongoing costs of the separation. The NOV Board of Directors concluded that notwithstanding these potentially negative factors, the pursuit of the separation and the distribution would be in the best interests of NOV and its stockholders.

### **The Number of Shares You Will Receive**

Each NOV stockholder of record will receive one share of NOW Inc. common stock for every four shares of NOV common stock held on the record date for the distribution.

### **Treatment of Fractional Shares**

Fractional shares will not be distributed in connection with the distribution. Instead, the transfer agent will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate cash proceeds from the sales, net of brokerage fees and other costs, pro rata to each holder who would otherwise have been entitled to receive a fractional share in the distribution. NOV stockholders will not be entitled to interest on any cash payment made in lieu of fractional shares.

If you have any questions concerning the mechanics of the issuance of fractional shares of common stock held directly, we encourage you to contact AST using the contact information for AST set forth elsewhere in this information statement. If you have any questions concerning the mechanics of the issuance of fractional shares of common stock held in "street name," we encourage you to contact your bank or brokerage firm.

### **When and How You Will Receive the Distribution of NOW Inc. Shares**

NOV will distribute the shares of NOW Inc. common stock on May 30, 2014, the distribution date, to holders of record on the record date. The distribution is expected to occur at 5:00 p.m. Eastern Time on the distribution date. AST will serve as transfer agent and registrar for the NOW Inc. common stock. AST will serve as distribution agent in connection with the distribution.

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If you own NOV common stock as of 5:00 p.m. Eastern Time on the record date, the shares of NOW Inc. common stock that you are entitled to receive in the distribution will be issued electronically, on the distribution date, to your account as follows:

- *Registered Stockholders*—If you own your shares of NOV stock directly, either in book-entry form through an account at NOV’s transfer agent and/or if you hold paper stock certificates, you will receive your shares of NOW Inc. common stock by way of direct registration in book-entry form. Registration in book-entry form refers to a method of recording stock ownership in which no physical paper share certificates are issued to stockholders, as is the case in this distribution. Commencing on or shortly after the distribution date, the distribution agent will mail to you an account statement that indicates the number of shares of NOW Inc. common stock that have been registered in book-entry form in your name. If you have any questions concerning the mechanics of having shares of our common stock registered in book-entry form, we encourage you to contact AST using the contact information for AST set forth elsewhere in this information statement.
- *Beneficial Stockholders*—If you hold your shares of NOV common stock beneficially through a bank or brokerage firm, the bank or brokerage firm would be said to hold the stock in “street name” and ownership would be recorded on the bank or brokerage firm’s books, and your bank or brokerage firm will credit your account for the shares of NOW Inc. common stock that you are entitled to receive in the distribution. If you have any questions concerning the mechanics of having shares of common stock held in “street name,” we encourage you to contact your bank or brokerage firm.

### **Treatment of Stock-Based Compensation**

Following the distribution, each outstanding NOV stock option, restricted stock award and performance share award that is held by a continuing NOV employee or a continuing NOV non-employee director will continue as a NOV stock option, restricted stock award and performance share award, as applicable, each appropriately adjusted to generally preserve the intrinsic value of the original award. Each outstanding NOV stock option, restricted stock award and performance share award held by a NOV employee who will become a NOW Inc. employee after completion of the distribution (a “Transferred Employee”) will be converted into a similar NOW Inc. stock option, restricted stock award and performance share award, as applicable, each appropriately adjusted to generally preserve the intrinsic value of the original award; provided, however, that the number of shares to be awarded under each then outstanding NOW Inc. performance based restricted stock award and performance share award held by a Transferred Employee shall be set at the target level of the original NOV award, such target level to be adjusted in connection with the conversion, and shall be subject only to time-based vesting requiring continued employment through the end of the award’s original performance period. See also “Certain Relationships and Related-Party Transactions – Agreements Between Us and NOV – Employee Matters Agreement.”

### **Treatment of 401(k) Shares**

Shares of NOV common stock held in retirement plans maintained by NOV in the U.S. will be treated in the same manner as outstanding shares of NOV common stock on the record date for the distribution.

### **Results of the Separation and the Distribution**

After the separation and the distribution, we will be an independent, publicly traded company. Immediately following the distribution, we expect to have approximately 3,400 stockholders of record, based on the number of registered stockholders of NOV common stock on April 28, 2014, and approximately 107 million shares of NOW Inc. common stock outstanding. The actual number of shares to be distributed will be determined on the record date and will reflect any exercise or vesting of NOV equity-based awards prior to the record date for the distribution.

Before the distribution, we will enter into the Separation and Distribution Agreement and several other agreements with NOV to effect the separation and provide a framework for our relationship with NOV after the separation. These agreements will provide for the allocation between NOV and NOW Inc. of NOV’s assets,

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liabilities and obligations subsequent to the separation and distribution, including with respect to transition matters, employee matters, intellectual property matters, tax matters and other commercial relationships. For a description of these agreements, see “Certain Relationships and Related-Party Transactions—Agreements Between Us and NOV” included elsewhere in this information statement.

The distribution will not affect the number of outstanding shares of NOV common stock or any rights of NOV stockholders, except that the trading price of NOV shares will likely change as a result of the distribution.

### **Material U.S. Federal Income Tax Consequences of the Distribution**

The following is a summary of the material U.S. federal income tax consequences of the distribution to U.S. Holders (as defined below) of NOV common stock that receive shares of NOV Inc. common stock in the distribution. This summary is based on the Code, the U.S. Treasury regulations promulgated thereunder and interpretations of the Code and the U.S. Treasury regulations by the courts and the IRS, in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. This summary does not discuss all the tax considerations that may be relevant to NOV stockholders in light of their particular circumstances, and it does not address the consequences to NOV stockholders subject to special treatment under the U.S. federal income tax laws (such as holders other than U.S. Holders, insurance companies, dealers or brokers in securities or currencies, tax-exempt organizations, financial institutions, mutual funds, pass-through entities and investors in such entities, holders who hold their shares as a hedge or as part of a hedging, straddle, conversion, synthetic, security, integrated investment or other risk-reduction transaction or who are subject to alternative minimum tax or holders who acquired their shares upon the exercise of employee stock options or otherwise as compensation). In addition, this summary does not address the U.S. federal income tax consequences to those NOV stockholders who do not hold their NOV common stock as a capital asset. Finally, this summary does not address the tax consequences of the distribution under any foreign, state, local or other laws, other than U.S. federal income tax laws. The distribution may be taxable to NOV stockholders under any such foreign, state, local or other laws.

**NOV STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS CONCERNING THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE DISTRIBUTION TO THEM.**

For purposes of this discussion, a U.S. Holder is a beneficial owner of NOV common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S. or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if (1) a court within the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons has the authority to control all of the substantial decisions of such trust or (2) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable U.S. Treasury regulations.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds NOV common stock, the tax treatment of a partner will generally depend on the status of the partner and on the activities of the partnership. Partners in a partnership holding NOV common stock should consult their own tax advisers regarding the tax consequences of the distribution.

### ***Distribution***

NOV expects that the distribution will qualify as tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. NOV expects to receive an opinion from Locke Lord LLP, substantially to the effect that the distribution will so qualify.

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Provided that the distribution so qualifies, in general, for U.S. federal income tax purposes: (i) the distribution will not result in any taxable income, gain or loss to NOV, except for taxable income or gain possibly arising as a result of certain intercompany transactions; (ii) no gain or loss will be recognized by (and no amount will be included in the income of) U.S. Holders of NOV common stock upon their receipt of shares of NOW Inc. common stock in the distribution, except with respect to cash received in lieu of fractional shares measured by the difference between the cash received for such fractional share and the U.S. Holder's basis in that fractional share, as determined below; (iii) the aggregate basis of the NOV common stock and the NOW Inc. common stock (including any fractional share interests in NOW Inc. common stock for which cash is received) in the hands of each U.S. Holder of NOV common stock after the distribution will equal the aggregate basis of NOV common stock held by the U.S. Holder immediately before the distribution, and will be allocated between the NOV common stock and the NOW Inc. common stock in proportion to the relative fair market value of each on the date of the distribution; and (iv) the holding period of the NOW Inc. common stock received by each U.S. Holder of NOV common stock (including any fractional share interests in NOW Inc. common stock for which cash is received) will include the holding period at the time of the distribution for the NOV common stock on which the distribution is made, provided that the NOV common stock is held as a capital asset on the date of the distribution.

NOV expects to obtain an opinion from Locke Lord LLP to the effect that the distribution, together with certain related transactions, will qualify as generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) (or other applicable sections) of the Code. The opinion will be based on, among other things, certain assumptions and representations made by NOV and us, which if incorrect or inaccurate in any material respect would jeopardize the conclusions reached by Locke Lord LLP in its opinion.

Notwithstanding receipt by NOV of the opinion from Locke Lord LLP, the IRS could assert that the distribution does not qualify for tax-free treatment for U.S. federal income tax purposes. If the IRS were successful in taking that position, NOV's stockholders and NOV could be subject to significant U.S. federal income tax liability. Each NOV stockholder who receives shares of NOW Inc. common stock in the distribution would generally be treated as receiving a taxable distribution in an amount equal to the fair market value of the NOW Inc. common stock received to the extent of NOV's current and accumulated earnings and profits. Any amount that exceeds NOV's earnings and profits would be treated first as a nontaxable return of capital to the extent of such stockholder's tax basis in its shares of NOV common stock, with any remaining amount being taxed as a capital gain. NOV (or its affiliates) would recognize a taxable gain equal to the excess of the fair market value of the NOW Inc. common stock distributed over NOV's adjusted tax basis in such stock.

In addition, even if the distribution was otherwise to qualify under Section 355 of the Code, it may be taxable to NOV (but not to NOV stockholders) under Section 355(e) of the Code, if the distribution was later deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquires, directly or indirectly, stock representing a 50 percent or greater interest in NOV or us. For this purpose, any acquisitions of NOV stock or of our common stock within the period beginning two years before the distribution and ending two years after the distribution are presumed to be part of such a plan, although we or NOV may be able to rebut that presumption.

A U.S. Holder of NOV common stock who receives cash in lieu of a fractional share of our common stock in connection with the distribution will generally recognize capital gain or loss measured by the difference between the cash received for such fractional share and the holder's tax basis in the fractional share. An individual U.S. Holder would generally be subject to U.S. federal income tax at a maximum rate of 23.8% on any such capital gain, assuming that the U.S. Holder had held all of its NOV common stock for more than one year.

U.S. Treasury regulations also generally provide that if a U.S. Holder of NOV common stock holds different blocks of NOV common stock (generally shares of NOV common stock purchased or acquired on different dates or at different prices), the aggregate basis for each block of NOV common stock purchased or acquired on the same date and at the same price will be allocated, to the greatest extent possible, between the shares of NOW Inc. common stock received in the distribution in respect of such block of NOV common stock and such block of

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NOV common stock, in proportion to their respective fair market values. The holding period of the shares of NOW Inc. common stock received in the distribution in respect of such block of NOV common stock will include the holding period of such block of NOV common stock, provided that such block of NOV common stock was held as a capital asset on the distribution date. If a U.S. Holder of NOV common stock is not able to identify which particular shares of NOW Inc. common stock are received in the distribution with respect to a particular block of NOV common stock, for purposes of applying the rules described above, the U.S. Holder may designate which shares of NOW Inc. common stock are received in the distribution in respect of a particular block of NOV common stock, provided that such designation is consistent with the terms of the distribution. Holders of NOV common stock are urged to consult their own tax advisers regarding the application of these rules to their particular circumstances.

In connection with the distribution, we and NOV will enter into a Tax Matters Agreement. To the extent we are required to indemnify NOV (or its subsidiaries or other affiliates) or otherwise bear taxes under the Tax Matters Agreement, we may be subject to substantial liabilities. See “Certain Relationships and Related-Party Transactions – Agreements Between Us and NOV – Tax Matters Agreement.”

### ***Information Reporting and Backup Withholding***

U.S. Treasury regulations require certain stockholders who receive stock in a distribution to attach to the stockholder’s U.S. federal income tax return for the year in which the distribution occurs a detailed statement setting forth certain information relating to the tax-free nature of the distribution. In addition, payments of cash to a NOV stockholder in lieu of fractional shares of NOW Inc. common stock in the distribution may be subject to information reporting and backup withholding (currently at a rate of 28 percent), unless the stockholder provides proof of an applicable exemption or a correct taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. Backup withholding does not constitute an additional tax, but merely an advance payment, which may be refunded or credited against a stockholder’s U.S. federal income tax liability, provided the required information is timely supplied to the IRS.

THE FOREGOING IS A SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION UNDER CURRENT LAW AND FOR GENERAL INFORMATION ONLY. THE FOREGOING DOES NOT PURPORT TO ADDRESS ALL U.S. FEDERAL INCOME TAX CONSEQUENCES OR TAX CONSEQUENCES THAT MAY ARISE UNDER THE TAX LAWS OR THAT MAY APPLY TO PARTICULAR CATEGORIES OF STOCKHOLDERS. EACH NOV STOCKHOLDER SHOULD CONSULT SUCH STOCKHOLDER’S OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION TO SUCH STOCKHOLDER, INCLUDING THE APPLICATION OF U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS, AND THE EFFECT OF POSSIBLE CHANGES IN TAX LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED ABOVE.

### **Market for Our Common Stock**

There is not currently a public market for NOW Inc.’s common stock. Our common stock will trade on the NYSE under the ticker symbol “DNOW.” We cannot predict the prices at which our common stock will trade.

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## Trading Between the Record Date and the Distribution Date

Beginning on, or shortly before, the record date and continuing up to and including the distribution date, we expect there will be two markets in NOV common stock: a “regular-way” market and an “ex-distribution” market. Shares of NOV common stock that trade on the “regular-way” market will trade with an entitlement to receive shares of NOW Inc. common stock in the distribution. Shares that trade on the “ex-distribution” market will trade without an entitlement to receive shares of NOW Inc. common stock in the distribution. Therefore, if you sell shares of NOV common stock in the “regular-way” market after 5:00 p.m. Eastern Time on the record date and up to and including through the distribution date, you will be selling your right to receive shares of NOW Inc. common stock in the distribution. If you own shares of NOV common stock at 5:00 p.m. Eastern Time on the record date and sell those shares in the “ex-distribution” market, up to and including through the distribution date, you will still receive the shares of NOW Inc. common stock that you would be entitled to receive in respect of your ownership, as of the record date, of the shares of NOV common stock that you sold.

Furthermore, beginning on or shortly before the record date and continuing up to and including the distribution date, we expect there will be a “when-issued” market in our common stock. “When-issued” trading refers to a sale or purchase made conditionally because the security has been authorized but not yet issued. The “when-issued” trading market will be a market for shares of NOW Inc. common stock that will be distributed to NOV stockholders on the distribution date. If you own shares of NOV common stock at 5:00 p.m. Eastern Time on the record date, you would be entitled to receive shares of our common stock in the distribution. You may trade this entitlement to receive shares of NOW Inc. common stock, without trading the shares of NOV common stock you own, in the “when-issued” market. On the first trading day following the distribution date, we expect “when-issued” trading with respect to NOW Inc. common stock will end and “regular-way” trading will begin.

## Conditions to the Distribution

We expect that the distribution will be effective on May 30, 2014, the distribution date, provided that, among other conditions set forth in the Separation and Distribution Agreement, the following conditions will have been satisfied or, if permissible under the Separation and Distribution Agreement, waived by NOV:

- The SEC will have declared effective our registration statement on Form 10, of which this information statement is a part, under the Exchange Act, with no order suspending the effectiveness of the registration statement in effect and no proceedings for such purposes pending before or threatened by the SEC.
- Any required actions and filings with regard to state securities and blue sky laws of the U.S. (and any comparable laws under any foreign jurisdictions) will have been taken and, where applicable, will have become effective or been accepted.
- NOV Inc.’s common stock will have been authorized for listing on the NYSE, or another national securities exchange approved by NOV, subject to official notice of issuance.
- Prior to the distribution, this information statement will have been mailed to the holders of NOV common stock as of the record date for the distribution.
- NOV will have received an opinion from its legal counsel to the effect that the distribution will qualify as tax-free for the U.S. federal income tax purposes under Section 355 and 368(a)(1)(D) of the Code.
- No order, injunction, decree or regulation issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing completion of the distribution will be in effect.
- Any government approvals and other material consents necessary to consummate the distribution will have been obtained and be in full force and effect.
- The final approval of the Board of Directors of NOV of the distribution has been received.
- The Separation and Distribution Agreement will not have been terminated.



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The fulfillment of the foregoing conditions does not create any obligations on NOV's part to effect the distribution, and the NOV Board of Directors has reserved the right, in its sole discretion, to abandon, modify or change the terms of the distribution, including by accelerating or delaying the timing of the completion of all or part of the distribution, at any time prior to the distribution date.

### **Transferability of Shares of Our Common Stock**

The shares of our common stock that you will receive in the distribution will be freely transferable, unless you are considered an "affiliate" of ours under Rule 144 under the Securities Act of 1933, as amended ("the Securities Act"). Persons who can be considered our affiliates after the separation generally include individuals or entities that directly, or indirectly through one or more intermediaries, control, are controlled by or are under common control with us, and may include certain of our officers and directors. In addition, individuals who are affiliates of NOV on the distribution date may be deemed to be affiliates of ours. We estimate that our directors and officers, who may be considered "affiliates" for purposes of Rule 144, will beneficially own approximately 340,000 shares of our common stock immediately following the distribution. See "Security Ownership of Certain Beneficial Owners and Management" included elsewhere in this information statement for more information.

Our affiliates may sell shares of our common stock received in the distribution only:

- under a registration statement that the SEC has declared effective under the Securities Act; or
- under an exemption from registration under the Securities Act, such as the exemption afforded by Rule 144.

In general, under Rule 144 as currently in effect, an affiliate will be entitled to sell, within any three-month period commencing 180 days after the date the registration statement of which this information statement is a part is declared effective, a number of shares of our common stock that does not exceed the greater of:

- 1.0 percent of our common stock then outstanding; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 for the sale.

Rule 144 also includes restrictions governing the manner of sale. Sales may not be made under Rule 144 unless certain information about us is publicly available.

### **Reason for Furnishing This Information Statement**

This information statement is being furnished solely to provide information to NOV stockholders who are entitled to receive shares of our common stock in the distribution. This information statement is not, and is not to be construed as, an inducement or encouragement to buy, hold or sell any of our securities. We believe that the information in this information statement is accurate as of the date set forth on the cover. Changes may occur after that date, and neither NOV nor we undertake any obligation to update such information except in the normal course of discharging our respective public disclosure obligations.

### **Manner of Effecting the Separation and the Distribution**

The general terms and conditions relating to the separation and the distribution will be set forth in a Separation and Distribution Agreement that we will enter into with NOV. For a description of the terms of that agreement, see "Certain Relationships and Related-Party Transactions—Agreements Between Us and NOV—Separation and Distribution Agreement" included elsewhere in this information statement.

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## BUSINESS

### General

NOW Inc., a Delaware Corporation incorporated in 2013, is a worldwide provider of products and supply chain solutions to the energy industry.

Our principal executive offices are located at 7402 North Eldridge Parkway, Houston, Texas 77041, our telephone number is (281) 823-4700, and our internet website address will be [www.dnow.com](http://www.dnow.com). Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and all amendments will be available free of charge on our internet website. These reports will be posted on our website as soon as reasonably practicable after such reports are electronically filed with the SEC. Our Code of Ethics will also be posted on our website. Our common stock is traded on the New York Stock Exchange under the symbol "DNOW."

We are a distributor of PVF, MRO and related products to the oil and gas industry on a worldwide basis, with a legacy of over one-hundred and fifty years operating in the oilfield. We operate primarily under the DistributionNOW and Wilson Export brands. Through our network of over 300 locations and over 5,000 employees worldwide, we stock and sell a comprehensive offering of energy products as well as an extensive selection of products for industrial applications. Our energy product offering is needed throughout all sectors of the oil and gas industry—from upstream drilling, completion and production to midstream infrastructure development to downstream petroleum refining—as well as in other industries, such as chemical processing, power generation and industrial manufacturing operations. The industrial distribution portion of our business targets a diverse range of manufacturing and other facilities across numerous industries and end markets. We also provide supply chain management to drilling contractors, exploration and production operators, pipeline operators, downstream energy and industrial manufacturing companies around the world. The addressable market of our core oil and gas industry offering is estimated to be approximately \$20 billion in North America and significantly larger globally.

Our global product offering includes consumable MRO supplies, pipe, valves, fittings, flanges, line pipe, electrical, artificial lift solutions, mill tools, safety supplies and spare parts to support customers' operations. We provide a one-stop shop value proposition within the oil and gas E&P market and particularly in targeted areas of artificial lift, measurement and controls, valve actuation and flow optimization. We also offer warehouse management, vendor integration and various inventory management solutions. Through focused effort, we have built expertise in providing application systems and parts integration, optimization solutions and after-sales support.

Our supply chain solutions include outsourcing the functions of procurement, inventory and warehouse management, logistics, business process and performance metrics reporting. This solutions offering allows us to leverage the infrastructure of our SAP™ ERP system to streamline the purchasing process for customers, from requisition to procurement to payment, by digitally managing approval routing and workflow and by providing robust reporting functionality.

We support major land and offshore operations for all the major oil and gas producing regions around the world through our comprehensive network of more than 270 Energy Branch locations. Our key markets beyond North America include Latin America, the North Sea, the Middle East, the Commonwealth of Independent States and Southeast Asia. Products sold through our Energy Branch locations support greenfield and expansion plant capital projects, midstream infrastructure, MRO and manufacturing consumables used in day-to-day production. We provide upstream and downstream energy and industrial products for petroleum refining, chemical processing, power generation and industrial manufacturing operations through more than 60 Supply Chain and customer on-site locations.

We stock or sell more than 150,000 SKUs through our branch network. Our supplier network consists of thousands of vendors in approximately 40 countries. From our operations in over 20 countries, we sell to customers operating in over 90 countries. The supplies and equipment stocked by each of our branches is

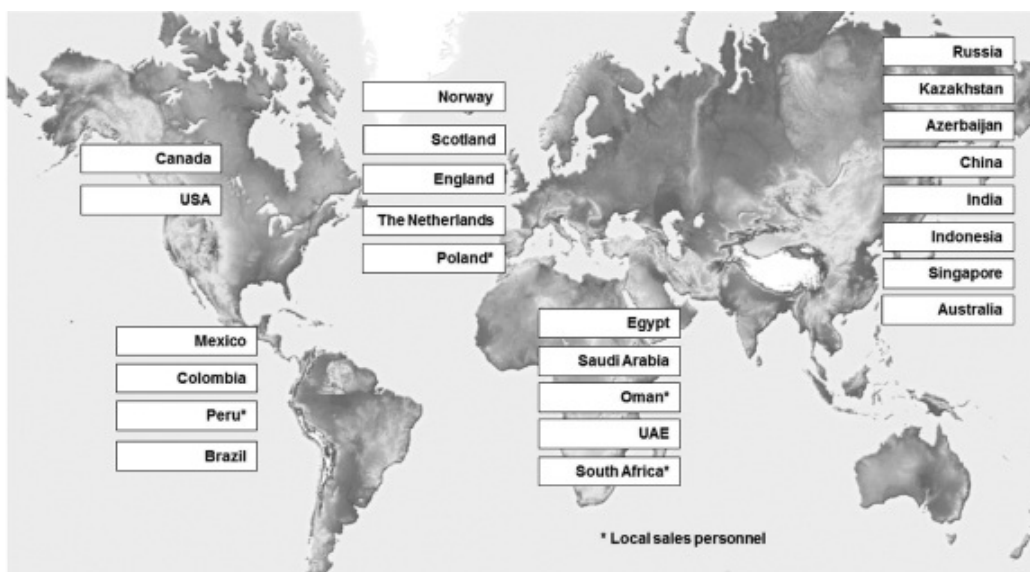
customized to meet varied and changing local customer demands. The breadth and scale of our offering enhances our value proposition to vendors, customers and shareholders.

We employ advanced information technologies, including the implementation of a common ERP platform across essentially all of our business, to provide complete procurement, materials management and logistics coordination to our customers around the globe. Having a common ERP platform allows immediate visibility into the financials and operations of essentially all branches worldwide, enhancing decision-making and efficiency. Over the past two years, we have devoted significant resources to this initiative and we plan to have almost all of our locations aligned on one ERP platform in 2014.

The following table sets forth the contribution to our total revenues of our three reportable segments (in millions):

	Years Ended December 31,		
	2013	2012	2011
Revenue:			
United States	\$ 2,863	\$ 2,257	\$ 917
Canada	773	591	305
International	660	566	419
<b>Total Revenue</b>	<b>\$4,296</b>	<b>\$ 3,414</b>	<b>\$1,641</b>

### Global Operations



Demand for our products is driven primarily by the level of oil and gas drilling, servicing and production refining and petrochemical activities. It is also influenced by the global economy in general and by government policies. Several factors have driven the long-term growth in spending including investment in energy infrastructure, the North American shale plays and market expectations of future developments in the oil, natural gas, liquids, refined products, petrochemical, plant maintenance and other industrial and energy sectors. Approximately half of our sales are attributable to multi-year MRO arrangements. MRO arrangements are generally repetitive

activities that address recurring maintenance, repair, operational work, well hookups and drilling activities. Project activities, including facility expansions, exploration and new construction projects, are usually associated with customers' capital expenditure budgets sometimes in association with their construction partners. We mitigate our exposure to price volatility by limiting the length of price protection on such projects which allows us to adjust pricing depending on factors that influence our supply chain.

We have benefited from several strategic acquisitions during the past few years, including Wilson and CE Franklin Ltd., both of which were completed in 2012. We have also expanded through several other acquisitions and organic investments around the world, including the U.S., Canada, England, Scotland, the United Arab Emirates, Russia and Kazakhstan.

### Summary of Reportable Segments

We operate through three reportable segments: U.S., Canada and International. The table below is a summary of our three reportable segments.

	U.S.	Canada	International
<b>Overview</b>	Distributor of PVF, MRO supplies and related products to the upstream, midstream and downstream energy and industrial sectors		
<b>2013 Revenue</b>	\$2,863 million	\$773 million	\$660 million
<b>Locations</b>	Over 200	Over 70	Over 30
<b>SKUs</b>	More than 150,000 items		
<b>Select Products</b>	MRO supplies, electrical products, mill tool & safety products, PVF, original equipment manufacturer ("OEM") spare parts, artificial lift solutions, valve management solutions, fluid transfer products and supply chain solutions		
<b>Value-added Solutions</b>	Same-day delivery, customer training, inventory and warehouse management, logistics, business process and performance metrics reporting		
<b>Representative Customers</b>	Drilling contractors, E&P operators, well servicing companies, independent and national oil and gas companies, refineries, midstream operators, downstream energy processors and industrial manufacturers		

#### *United States*

We have more than 200 locations in the U.S., which are geographically positioned to best serve the upstream, midstream and downstream energy and industrial markets. Our U.S. branch network was significantly expanded with the locations added through the Wilson acquisition, which has enabled us to broaden our customer base, leverage our inventory and purchasing power and enhance our position in the midstream and downstream energy and industrial markets.

Approximately 75% of our U.S. locations are Energy Branches. Our Energy Branches primarily serve the upstream and midstream sectors of the oil and gas industry with locations in every major land and offshore area of the country. Within our branch network, we have a team of sales and operations professionals trained in the products, applications and customer service required to support our customers as they drill, explore, produce, transport and refine oil and gas products. Our locations offer a comprehensive line of products, including line pipe, valves, fittings and flanges, OEM spare parts, mill supplies, tools, safety supplies, personal protective equipment and miscellaneous expendable items. We also have a team of technical professionals who provide expertise in applied products and applications, such as artificial lift systems, coatings, electrical products, gas meter runs and valve actuation. The midstream segment is served through many of the same Energy Branches, including the locations added as part of the Wilson acquisition.

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The balance of our U.S. locations are Supply Chain locations, which serve the upstream and downstream energy and industrial end markets and our customer on-site locations. Through our network of upstream, downstream and industrial facilities staffed by skilled personnel, we provide products primarily to refineries, chemical companies, utilities, manufacturers and engineering and construction companies in the areas of the country where these markets are situated. Our primary product offering for the upstream, downstream and industrial markets includes all grades of pipe, valves, fittings, mill supplies, tools and safety supplies. Additionally, our upstream, downstream and industrial branches offer safety equipment, repair and maintenance, and also provide planning, sourcing and expediting of orders throughout the lifecycle of large capital projects. Our Supply Chain locations serve many oil and gas operators and drilling contractors. Supply Chain customers outsource procurement functions to us, which brings our sizeable vendor network to their doorstep and enables them to benefit from on-site management of their warehouses, inventory, materials, projects, logistics and manufacturing tool cribs. Customers engage our Supply Chain solutions to improve their bottom lines and accelerate their time to market through the identification and implementation of measurable operational efficiencies. To achieve this, we partner with our customers to review their current operations, allowing us to make informed recommendations regarding the restructuring of processes and inventories. Our Supply Chain solutions result in long term partnerships because they are customized to each customer's requirements, guided by a strategic framework, and are not easily replicated.

We also have extensive one-stop shop specialty operations in the U.S. that provide our customers a unique way to purchase artificial lift, valves and valve actuation, measurement and controls, fluid transfer and flow optimization, which enables them to better focus on their core business. In these businesses, we provide additional value to our customers through the design, assembly, fabrication and optimization of products and equipment essential to the safe and efficient production of oil and gas.

### *Canada*

We have a network of over 70 branches in the Canadian oilfield, predominantly in the oil rich provinces of Alberta and Saskatchewan in Western Canada. Our Canada segment primarily serves the energy exploration, production and drilling business, offering customers the same products and value-added solutions that we perform in the U.S. In Canada, we also provide training and supervise the installation of fiberglass pipe, supported by substantial inventory and product expertise on the ground to serve our customers.

### *International*

We operate in over 20 countries and serve the needs of our international customers from more than 30 locations outside of the U.S. and Canada, all of which are strategically located in major oil and gas development areas. Our approach in these markets is similar to our approach in the U.S., as our customers look to us to provide inventory and support closer to their drilling and exploration activities. Our long legacy of operating in many international regions, combined with significant recent expansion into several new key markets, provides a significant competitive advantage as few of our competitors have a presence in all of these markets.

## **Distribution Industry Overview**

The total addressable market for our core oil and gas industry offering is estimated to be approximately \$20 billion in North America and significantly larger globally. The distribution industry is highly fragmented, comprised of a very small number of large players with global reach and a large number of small local and regional competitors. With thousands of smaller competitors, there are substantial opportunities for consolidation and product extensions.

Distribution companies act both as supply stores and supply chain management providers for their customers. Distributors deliver value to their customers by serving as a supply chain channel partner, managing vendor networks and carrying inventory of a wide range of products from numerous vendors at locations in close proximity to the end user.

Scale provides substantial advantages in the distribution industry, enhancing the value proposition for both vendors and customers. The ability to deliver predictable repeat business to the vendor network allows companies with scale the ability to purchase at competitive prices while also delivering value to those vendors and suppliers. In turn, distributors with scale are able to offer customers inventory at competitive prices and enable them to manage their own operations with lower inventory levels. Management believes that customers are increasingly centralizing purchasing operations and consolidating suppliers in an effort to reduce their procurement costs. This trend favors larger distributors with the product offering and geographic reach to supply customers across various geographies and industries.

Distribution companies with scale are thus able to extract economic rent from their businesses by offering a wide variety of SKUs at attractive volumes to vendors and prices to customers with minimal capital investment.

### **Our Market Sectors**

We offer a diverse range of products across the energy and industrial markets in the U.S., Canada and internationally. There are thousands of manufacturers of the products used in the markets in which we operate and customers demand a high level of service, responsiveness and availability across a broad set of products from these vendors. These market dynamics make the distributor an essential element in the value chain. Our product offering is aligned to meet the needs of our customer base.

#### *Energy Branches*

Our Energy Branches are the legacy brick and mortar supply store operations that provide products to multiple upstream and midstream customers from a single location. These branches serve repeat account and walk-in retail customers, across a variety of pricing models. Products are inventoried in our branch warehouses based on local market needs and are delivered or available for pick-up as needed.

#### *Supply Chain*

Our Supply Chain group targets the upstream and downstream energy and industrial markets, in which our customers are generally contractually committed to source from us under a single business model that includes a fixed pricing structure. We are typically integrated into our customers' facilities; have on-site NOW Inc. branches and inventory committed to a specific customer; perform duties otherwise managed by our customers; reach a broader customer segment to include upstream, downstream, industrial and manufacturing; manage third party materials on behalf of our customers; employ vending machines and/or tool cribs to store and dispense materials on-demand; and have a much greater component of technology to enable e-commerce and key performance indicators to be measured and reported specifically to each customer.

	<b>Energy Branches</b>	<b>Supply Chain</b>
<b>Target End Markets</b>	Upstream and midstream energy	Upstream, downstream energy and industrial
<b>Offering</b>	Branch locations supporting delivery and customer pick-up of a comprehensive range of upstream and midstream products and supplies	Dedicated customer on-site locations providing a tailored mix of downstream and industrial products
<b>Locations</b>	Over 270	Over 60
<b>2013 Revenue</b>	\$3,581 million	\$715 million

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## Products

We distribute a complete line of PVF, mill, tool, safety, electrical and artificial lift products, rig spares and energy and industrial MRO supplies used in numerous applications by our customers. The products we distribute are used many times in extreme operating conditions such as high pressure, high/low temperature, highly corrosive and abrasive environments. We carry a broad range of products to meet rapid and critical deliveries that our customers require in remote areas of service, which are often the same day and 24/7. Our extensive inventory and branch network allows us to better fulfill customer needs than smaller regional companies can. In many cases, we provide solutions to the last mile for the customer and to remote locations.

*Pipe*—Core products include carbon line pipe and stainless and alloy pipe. Carbon line pipe is typically used in high yield, high stress applications such as gathering and transmission of oil, natural gas and liquids. Stainless and alloy pipe is used in high temperature or highly corrosive applications. We also carry tubing (used to extract oil or natural gas from wells), as well fiberglass and PVC pipe used in various oil and gas applications. We carry an extensive line of pipe coated with fusion bond epoxy. We offer threading, grooving, cutting and other various coatings for the pipe. While we also offer oil country tubular goods, they comprise a very small portion of our pipe sales and inventory.

*Valves*—Products include ball, butterfly, gate, globe, check, needle and plug valves manufactured from cast steel, forged steel, stainless/alloy steel, ductile iron and carbon steel. Valves are used in the refinery, petrochemical and oilfield industries to control flow, direction, velocity and pressure within transmission systems. Valve actuators used for regulating flow and on/off service, as well as specialty valves used in process and oilfield applications, are carried in our inventory.

*Fittings & Flanges*—Steel fittings and flanges in carbon, stainless, alloy, low temperature, and high-yield applications are used to connect piping and valve systems for the transmission of liquids and gasses. Products that complement the lines such as fasteners, gaskets and instrumentation products are also included. These products are used in all segments of our business.

*Mill, Tool, Safety and Electrical Products*—Includes a wide range of products, such as hand tools, cutting and power tools, abrasives, chemicals and lubricants, paints and coatings, paper and janitorial supplies, welding products, personal protection equipment, respirator protection products, environmental monitoring equipment, safety showers and eyewash, fire products, batteries and various other supplies used by our customers. We also offer on-site safety solutions, equipment rentals, and dispensing solutions. Electrical products include cable, wire, lighting, motors and other product lines used in onshore and offshore drilling, marine, oil & gas and production industries.

*Energy MRO items*—A comprehensive range of products including chain, chokes, rope, hoses and hose parts, stuffing boxes, couplings, unions, belts bushings and expendables. Artificial lift products include plunger lifts, rod pumps and parts, polish rod and progressive cavity pumps. We also sell the NOV line of rig aftermarket spare parts, Mission products, fiberglass systems, Robbins & Myers, Inc. products, Mono, and many other brands manufactured by NOV.

*Other*—We also help our customers to source and procure a variety of other products that we do not generally inventory.

*Solutions*—We provide our customers an extensive array of solutions including multiple, scheduled and unscheduled deliveries, hookup trailers, zone store management, kitting, tagging and bundling of products. We interface with our customers electronically with system interfaces that can directly feed our customers ERP systems. We use the SAP™ suite for our ERP systems which is fully integrated and comprehensive in scope. We offer supply chain solutions to our customers that may or may not include products such as warehouse and inventory management, re-deployment of inventory, integrated supply and customized solution models.

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## **Customers**

Our primary customers are companies active in the upstream, midstream, and downstream sectors of the energy industry, including drilling contractors, well servicing companies, independent and national oil and gas companies, refineries, midstream operators and downstream energy processors. We also serve a diverse range of industrial and manufacturing companies across a broad spectrum of industries and end markets. We build long term relationships with our customers in order to continually meet or exceed their expectations and add value as a supply chain partner in the locations where they operate. Our products are typically critical to our customers' operations, yet represent only a small fraction of the total project or facility cost. As a result, our customers seek suppliers with established qualifications and operational history to deliver high quality and reliable products that meet their requirements in a timely manner.

We believe our business will benefit from consolidation of purchasing among customers within the industry. As customers, particularly in the energy industry, increasingly aggregate purchases to improve efficiency and reduce costs, they increasingly partner with large distributors who can meet their needs for products in multiple locations around the world. In addition, we believe our business will benefit from consolidation among the energy companies we serve, as the larger resulting companies look to large distributors such as ourselves as their source of the products we represent.

No single customer represents more than 10% of our revenue. Our top 20 customers in aggregate represent approximately one-third of our revenue.

## **Competition**

The distribution industries serving the energy and industrial end markets are competitive. These industries are highly fragmented, comprised of a limited number of large distributors, each with many locations, as well as numerous smaller regional and local players, many of which operate from a single location. While some large distributors, such as ourselves, compete in both markets, most players focus on either the energy or industrial end market. In the energy market, some of the larger companies against whom we compete include Apex Distribution Inc., Bell Supply Co., Edgen Group, Inc. (a subsidiary of Sumitomo Corp), Ferguson Enterprises, Inc. (a subsidiary of Wolseley, plc), MRC Global, Inc., Russell Metals, Inc. and Shale-Inland Holdings LLC. In the industrial end market, some of the larger companies against whom we compete include Ferguson Enterprises, Inc. (a subsidiary of Wolseley, plc), W.W. Grainger, Inc., HD Supply, Inc. and Fastenal Company.

## **Seasonal Nature of the Company's Business**

Historically, a portion of our business has experienced seasonal trends to some degree, which have varied by geographic region. In the U.S., activity has historically been higher during the summer and fall months. In Canada, certain E&P activities have declined in the spring due to seasonal thaws and regulatory restrictions limiting the ability of drilling rigs and transportation to operate effectively and safely during these periods. However, these activities have typically rebounded during the third and fourth quarters.

## **Employees**

At December 31, 2013, we had more than 5,000 employees in total, of which approximately 500 were temporary employees. Less than one percent of our employees in the U.S. are subject to collective bargaining agreements. Some of our employees in various foreign locations are subject to collective bargaining agreements. We offer market competitive benefits for employees and opportunities for growth and advancement. We believe our relationship with our employees is good.



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## Acquisitions and Other Investments

The Company made the following acquisitions while a business segment of NOV or through Wilson as indicated:

<u>Date</u>	<u>Acquisition</u>	<u>Country</u>
1998	Dominion Oilfield Supply	Canada
1999	Continental Emsco Company (Wilson)	United States, Canada
1999	Dupre Supply	United States
2000	Hart Sales Company	United States
2000	Republic Supply Company	United States
2000	Texas Mill Supply (Wilson)	United States
2001	AMTEX Pump & Supply	United States
2001	DEMIJ	Netherlands
2001	Rye Supply	United States
2001	Texas Oil Works Supply	United States
2001	Van Leeuwen Pipe & Tube (Wilson)	United States
2002	STS Supply	United States
2003	LSI Specialty Electrical Products	United States
2003	Neven Handelsonderneming	Netherlands
2003	WTM Sales	United States
2004	Roma General Welding Services	Australia
2008	Sakhalin Outfitters	Russia
2010	Group KZ	Kazakhstan
2010	PLT	United States
2011	Capital Valves	United Kingdom
2012	CE Franklin	Canada
2012	Engco	Canada
2012	Wilson	United States, Canada, International

## Environmental Matters

We are subject to a variety of federal, state, local, foreign and provincial environmental, health and safety laws, regulations and permitting requirements, including those governing the discharge of pollutants or hazardous substances into the air, soil or water, the generation, handling, use, management, storage and disposal of, or exposure to, hazardous substances and wastes, the responsibility to investigate, remediate, monitor and clean up contamination and occupational health and safety. Fines and penalties may be imposed for non-compliance with applicable environmental, health and safety requirements and the failure to have or to comply with the terms and conditions of required permits. Historically, the costs to comply with environmental and health and safety requirements have not been material to our financial position, results of operations or cash flows. We are not aware of any pending environmental compliance or remediation matters that, in the opinion of management, are reasonably likely to have a material effect on our business, financial position or results of operations or cash flows.

## Exchange Rate Information

In this report, unless otherwise indicated, foreign currency amounts are converted into U.S. dollar amounts at the exchange rates in effect on December 31, 2013 and 2012 for balance sheet figures. Income statement figures are converted on a monthly basis, using each month's average conversion rate.

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**Legal Proceedings**

We have various claims, lawsuits and administrative proceedings that are pending or threatened, all arising in the ordinary course of business, with respect to commercial, product liability and employee matters. Although no assurance can be given with respect to the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have, we believe any ultimate liability resulting from the outcome of such claims, lawsuits or administrative proceedings will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. See “Index to Financial Statements” and the financial statements referenced therein.

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## PROPERTIES

As of December 31, 2013, we owned or leased over 300 facilities worldwide which totaled approximately 6 million square feet. Approximately 90% of our facilities worldwide are leased. Each location is comprised of offices, distribution centers and branches. The U.S. and Canada accounted for the majority of the total square footage. Owned facilities are not subject to any mortgages.

<u>Location</u>	<u>Approximate number of facilities</u>	<u>Approximate size in square feet (in thousands)</u>
United States	200	4,000
Canada	70	1,450
International	30	450

International locations include the following: Australia, Azerbaijan, Brazil, China, Colombia, Egypt, England, India, Indonesia, Kazakhstan, Mexico, Netherlands, Norway, Russia, Saudi Arabia, Scotland, Singapore and United Arab Emirates. We also have salespeople in Oman, Peru, Poland and South Africa.

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## **DIVIDEND POLICY**

We do not currently anticipate paying dividends on our common stock. We currently intend to retain our future earnings to support the growth and development of our business. The payment of future cash dividends, if any, will be at the discretion of our Board of Directors and will depend upon, among other things, our financial condition, results of operations, capital requirements and development expenditures, future business prospects and any restrictions imposed by future debt instruments. See “Risk Factors—Risks Relating to Our Common Stock—We cannot assure you that we will pay dividends on our common stock” included elsewhere in this information statement.

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## CAPITALIZATION

The following table sets forth (i) our historical capitalization as of December 31, 2013 and (ii) our adjusted capitalization assuming the separation and the distribution and the related transactions described in this information statement were effective December 31, 2013. The table should be read in conjunction with the audited combined financial statements and accompanying notes, the unaudited pro forma combined financial statements and accompanying notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this information statement.

We are providing the capitalization table below for information purposes only. The capitalization table below may not reflect the capitalization or financial condition that would have resulted had we been operating as a separate, independent entity on December 31, 2013 and is not necessarily indicative of our future capitalization or financial condition (in millions):

	December 31, 2013	
	Actual	As Adjusted
Net parent company investment / stockholders’ equity:		
Common stock, at par value	\$ —	\$ 1
Additional paid in capital	—	1,801
Net parent company investment	1,802	—
Accumulated other comprehensive income	—	—
Total net parent company investment / stockholders’ equity	1,802	1,802
Total capitalization	<u>\$ 1,802</u>	<u>\$ 1,802</u>

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## UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The unaudited pro forma combined financial data of NOW Inc. has been derived from our historical combined financial statements included in this information statement. The pro forma adjustments give effect to the separation of NOW Inc. businesses into an independent publicly traded company in the spin-off. The unaudited pro forma combined financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical combined financial statements and the notes to those statements included in this information statement.

The unaudited pro forma combined statements of income for the year ended December 31, 2013 has been prepared as though the spin-off occurred as of January 1, 2013. The unaudited pro forma combined balance sheet at December 31, 2013 has been prepared as of that date. The pro forma adjustments are based on available information and assumptions that our management believes are reasonable; however, such adjustments are subject to change as the costs of operating as a stand-alone public company are determined. In addition, such adjustments are estimates and may not prove to be accurate.

The pro forma adjustments include:

- The planned distribution of approximately 107 million shares of our common stock to NOV stockholders.

Our unaudited pro forma combined statements of income do not include adjustments for all of the costs of operating as a stand-alone public company, including possible higher information technology, tax, accounting, treasury, investor relations, insurance and other expenses related to being a stand-alone public company. Incremental costs and expenses associated with being a stand-alone public company, which are not reflected in the unaudited pro forma combined statements of income, are estimated to be approximately \$45 million annually.

The unaudited pro forma combined financial data are for illustrative purposes only and do not reflect what our financial position and results of operations would have been had the spin-off occurred on the dates indicated and are not necessarily indicative of our future financial position and future results of operations.

The unaudited pro forma combined financial data constitute forward-looking information and are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. See “Cautionary Statement Regarding Forward-Looking Statements” in this information statement.

**UNAUDITED PRO FORMA COMBINED BALANCE SHEET**  
(In millions, except share data)

	December 31, 2013		
	Historical	Pro Forma Adjustments	Pro Forma
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 101	\$ —	\$ 101
Receivables, net	661	—	661
Inventories, net	850	—	850
Deferred income taxes	21	—	21
Prepaid and other current assets	29	—	29
Total current assets	<u>1,662</u>	<u>—</u>	<u>1,662</u>
Property, plant and equipment, net	102	—	102
Deferred income taxes	15	—	15
Goodwill	333	—	333
Intangibles, net	68	—	68
Other assets	3	—	3
Total assets	<u>\$ 2,183</u>	<u>\$ —</u>	<u>\$ 2,183</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 264	\$ —	\$ 264
Accrued liabilities	99	—	99
Accrued income taxes	—	—	—
Total current liabilities	<u>363</u>	<u>—</u>	<u>363</u>
Deferred income taxes	16	—	16
Other liabilities	2	—	2
Total liabilities	<u>381</u>	<u>—</u>	<u>381</u>
Commitments and contingencies			
Stockholders' equity			
Common stock		1(a)	1
Additional paid in capital	—	1,801(a)	1,801
Net parent company investment	1,802	(1,802)(a)	—
Accumulated other comprehensive income	—	—	—
Total net parent company investment/stockholders' equity	<u>1,802</u>	<u>—</u>	<u>1,802</u>
Total liabilities and net parent company investment/stockholders' equity	<u>\$ 2,183</u>	<u>\$ —</u>	<u>\$ 2,183</u>

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

**UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME**  
(In millions, except per share data)

	Years Ended December 31, 2013		
	Historical	Pro forma Adjustments	Pro Forma
Revenue	\$4,296	\$ —	\$ 4,296
Operating expenses			
Cost of products	3,499	—	3,499
Operating and warehousing costs	412	—	412
Selling, general and administrative	161	—	161
Operating profit	224	—	224
Other income (expense), net	(2)	—	(2)
Income before income taxes	222	—	222
Provision for income taxes	75	—	75
Net income	<u>\$ 147</u>	<u>\$ —</u>	<u>\$ 147</u>
Basic earnings per share			<u>\$ 1.37(b)</u>
Diluted earnings per share			<u>\$ 1.37(c)</u>
Weighted average shares outstanding:			
Basic			<u>107(b)</u>
Diluted			<u>107(c)</u>

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



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## NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

- (a) Represents the reclassification of NOV's net investment in us, which was recorded in parent company equity, as part of additional paid-in capital and the balancing entry to reflect the par value of approximately 107 million outstanding shares of common stock at a par value of \$0.01 per share. We have assumed the number of outstanding shares of common stock based on approximately 428 million NOV common shares outstanding at December 31, 2013, which would result in approximately 107 million shares being distributed to holders of NOV common shares, at a distribution ratio of one share of NOW Inc. common stock for every four shares of NOV common share.
- (b) Pro forma basic earnings per share and pro forma weighted average basic shares outstanding are based on the number of NOV common shares outstanding on December 31, 2013, adjusted for a distribution ratio of one share of NOW Inc. common stock for every four shares of NOV common stock.
- (c) Pro forma diluted earnings per share and pro forma weighted-average diluted shares outstanding reflect potential common shares from NOV equity plans in which our employees participate based on the distribution ratio. While the actual impact on a go-forward basis will depend on various factors, including employees who may change employment from one company to another, we believe the estimate yields a reasonable approximation of the future dilutive impact of NOW Inc. equity plans.

## SELECTED COMBINED FINANCIAL DATA

The following selected financial data reflect the combined operations of NOW Inc. We derived the selected combined income statement data for the years ended December 31, 2013, 2012 and 2011 and the selected combined balance sheet data as of December 31, 2013 and 2012, from the audited combined financial statements of NOW Inc., which are included elsewhere in this information statement. We derived the selected combined income statement data for the years ended December 31, 2010 and 2009 and the combined balance sheet data as of December 31, 2011, 2010 and 2009, from the underlying financial records of NOW Inc., which were derived from the financial records of NOV, and which are not included in this information statement.

To ensure a full understanding, you should read the selected combined financial data presented below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” including the pro forma results of operations that include the effects of Wilson and CE Franklin as they were acquired at the beginning of 2011, and the audited combined financial statements and accompanying notes included elsewhere in this information statement.

	Years Ended December 31, 2013				
	2013	2012	2011	2010	2009
	(in millions)				
<b>Operating Data:</b>					
Revenue	\$ 4,296	\$ 3,414	\$ 1,641	\$ 1,414	\$ 1,221
Operating profit	224	168	128	79	46
Net income	\$ 147	\$ 108	\$ 85	\$ 50	\$ 29
<b>Balance Sheet Data:</b>					
Working capital	\$ 1,299	\$ 1,491	\$ 534	\$ 544	\$ 424
Total assets	\$ 2,183	\$ 2,373	\$ 829	\$ 777	\$ 602
Total net parent company investment	\$ 1,802	\$ 1,971	\$ 669	\$ 646	\$ 479

The Company acquired Wilson in the second quarter of 2012 and CE Franklin in the third quarter of 2012.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Management's discussion and analysis is the analysis of our financial performance and it includes a discussion of significant trends that may affect our future performance. It should be read in conjunction with the audited combined financial statements and accompanying notes included elsewhere in this information statement. It contains forward-looking statements, including, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions. The words "anticipate," "estimate," "believe," "budget," "continue," "could," "intend," "may," "plan," "potential," "predict," "seek," "should," "would," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and similar expressions identify forward-looking statements. We do not undertake to update, revise or correct any of the forward-looking information unless required to do so under the federal securities laws. Readers are cautioned that such forward-looking statements should be read in conjunction with our disclosures under "Cautionary Statement Regarding Forward-Looking Statements" included elsewhere in this information statement.*

### **Overview of the Separation from NOV**

On September 24, 2013, NOV announced its intention to pursue the separation of its distribution business from its other businesses and create a stand-alone, publicly traded corporation. This separation will be completed in accordance with a Separation and Distribution Agreement between NOV and NOW Inc. On the basis that the distribution, together with certain related transactions, qualifies as a reorganization for U.S. federal income tax purposes, in general, we expect, for U.S. federal income tax purposes, that no gain or loss will be recognized by U.S. Holders of NOV common stock, and no amount will be included in their income, upon their receipt of shares of NOW Inc. common stock in the distribution, except with respect to any cash received in lieu of fractional shares. NOV will distribute all of the shares of NOW Inc. common stock to NOV stockholders as of the record date for the distribution. Upon completion of the separation, NOV and NOW Inc. will each be separate, publicly traded companies and have separate management. For additional information, see "The Separation and the Distribution" included elsewhere in this information statement.

### **General Overview**

We are a distributor to the oil and gas industry with a legacy of over one-hundred and fifty years operating in the oilfield. We operate primarily under the DistributionNOW and Wilson Export brands. Through our network of over 300 locations and over 5,000 employees worldwide, we stock and sell a comprehensive offering of energy products as well as an extensive selection of products for industrial applications. Our energy product offering is needed throughout all sectors of the oil and gas industry—from upstream drilling, completion and production to midstream infrastructure development to downstream petroleum refining—as well as in other industries, such as chemical processing, power generation and industrial manufacturing operations. The industrial distribution portion of our business targets a diverse range of manufacturing and other facilities across numerous industries and end markets. We also provide supply chain management to drilling contractors, exploration and production operators, pipeline operators, downstream energy and industrial manufacturing companies around the world. The addressable market of our core oil and gas industry offering is estimated to be approximately \$20 billion in North America and significantly larger globally.

Our global product offering includes consumable MRO supplies, pipe, valves, fittings, flanges, line pipe, electrical, artificial lift solutions, mill tools, safety supplies and spare parts to support customers' operations. We provide a one-stop shop value proposition within the oil and gas E&P market and particularly in targeted areas of artificial lift, measurement and controls, valve actuation and flow optimization. We also offer warehouse management, vendor integration and various inventory management solutions. Through focused effort, we have built expertise in providing application systems and parts integration, optimization solutions and after-sales support.

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Our supply chain solutions include outsourcing the functions of procurement, inventory and warehouse management, logistics, business process and performance metrics reporting. This solutions offering allows us to leverage the infrastructure of our SAP™ ERP system to streamline the purchasing process for customers, from requisition to procurement to payment, by digitally managing approval routing and workflow and by providing robust reporting functionality.

We support major land and offshore operations for all the major oil and gas producing regions around the world through our comprehensive network of more than 270 Energy Branch locations. Our key markets beyond North America include Latin America, the North Sea, the Middle East, the Commonwealth of Independent States and Southeast Asia. Products sold through our Energy Branch locations support greenfield and expansion plant capital projects, midstream infrastructure, MRO and manufacturing consumables used in day-to-day production. We provide upstream and downstream energy and industrial products for petroleum refining, chemical processing, power generation and industrial manufacturing operations through more than 60 Supply Chain and customer on-site locations.

We stock or sell more than 150,000 SKUs through our branch network. Our supplier network consists of thousands of vendors in approximately 40 countries. From our operations in over 20 countries, we sell to customers operating in over 90 countries. The supplies and equipment stocked by each of our branches is customized to meet varied and changing local customer demands. The breadth and scale of our offering enhances our value proposition to vendors, customers and shareholders.

We employ advanced information technologies, including the implementation of a common ERP platform across essentially all of our business, to provide complete procurement, materials management and logistics coordination to our customers around the globe. Having a common ERP platform allows immediate visibility into the financials and operations of essentially all branches worldwide, enhancing decision-making and efficiency. Over the past two years, we have devoted significant resources to this initiative and we plan to have almost all of our locations aligned on one ERP platform in 2014.

Our revenues and operating results are related to the level of worldwide oil and gas drilling and production activities and the profitability and cash flow of oil and gas companies and drilling contractors, which in turn are affected by current and anticipated prices of oil and gas. Oil and gas prices have been and are likely to continue to be volatile. See “Risk Factors.” We conduct our operations through three business segments: United States, Canada and International. See “Business—Summary of Reportable Segments” for a discussion of each of these business segments.

Unless indicated otherwise, results of operations data are presented in accordance with GAAP. In an effort to provide investors with additional information regarding our results of operations, certain non-GAAP financial measures, including operating profit excluding other costs, operating profit percentage excluding other costs and diluted earnings per share excluding other costs, are provided. See “Non-GAAP Financial Measures and Reconciliations” in Results of Operations for an explanation of our use of non-GAAP financial measures and reconciliations to their corresponding measures calculated in accordance with GAAP.

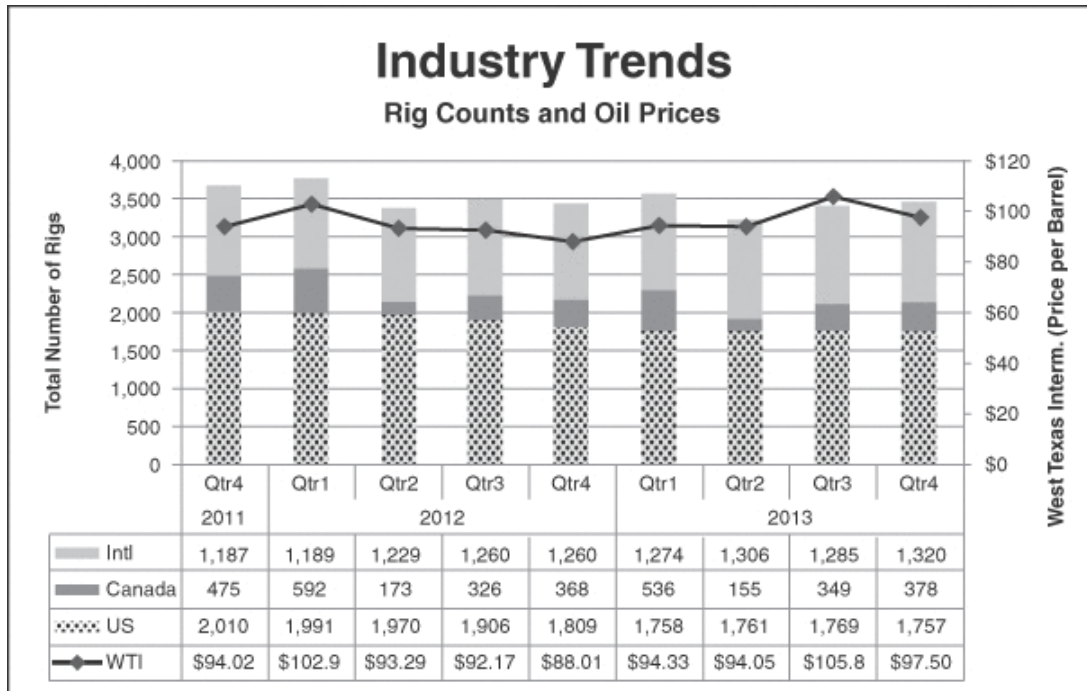
## Operating Environment Overview

Our results are dependent on, among other things, the level of worldwide oil and gas drilling, well remediation activity, the price of crude oil and natural gas, steel tubular prices, capital spending by other oilfield service companies and drilling contractors, and oil and gas inventory levels. Key industry indicators for the past three years include the following:

	2013*	2012*	2011*	% 2013 v 2012	% 2013 v 2011
<b>Active Drilling Rigs:</b>					
U.S.	1,761	1,919	1,875	(8.2%)	(6.1%)
Canada	354	365	423	(3.0%)	(16.3%)
International	1,296	1,234	1,167	5.0%	11.1%
Worldwide	3,411	3,518	3,466	(3.0%)	(1.6%)
<b>West Texas Intermediate Crude Prices (per barrel)</b>	\$ 97.91	\$ 94.11	\$ 94.90	4.0%	3.2%
<b>Natural Gas Prices (\$/mmbtu)</b>	\$ 3.72	\$ 2.75	\$ 4.00	35.3%	(7.0%)
<b>Hot-Rolled Coil Prices (steel) (\$/short ton)</b>	\$631.56	\$658.68	\$748.17	(4.1%)	(15.6%)

\* Averages for the years indicated. See sources below.

The following table details the U.S., Canadian, and international rig activity and West Texas Intermediate Oil prices for the past nine quarters ended December 31, 2013 on a quarterly basis:



Source: Rig count: Baker Hughes, Inc. ([www.bakerhughes.com](http://www.bakerhughes.com)); West Texas Intermediate Crude Price: Department of Energy, Energy Information Administration ([www.eia.doe.gov](http://www.eia.doe.gov)).

The average price per barrel of West Texas Intermediate Crude was \$97.91 per barrel in 2013, an increase of 4% over the average price for 2012 of \$94.11 per barrel. The average natural gas price was \$3.72 per mmbtu, an

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increase of 35% compared to the 2012 average of \$2.75 per mmbtu. Average rig activity worldwide decreased 3% for the full year in 2013 compared to 2012. The average crude oil price for the fourth quarter of 2013 was \$97.34 per barrel and natural gas was \$3.84 per mmbtu.

At February 7, 2014, there were 2,392 rigs actively drilling in the U.S. and Canada, compared to 2,020 rigs at December 31, 2013; an increase of 18.4% from year end 2013 levels. The price of oil increased to \$99.98 per barrel and gas increased to \$4.78 per mmbtu at February 7, 2014, representing a 1.8% increase in oil prices and an 11.9% increase in gas prices from the end of 2013.

### **Executive Summary**

Following the credit market downturn, global recession, and lower commodity prices of 2009, we saw signs of recovery and stabilization in many of our markets beginning in 2010 and continuing through the end of 2011. In 2012, market activity diminished, with 2013 remaining flat through the year, but down as compared to the full year 2012. Excluding other costs, operating profit percentages were 5.3% of revenue compared to 6.0% in 2012. This decrease was primarily due to the contraction in the market and the inclusion of Wilson and CE Franklin, which traditionally produced lower operating margins.

The Company remains closely tied to rig count, particularly in the United States. In 2013, domestic rig counts declined, resulting in an average U.S. rig count in 2013 that was down 8.1% from the average U.S. rig count in 2012, and an average Canadian rig count in 2013 that was down 2.7% from the same period in 2012. As a result, pricing and sales volumes were under pressure as drilling contractors, oil companies, industrial manufacturers and processors reduced operating and capital expenditures and were more conscientious about pricing. Additionally, economic weakness may pressure oil prices, which could lead to further activity declines, particularly among North American operators who may rely on cash flows from gas production and/or external financing to fund their drilling operations. Internationally, rig count increased by 5.0% during the period.

### **Outlook**

We are an organization with a strong financial position and the spin-off creates new opportunities for us to grow market share, expand product lines, markets and geographies and reinvest in our business in ways that could only be accomplished as a pure play, supply chain provider to the energy and industrial markets.

We believe we are well positioned and should benefit from our global infrastructure, broad product offering, diverse customer base, strong balance sheet and capitalization and access to credit. In the event of a market downturn, we also believe that our long history of cost control and downsizing in response to slowing market conditions, and of executing strategic acquisitions will enable us to capitalize on new opportunities to effect new organic growth and acquisition initiatives.

To dramatically enhance operational and back-office performance, we are migrating substantially all of our business onto one ERP platform in 2014. Our ERP standardization improves supply chain visibility, enables global inventory redeployment and expedites the movement of goods through the system while maximizing value to our customers.

The recovery of the world economy continues to move forward slowly and with a great deal of uncertainty amid regional economic worries. If such global economic uncertainties develop adversely, world oil and gas prices could be impacted which in turn could negatively impact the worldwide rig count and our future financial results.

## Results of Operations

### Years Ended December 31, 2013 and December 31, 2012

The following table summarizes the Company's revenue and operating profit by operating segment in 2013 and 2012 (in millions):

	Years Ended December 31,		Variance	
	2013	2012	\$	%
<b>Revenue:</b>				
United States	\$ 2,863	\$ 2,257	\$606	26.8%
Canada	773	591	182	30.8%
International	660	566	94	16.6%
Total Revenue	<u>\$ 4,296</u>	<u>\$ 3,414</u>	<u>\$ 882</u>	<u>25.8%</u>
<b>Operating Profit:</b>				
United States	\$ 134	\$ 94	\$ 40	42.6%
Canada	47	37	10	27.0%
International	43	37	6	16.2%
Total Operating Profit	<u>\$ 224</u>	<u>\$ 168</u>	<u>\$ 56</u>	<u>33.3%</u>
<b>Operating Profit %:</b>				
United States	4.7%	4.2%		
Canada	6.1%	6.3%		
International	6.5%	6.5%		
Total Operating Profit %	<u>5.2%</u>	<u>4.9%</u>		

#### United States

Revenue was \$2,863 million for the year ended December 31, 2013, an increase of \$606 million (26.8%) compared to the year ended December 31, 2012. This increase was primarily attributable to the acquisition of Wilson during the second quarter of 2012 which contributed approximately \$680 million in incremental revenue from a full year 2013 compared to seven months of activity in 2012, offset by a slow-down in U.S. rig activity where the average rig count was down 8.2% which negatively affected revenues.

Operating profit was \$134 million (which included \$3 million in other costs related to acquisitions) for the year ended December 31, 2013, an increase of \$40 million (42.6%) compared to \$94 million for the year ended December 31, 2012. Operating profit percentage increased to 4.7%, from 4.2% in 2012. Excluding other costs for both periods, operating profit percentages were 4.8% and 5.5% for the years ended December 31, 2013 and 2012, respectively. The decrease primarily resulted from full period results from the Wilson acquisition, which included lower margins compared to the existing business.

#### Canada

Revenue was \$773 million for the year ended December 31, 2013, an increase of \$182 million (30.8%) compared to the year ended December 31, 2012. This increase was primarily attributable to the acquisition of CE Franklin during the third quarter of 2012 contributing approximately \$195 million in incremental revenue associated with a full year in 2013 offset with a contracting market as evidenced by the declining active drilling rig count.

Operating profit was \$47 million (which included \$2 million in other costs related to acquisitions) for the year ended December 31, 2013, an increase of \$10 million (27.0%) compared to \$37 million for the year ended

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December 31, 2012. Operating profit percentage decreased to 6.1% from 6.3% in 2012. Excluding other costs for both periods, operating profit percentages were 6.3% and 7.4% for the years ended December 31, 2013 and 2012, respectively. Increased volume was offset by the dilutive effect of combining the historically lower operating profit percentages produced by CE Franklin.

#### *International*

Revenue was \$660 million for the year ended December 31, 2013, an increase of \$94 million (16.6%) compared to the year ended December 31, 2012. An increase of \$36 million was due to a full year of activity in 2013 compared to seven months of activity in 2012 associated with the acquisition of Wilson. The remainder is primarily due to strong growth in drilling activity as evidenced by the 5% increase in rig count.

Operating profit was \$43 million for the year ended December 31, 2013, an increase of \$6 million (16.2%) compared to \$37 million for the year ended December 31, 2012. Operating profit percentage remained constant at 6.5% from 2012 to 2013. The dollar increase primarily resulted from the volume gains discussed above.

#### *Cost of products*

Cost of products was \$3,499 million for the year ended December 31, 2013 compared to \$2,803 million for the year ended December 31, 2012, an increase of \$696 million. The increase was primarily related to approximately \$600 million in costs associated with the Wilson and CE Franklin acquisitions in 2012, and greater costs associated with a change in product mix. Cost of products includes the cost of inventory sold and related items, such as vendor consideration, inventory allowances and inbound and outbound freight.

#### *Operating and warehousing costs*

Operating and warehousing costs were \$412 million for the year ended December 31, 2013 compared to \$315 million for the year ended December 31, 2012, an increase of \$97 million. The increase was primarily related to the Wilson and CE Franklin acquisitions based on a full year impact compared to a partial year in 2012. Operating and warehousing costs include branch location and distribution center expenses (including costs such as compensation, benefits and rent).

#### *Selling, general and administrative expenses*

Selling, general and administrative expenses were \$161 million for the year ended December 31, 2013 compared to \$128 million for the year ended December 31, 2012. The Wilson and CE Franklin acquisitions contributed approximately \$37 million to selling, general and administrative expenses based on a full year compared to a partial year in 2012. The costs slightly were offset by reduced administrative redundancies. Selling, general and administrative expenses include regional and corporate expenses (including costs such as compensation, benefits and rent).

#### *Other income (expense), net*

Other income (expense), net were expenses of \$2 million for the year ended December 31, 2013 compared to \$3 million for the year ended December 31, 2012. This decrease was primarily due to lower foreign exchange losses.

#### *Provision for income taxes*

The effective tax rate for the year ended December 31, 2013 was 33.8% compared to 34.5% for 2012. Compared to the U.S. statutory rate, the effective tax rate was positively impacted in the period by the release of an uncertain tax position related to transfer pricing in Canada. The effective tax rate during both periods was impacted by lower tax rates on income earned in foreign jurisdictions that is permanently reinvested, offset by nondeductible expenses and state income tax.



**Years Ended December 31, 2012 and December 31, 2011**

The following table summarizes the Company's revenue and operating profit by operating segment in 2012 and 2011 (in millions):

	<b>Years Ended December 31,</b>		<b>Variance</b>	
	<b>2012</b>	<b>2011</b>	<b>\$</b>	<b>%</b>
<b>Revenue:</b>				
United States	\$ 2,257	\$ 917	\$ 1,340	146.1%
Canada	591	305	286	93.8%
International	566	419	147	35.1%
Total Revenue	<u>\$ 3,414</u>	<u>\$ 1,641</u>	<u>\$ 1,773</u>	<u>108.0%</u>
<b>Operating Profit:</b>				
United States	\$ 94	\$ 73	\$ 21	28.8%
Canada	37	30	7	23.3%
International	37	25	12	48.0%
Total Operating Profit	<u>\$ 168</u>	<u>\$ 128</u>	<u>\$ 40</u>	<u>31.3%</u>
<b>Operating Profit %:</b>				
United States	4.2%	8.0%		
Canada	6.3%	9.8%		
International	6.5%	6.0%		
Total Operating Profit %	<u>4.9%</u>	<u>7.8%</u>		

*United States*

Revenue was \$2,257 million for the year ended December 31, 2012, an increase of \$1,340 million (146.1%) compared to the year ended December 31, 2011. The acquisition of Wilson during the second quarter of 2012 contributed approximately \$1,195 million in incremental revenue paired with the U.S. experiencing increased activity in the shale plays during 2012.

Operating profit was \$94 million (which included \$30 million in other costs related to acquisitions) for the year ended December 31, 2012, an increase of \$21 million (28.8%) compared to \$73 million for the year ended December 31, 2011. Operating profit percentage decreased to 4.2%, from 8.0% in 2011 due to the impact of the lower-margin businesses acquired paired with the \$30 million other costs incurred for the cost of inventory that was stepped up to fair value related to purchase accounting.

*Canada*

Revenue was \$591 million for the year ended December 31, 2012, an increase of \$286 million (93.8%) compared to the year ended December 31, 2011. This increase was primarily attributable to the acquisition of CE Franklin during the third quarter of 2012 contributing approximately \$242 million in incremental revenue paired with the execution of a large new customer contract in the beginning of 2012.

Operating profit was \$37 million (which included \$7 million in other costs related to acquisitions) for the year ended December 31, 2012, an increase of \$7 million (23.3%) compared to \$30 million for the year ended December 31, 2011. Operating profit percentage decreased to 6.3% from 9.8% in 2011. The operating profit percentage decline was primarily due to the effect of combining the historically lower operating margins produced by CE Franklin.

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### *International*

Revenue was \$566 million for the year ended December 31, 2012, an increase of \$147 million (35.1%) compared to the year ended December 31, 2011. This increase was attributable to the acquisition of Wilson during the second quarter of 2012 adding approximately \$70 million of revenue with the remainder attributed to increased drilling activity.

Operating profit was \$37 million for the year ended December 31, 2012, an increase of \$12 million (48.0%) compared to \$25 million for the year ended December 31, 2011. Operating profit percentage increased to 6.5%, from 6.0% in 2011. In 2012, synergies realized in the business, primarily facility consolidations, drove operating profit percentage gains.

### *Cost of products*

Cost of products was \$2,803 million for the year ended December 31, 2012 compared to \$1,283 million for the year ended December 31, 2011, an increase of \$1,520 million. The Wilson and CE Franklin acquisitions, in 2012, contributed approximately \$1,260 million of the increase, with the remaining increase due to greater sales in 2012. Cost of products includes the cost of inventory sold and related items, such as vendor consideration, inventory allowances and inbound and outbound freight.

### *Operating and warehousing costs*

Operating and warehousing costs were \$315 million for the year ended December 31, 2012 compared to \$157 million for the year ended December 31, 2011, an increase of 101%. The Wilson and CE Franklin acquisitions, in 2012, contributed approximately \$130 million. Operating and warehousing costs include branch location and distribution center expenses (including costs such as compensation, benefits and rent).

### *Selling, general and administrative expenses*

Selling, general and administrative expenses were \$128 million for the year ended December 31, 2012 compared to \$73 million for the year ended December 31, 2011. This increase was primarily attributed to the Wilson and CE Franklin acquisitions contributing approximately \$60 million of the increase. Selling, general and administrative expenses include regional and corporate expenses (including costs such as compensation, benefits and rent).

### *Other income (expense), net*

Other income (expense), net were expenses of \$3 million for the year ended December 31, 2012 compared to nil for the year ended December 31, 2011. This increase was primarily due to increased foreign exchange losses.

### *Provision for income taxes*

The effective tax rate for the year ended December 31, 2012 was 34.5% compared to 33.6% for 2011. Compared to the U.S. statutory rate, the effective tax rate was positively impacted in the period by the effect of lower tax rates on income earned in foreign jurisdictions. The effective tax rate was negatively impacted by foreign dividends net of foreign tax credits, nondeductible expenses, and state income tax.

## Pro Forma Results of Operations

The pro forma financial information is presented for informational purposes only to present the results of operations that would have been achieved if the acquisitions had taken place at the beginning of each of the periods presented. The information presented may not be indicative of future operations. The pro forma financial information for all periods presented includes the business combination accounting effect on historical Wilson and CE Franklin revenues, adjustments to depreciation on acquired property, amortization charges from acquired intangible assets and related tax effects. Pro forma revenue adjustments added \$1,199 million and \$2,619 million of revenue in 2012 and 2011, respectively. Pro forma operating profit adjustments added \$85 million (includes adding back \$30 million in post-acquisition transaction costs) and \$96 million in operating profit in 2012 and 2011, respectively. These amounts are estimates and may not reflect future operations of the acquired entities.

### Years Ended December 31, 2013 and December 31, 2012 — Pro Forma

The following table summarizes the Company's revenue and operating profit by operating segment in 2013 and 2012 (in millions):

	Years Ended December 31,		Variance	
	2013	2012	\$	%
<b>Revenue:</b>				
United States	\$ 2,863	\$ 3,109	\$(246)	(7.9%)
Canada	773	893	(120)	(13.4%)
International	660	611	49	8.0%
Total Revenue	<u>\$ 4,296</u>	<u>\$ 4,613</u>	<u>\$(317)</u>	<u>(6.9%)</u>
<b>Operating Profit:</b>				
United States	\$ 134	\$ 158	\$(24)	(15.2%)
Canada	47	60	(13)	(21.7%)
International	43	35	8	22.9%
Total Operating Profit	<u>\$ 224</u>	<u>\$ 253</u>	<u>\$(29)</u>	<u>(11.5%)</u>
<b>Operating Profit %:</b>				
United States	4.7%	5.1%		
Canada	6.1%	6.7%		
International	6.5%	5.7%		
Total Operating Profit %	<u>5.2%</u>	<u>5.5%</u>		

#### United States

Revenue was \$2,863 million for the year ended December 31, 2013, a decrease of \$246 million (7.9%) compared to the year ended December 31, 2012. The decrease was caused primarily by a slow-down in U.S. rig activity where the average rig count was down 8.2% from an average of 1,761 active rigs in 2013.

Operating profit was \$134 million for the year ended December 31, 2013, a decrease of \$24 million (15.2%) compared to the year ended December 31, 2012. Operating profit percentage decreased to 4.7%, from 5.1% in 2012. The decrease primarily resulted from the contraction in the U.S. market, resulting in competitive pricing pressure.

#### Canada

Revenue was \$773 million for the year ended December 31, 2013, a decrease of \$120 million (13.4%) compared to the year ended December 31, 2012. This was primarily caused by a contracting market.

Operating profit was \$47 million for the year ended December 31, 2013, a decrease of \$13 million (21.7%) compared to the year ended December 31, 2012. Operating profit percentage decreased to 6.1%, from 6.7% in 2012. The decline resulted from reduced volumes with competitive pricing pressure.

#### *International*

Revenue was \$660 million for the year ended December 31, 2013, increase of \$49 million (8.0%) compared to the year ended December 31, 2012. The increase was primarily due to strong growth in international drilling activity.

Operating profit was \$43 million for the year ended December 31, 2013, an increase of \$8 million (22.9%) compared to the year ended December 31, 2012. Operating profit percentage increased to 6.5%, from 5.7% in 2012. Increased volume and synergies realized in the business (facility consolidations) drove operating profit percentage gains.

### **Pro Forma Results of Operations**

#### *Years Ended December 31, 2012 and December 31, 2011 — Pro Forma*

The following table summarizes the Company's revenue and operating profit by operating segment in 2012 and 2011 (in millions):

	<b>Years Ended December 31,</b>		<b>Variance</b>	
	<b>2012</b>	<b>2011</b>	<b>\$</b>	<b>%</b>
<b>Revenue:</b>				
United States	\$ 3,109	\$ 2,888	\$221	7.7%
Canada	893	858	35	4.1%
International	611	514	97	18.9%
Total Revenue	<u>\$ 4,613</u>	<u>\$ 4,260</u>	<u>\$ 353</u>	<u>8.3%</u>
<b>Operating Profit:</b>				
United States	\$ 158	\$ 148	\$ 10	6.8%
Canada	60	48	12	25.0%
International	35	27	8	29.6%
Total Operating Profit	<u>\$ 253</u>	<u>\$ 223</u>	<u>\$ 30</u>	<u>13.5%</u>
<b>Operating Profit %:</b>				
United States	5.1%	5.1%		
Canada	6.7%	5.6%		
International	5.7%	5.3%		
Total Operating Profit %	<u>5.5%</u>	<u>5.2%</u>		

#### *United States*

Revenue was \$3,109 million for the year ended December 31, 2012, an increase of \$221 million (7.7%) compared to the year ended December 31, 2011. The growth in the United States segment during 2012 resulted primarily from increased shale play activities during 2012.

Operating profit was \$158 million for the year ended December 31, 2012, an increase of \$10 million (6.8%) compared to 2011. Operating profit percentage remained constant at 5.1%, from 2011 to 2012. Operating profit improved from 2011 due to increased volume as discussed above.

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*Canada*

Revenue was \$893 million for the year ended December 31, 2012, an increase of \$35 million (4.1%) compared to the year ended December 31, 2011. Advances in the Canada segment during 2012 resulted primarily from the execution of a large new customer contract.

Operating profit was \$60 million for the year ended December 31, 2012, an increase of \$12 million (25.0%) compared to 2011. Operating profit gains resulted from additional volumes at a more favorable mix.

*International*

Revenue was \$611 million for the year ended December 31, 2012, an increase of \$97 million (18.9%) compared to the year ended December 31, 2011. The growth in the International segment revenues during 2012 was driven by increased drilling activity.

Operating profit was \$35 million for the year ended December 31, 2012, an increase of \$8 million (29.6%) compared to 2011. This increase was primarily driven by increased volume at comparable operating profit percent.

### Non-GAAP Financial Measures and Reconciliations

In an effort to provide investors with additional information regarding our results as determined by GAAP, we disclose various non-GAAP financial measures. The primary non-GAAP financial measures we focus on are: (i) operating profit excluding other costs and (ii) operating profit percentage excluding other costs. Each of these financial measures excludes the impact of certain nonrecurring items and therefore has not been calculated in accordance with GAAP. A reconciliation of each of these non-GAAP financial measures to its most comparable GAAP financial measure is included below.

We use these non-GAAP financial measures internally to evaluate and manage the Company's operations because we believe it provides useful supplemental information regarding the Company's on-going economic performance. We have chosen to provide this information to investors to enable them to perform more meaningful comparisons of operating results and as a means to emphasize the results of on-going operations.

The following tables set forth the reconciliations of these non-GAAP financial measures to their most comparable GAAP financial measures (in millions):

	Years Ended December 31,		
	2013	2012	2011
<b>Reconciliation of operating profit:</b>			
GAAP operating profit	\$ 224	\$ 168	\$ 128
<b>Other costs:</b>			
United States	3	30	—
Canada	2	7	—
International	—	—	1
<b>Operating profit excluding other costs</b>	<b>\$ 229</b>	<b>\$ 205</b>	<b>\$ 129</b>

	Years Ended December 31,		
	2013	2012	2011
<b>Reconciliation of operating profit %:</b>			
GAAP operating profit %			
United States	4.7%	4.2%	8.0%
Canada	6.1%	6.3%	9.8%
International	6.5%	6.5%	6.0%
<b>Operating profit %</b>	<b>5.2%</b>	<b>4.9%</b>	<b>7.8%</b>
<b>Other costs %:</b>			
United States	0.1%	1.3%	0.0%
Canada	0.2%	1.1%	0.0%
International	0.0%	0.0%	0.2%
<b>Other costs %</b>	<b>0.1%</b>	<b>1.1%</b>	<b>0.1%</b>
<b>Operating profit excluding other costs %</b>			
United States	4.8%	5.5%	8.0%
Canada	6.3%	7.4%	9.8%
International	6.5%	6.5%	6.2%
<b>Operating profit excluding other costs %</b>	<b>5.3%</b>	<b>6.0%</b>	<b>7.9%</b>

Other costs primarily include the cost of inventory that was stepped up to fair value during purchase accounting related to the acquisitions of Wilson in May of 2012 and CE Franklin in July of 2012.

## Liquidity and Capital Resources

We assess liquidity in terms of our ability to generate cash to fund operating, investing and financing activities. We remain in a strong financial position, with resources available to reinvest in existing businesses, strategic acquisitions and capital expenditures to meet short- and long-term objectives. We believe that cash on hand, cash generated from expected results of operations and amounts available under our revolving credit facility will be sufficient to fund operations, anticipated working capital needs and other cash requirements such as capital expenditures. We estimate our capital expenditures in 2014 to be in the range of \$40 to \$50 million and are expected to be financed primarily by internally generated funds, cash on hand and proceeds from our credit facility.

As of December 31, 2013 and 2012, we had cash and cash equivalents of \$101 million and \$138 million, respectively. For both December 31, 2013 and 2012, \$86 million of our cash and cash equivalents was maintained in the accounts of our various foreign subsidiaries and, if such amounts were transferred among countries or repatriated to the U.S., such amounts may be subject to additional tax liabilities, which would be recognized in our financial statements in the period during which such decision was made. We currently have the intent and ability to permanently reinvest the cash held by our foreign subsidiaries and there are currently no plans for the repatriation of such amounts.

The following table summarizes our net cash flows provided by (used in) operating activities, net cash used in investing activities and net cash provided by (used in) financing activities for the periods presented (in millions):

	Years Ended December 31,		
	2013	2012	2011
Net cash provided by (used in) operating activities	\$ 317	\$ (12)	\$ (3)
Net cash used in investing activities	(54)	(1,127)	(34)
Net cash provided by (used in) financing activities	(299)	1,184	(38)

### *Fiscal year 2013 compared to fiscal year 2012*

Net cash provided by operating activities served as the primary source of liquidity. Net cash flows provided by operating activities in 2013 were \$317 million, up from \$12 million used in 2012. Net income increased to \$147 million in 2013 compared to \$108 million in 2012 primarily due to the full year impact from 2012 acquisitions. Net changes in operating assets and liabilities, net of acquisitions, provided \$138 million in 2013 compared to deficit of \$132 million in 2012. The improvement was primarily due to a \$23 million reduction in receivables as a result of improved collections and a decrease of \$158 million in inventory as management actively reduced inventory levels in line with lower market volumes. Adjustments to reconcile net income to net cash provided by operating activities was \$32 million in 2013 compared to \$12 million in 2012 driven by higher depreciation and amortization combined with a favorable change in deferred income taxes.

Net cash used in investing activities in 2013 was \$54 million compared to cash used in 2012 at \$1,127 million. Cash used in 2013 was mainly due to \$55 million of capital expenditures primarily related to warehouse and office facilities necessitated by consolidating facilities. Cash used in 2012 was mainly related to \$1,113 million in business acquisitions related to Wilson and CE Franklin.

Net cash used in financing activities for 2013 was \$299 million, compared to \$1,184 million provided by financing activities in 2012 associated with net contributions to the parent company.

### *Fiscal year 2012 compared to fiscal year 2011*

Net cash used in operating activities was \$12 million in 2012 compared to net cash used in operating activities of \$3 million in 2011. The 2012 results included net income of \$108 million compared to \$85 million in 2011 primarily due to higher revenues associated with the Wilson acquisition. Net changes in operating assets and liabilities, net of acquisitions, used \$132 million in 2012 compared to deficit of \$87 million in 2011 mainly due to a \$25 million growth in receivables as a result of higher revenues and an \$87 million increase in inventory

related to increased customers demand. Adjustments to reconcile net income to net cash provided by operating activities was \$12 million compared to a use of \$1 million in 2011 mainly due to higher depreciation and amortization partially offset by favorable change in deferred income taxes.

Net cash used in investing activities in 2012 was \$1,127 million, up \$1,093 million from 2011, driven by 2012 acquisition activity.

Net cash provided by financing activities for 2012 was \$1,184 million, compared to \$38 million used in financing activities in 2011 associated with net distributions from parent company.

#### **Other**

The effect of the change in exchange rates on cash flows was a decrease of \$1 million, an increase of \$2 million and an increase of \$3 million for the years ended December 31, 2013, 2012 and 2011, respectively.

We believe that cash on hand, cash generated from operations and amounts available under our credit facility and from other sources of debt will be sufficient to fund operations, working capital needs, capital expenditure requirements and financing obligations.

A summary of the Company's outstanding contractual obligations at December 31, 2013 is as follows (in millions):

	Payment Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Contractual Obligations:					
Operating leases	230	62	71	45	52
Total Contractual Obligations	<u>\$230</u>	<u>\$ 62</u>	<u>\$ 71</u>	<u>\$ 45</u>	<u>\$ 52</u>

#### **New Accounting Policies**

The adoption of certain new financial accounting pronouncements has not had, and is not expected to have, a material effect on our financial statements.



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## Critical Accounting Policies and Estimates

In preparing the financial statements, we make assumptions, estimates and judgments that affect the amounts reported. We periodically evaluate our estimates and judgments that are most critical in nature which are related to allowance for doubtful accounts; inventory reserves; goodwill; purchase price allocation of acquisitions; vendor consideration and income taxes. Our estimates are based on historical experience and on our future expectations that we believe are reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results are likely to differ from our current estimates and those differences may be material.

### *Allowance for Doubtful Accounts*

We grant credit to our customers, which operate primarily in the oil and gas industry. Concentrations of credit risk are limited because we have a large number of geographically diverse customers, thus spreading trade credit risk. We control credit risk through credit evaluations, credit limits and monitoring procedures. We perform periodic credit evaluations of our customers' financial condition and generally do 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. At December 31, 2013 and 2012, allowance for doubtful accounts totaled \$22 million and \$15 million, or 3.2% and 2.1% of gross accounts receivable, respectively.

Historically, the Company's charge-offs and provisions for the allowance for doubtful accounts have been immaterial to the Company's combined financial statements. However, changes in estimates could become material in future periods.

### *Inventory Reserves*

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 our historical usage of inventory on-hand as well as our future expectations. The Company's estimated carrying value of inventory therefore depends upon demand driven by oil and gas drilling and well remediation activity, which depends in turn upon oil and gas prices, the general outlook for economic growth worldwide, available financing for the Company's customers, political stability in major oil and gas producing areas, and the potential obsolescence of various types of products we stock, among other factors. At December 31, 2013 and 2012, inventory reserves totaled \$31 million and \$32 million, or 3.5% and 3.1% of gross inventory, respectively.

Changes in our estimates could be material under weaker market conditions or outlook.

### *Goodwill*

The Company has approximately \$333 million of goodwill as of December 31, 2013. Generally accepted accounting principles require the Company to test goodwill for impairment at least annually or more frequently whenever events or circumstances occur indicating that might be impaired. Events or circumstances which could indicate a potential impairment include, but not limited to: further sustained declines in worldwide rig counts below current analysts' forecasts, collapse of spot and futures prices for oil and gas, significant deterioration of external financing for our customers, higher risk premiums or higher cost of equity. The annual impairment test is performed during the fourth quarter of each year. Based on its analysis, the Company did not report any impairment of goodwill for the years ended December 31, 2013, 2012 and 2011.

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### *Purchase Price Allocation of Acquisitions*

The Company allocates the purchase price of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the amount allocated to the assets and liabilities, if any, is recorded as goodwill. The Company uses all available information to estimate fair values including quoted market prices, the carrying value of acquired assets, and widely accepted valuation techniques such as discounted cash flows. The Company engages third-party appraisal firms to assist in fair value determination of inventories, identifiable intangible assets, and any other significant assets or liabilities when appropriate. The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, could materially impact the Company's results of operations.

### *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 Company is a U.S. registered company and is subject to income taxes in the U.S. The Company operates through various subsidiaries in a number of countries throughout the world. Income taxes have been provided based upon the tax laws and rates of the countries in which the Company operates and income is earned.

The Company's annual tax provision is based on taxable income, statutory rates and tax planning opportunities available in the various jurisdictions in which it operates. The determination and evaluation of the annual tax provision and tax positions involves the interpretation of the tax laws in the various jurisdictions in which the Company operates. It requires significant judgment and the use of estimates and assumptions regarding significant future events such as the amount, timing and character of income, deductions and tax credits. Changes in tax laws, regulations, and treaties, foreign currency exchange restrictions or the Company's level of operations or profitability in each jurisdiction could impact the tax liability in any given year. The Company also operates in many jurisdictions where the tax laws relating to the pricing of transactions between related parties are open to interpretation, which could potentially result in aggressive tax authorities asserting additional tax liabilities with no offsetting tax recovery in other countries.

The Company maintains liabilities for estimated tax exposures in jurisdictions of operation. The annual tax provision includes the impact of income tax provisions and benefits for changes to liabilities that the Company considers appropriate, as well as related interest. Tax exposure items primarily include potential challenges to intercompany pricing and certain operating expenses that may not be deductible in foreign jurisdictions. These exposures are resolved primarily through the settlement of audits within these tax jurisdictions or by judicial means. The Company is subject to audits by federal, state and foreign jurisdictions which may result in proposed assessments. The Company believes that an appropriate liability has been established for estimated exposures under the guidance in ASC Topic 740 "Income Taxes". However, actual results may differ materially from these estimates. The Company reviews these liabilities quarterly and to the extent audits or other events result in an adjustment to the liability accrued for a prior year, the effect will be recognized in the period of the event.

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The Company has not provided for deferred taxes on the unremitted earnings of certain subsidiaries that are permanently reinvested. Should the Company make a distribution from the unremitted earnings of these subsidiaries, the Company may be required to record additional taxes. Unremitted earnings of these subsidiaries were \$87 million and \$97 million at December 31, 2013 and 2012, respectively. The Company makes a determination each period whether to permanently reinvest these earnings. If, as a result of these reassessments, the Company distributes these earnings in the future, additional tax liabilities would result, offset by any available foreign tax credits.

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## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Commodity Price Risk

The Company's business is sensitive to steel tubular prices, which can impact our product pricing. While we cannot predict steel prices, we manage this risk by managing our inventory levels, including maintaining sufficient quantity on hand to meet demand, while reducing the risk of overstocking.

### Foreign Currency Risk

The Company has operations in foreign countries. The net assets and liabilities of these operations are exposed to changes in foreign currency exchange rates, although such fluctuations generally do not affect income since their functional currency is typically the local currency. These operations also have net assets and liabilities not denominated in the functional currency, which exposes the Company to changes in foreign currency exchange rates that impact income. During the years ended December 31, 2013, 2012 and 2011, the Company reported foreign currency losses of \$2 million, \$3 million and nil, respectively. Gains and losses are primarily due to exchange rate fluctuations related to monetary asset balances denominated in currencies other than the functional currency and adjustments to hedged positions as a result of changes in foreign currency exchange rates. Strengthening of currencies against the U.S. dollar may create losses in future periods to the extent the Company maintains net assets and liabilities not denominated in the functional currency of the countries using the local currency as its functional currency.

Some of the Company's revenues in foreign countries are denominated in U.S. dollars, and therefore, changes in foreign currency exchange rates impact earnings to the extent that costs associated with those U.S. dollar revenues are denominated in the local currency. Similarly some of the Company's revenues are denominated in foreign currencies, but have associated U.S. dollar costs, which also give rise to foreign currency exchange rate exposure. In order to mitigate that risk, the Company may utilize foreign currency forward contracts to better match the currency of its revenues and associated costs.

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## CORPORATE GOVERNANCE AND MANAGEMENT

### Executive Officers Following the Distribution

The following table sets forth information as of May 1, 2014 regarding the individuals who are expected to serve as executive officers following the distribution. After the distribution, none of these individuals will continue to be employees of NOV.

Name	Position(s)	Age
Merrill A. Miller, Jr.	Executive Chairman	63
Robert R. Workman	President and Chief Executive Officer	45
Daniel L. Molinaro	Senior Vice President and Chief Financial Officer	67
Raymond W. Chang	Vice President and General Counsel	43
David A. Cherechinsky	Vice President, Corporate Controller and Chief Accounting Officer	50

There are no family relationships among any of the executive officers named above. Each executive officer of NOW Inc. will hold office from the date of election until a successor is elected.

**Mr. Miller** was elected Executive Chairman of NOW Inc. on February 20, 2014. Mr. Miller has been a Director of NOV since May 2001 and Chairman of the Board since July 22, 2005. He also served as Chairman of the Board from May 2002 through March 11, 2005. Mr. Miller has served as Executive Chairman of NOV since February 2014. He served as Chief Executive Officer from May 2001 until February 2014. He served as President from November 2000 until December 2012. He also served as NOV's Chief Operating Officer from November 2000 through March 11, 2005. He has served in various senior executive positions with National Oilwell since February 1996. Mr. Miller also serves as a director of Chesapeake Energy Corporation, a company engaged in the development, acquisition, production, exploration, and marketing of onshore oil and natural gas properties in the United States.

**Mr. Workman** was elected President and Chief Executive Officer of NOW Inc. on February 20, 2014. Mr. Workman has served as NOV's President—Distribution Services since January 2001. He previously served NOV starting in 1991 in various managerial positions with the distribution business group. He also previously served as the Chairman of the Petroleum Equipment Suppliers Association.

**Mr. Molinaro** was elected Senior Vice President and Chief Financial Officer of NOW Inc. on February 20, 2014. Mr. Molinaro has served as NOV's Vice President since 2003 and has served as NOV's Treasurer since 1987. Prior to that, he was Controller of the Oilwell Division of U.S. Steel Corporation ("USX"). He started with USX in 1968, and has held various managerial positions in auditing, accounting and finance.

**Mr. Chang** was elected Vice President and General Counsel of NOW Inc. on February 20, 2014. Mr. Chang has served as NOV's Vice President, Assistant General Counsel and Assistant Secretary since 2009. He previously served NOV starting in 2001 in various positions within its legal department. Prior to joining NOV, he was an associate at the law firm of Baker & McKenzie from 1997 until 2001.

**Mr. Cherechinsky** was elected Vice President, Corporate Controller and Chief Accounting Officer of NOW Inc. on February 20, 2014. Mr. Cherechinsky has served as Vice President—Finance for NOV's distribution business group since 2003, and as Vice President—Finance for NOV's Distribution & Transmission business segment since 2011. He previously served NOV starting in 1989 in various corporate roles, including internal auditor, credit management and business analyst.

### Board of Directors Following the Distribution

The following table sets forth information, as of May 1, 2014, regarding certain individuals who are expected to serve as members of our Board of Directors following the distribution. After the distribution, none of these

individuals will continue to be directors or employees of NOV. In each case, such appointments are expected to become effective on or prior to the distribution date.

<u>Name</u>	<u>Age</u>
Merrill A. Miller, Jr.	63
Robert R. Workman	45
Rodney W. Eads	63
J. Wayne Richards	54

Set forth below is biographical information about the expected directors identified above, as well as a description of the specific skills and qualifications such candidates are expected to provide to our Board of Directors.

**Mr. Miller** was elected Executive Chairman of NOW Inc. on February 20, 2014. Mr. Miller has been a Director of NOV since May 2001 and Chairman of the Board since July 22, 2005. He also served as Chairman of the Board from May 2002 through March 11, 2005. Mr. Miller has served as Executive Chairman of NOV since February 2014. He served as Chief Executive Officer from May 2001 until February 2014. He served as President from November 2000 until December 2012. He also served as NOV's Chief Operating Officer from November 2000 through March 11, 2005. He has served in various senior executive positions with National Oilwell since February 1996. Mr. Miller also serves as a director of Chesapeake Energy Corporation, a company engaged in the development, acquisition, production, exploration, and marketing of onshore oil and natural gas properties in the United States.

*Skills and Qualifications:* Mr. Miller has been an officer of a publicly traded company since 1996, occupying positions of increasing importance from business group president, to COO, to CEO. Mr. Miller has extensive experience with the distribution business and the oil service industry. Mr. Miller has an MBA degree, and is a graduate of the US Military Academy, West Point. Mr. Miller has also gained valuable outside board experience from his previous tenure as a director of Penn Virginia Corporation and his current tenure as a director of Chesapeake Energy Corporation.

**Mr. Workman** was elected President and Chief Executive Officer of NOW Inc. on February 20, 2014. Mr. Workman has served as NOV's President—Distribution Services since January 2001. He previously served NOV starting in 1991 in various managerial positions with the distribution business group. He also previously served as the Chairman of the Petroleum Equipment Suppliers Association.

*Skills and Qualifications:* Mr. Workman's 23-year career in the distribution business and, following the distribution, as President and CEO of NOW Inc., makes him uniquely and well qualified to serve as a director. Mr. Workman's extensive experience in the industry makes his service as a director invaluable to the company.

**Mr. Eads** currently serves as President of Eads Holdings, LLC, a wholly owned private investment firm. Mr. Eads previously served as Chief Operating Officer and Executive Vice President of Pride International Inc. from 2006 to 2009, where he was responsible for its worldwide offshore operations and South American and Eastern hemisphere land assets. He served as Senior Vice President of Worldwide Operations for Diamond Offshore Drilling Inc. from 1997 to 2006. From 1977 to 1997, he served in several engineering and operations management positions with Exxon Corporation, primarily in international assignments.

*Skills and Qualifications:* Mr. Eads' 40 years of experience in the energy business, with significant international experience and deep expertise in drilling, supply chain management and construction projects, together with his twelve years of experience as an executive officer of two public companies, makes him well qualified to serve as a director of the company.

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**Mr. Richards** has served as President and Chief Executive Officer of GR Energy Services, Inc., an oilfield products and services company focused primarily on onshore production and downhole completion services in North America, since 2013. Previously, he served as President and Chief Executive Officer of Global Oilfield Services, a privately held oilfield products and services company focused on the artificial lift sector, from 2008 to 2011, until it was purchased by Halliburton. Mr. Richards served as Vice President of Artificial Lift for Halliburton from 2011 to 2013. Earlier in his career, Mr. Richards spent 25 years in various senior operational and sales and marketing positions at Schlumberger.

*Skills and Qualifications:* Mr. Richards' 30 years of experience in the oilfield products and services industry, together with his experience growing energy companies organically and through acquisitions, makes him well qualified to serve as a director of the company.

### ***Qualification of Directors***

We expect our Board of Directors to consist of individuals with appropriate skills and experiences to meet board governance responsibilities and contribute effectively to our Company. Under its charter, the Nominating/Corporate Governance Committee will seek to ensure the Board of Directors reflects a range of talents, ages, skills, diversity and expertise, particularly in the areas of accounting and finance, management, domestic and international markets, governmental/regulatory, leadership and distribution-related industries, sufficient to provide sound and prudent guidance with respect to our operations and interests. Our Board of Directors will seek to maintain a diverse membership, but will not have a separate policy on diversity at the time of our separation from NOV.

### ***Composition of the Board of Directors***

We currently expect that, following the separation, our Board of Directors will consist of nine members, a majority of whom we expect to satisfy the independence standards established by the Sarbanes-Oxley Act of 2002 and the applicable rules of the SEC and the NYSE. We are in the process of identifying the individuals, in addition to the persons named above, who will be our directors following the distribution.

### ***Committees of the Board of Directors Following the Distribution***

Our Board of Directors will establish several standing committees in connection with the discharge of its responsibilities. Effective upon the distribution, our Board of Directors will have the following committees:

#### ***Audit Committee***

The principal functions of the Audit Committee will include:

- monitoring the integrity of the Company's financial statements, financial reporting processes, systems of internal controls regarding finance, and disclosure controls and procedures;
- selecting and appointing the Company's independent auditors, pre-approving all audit and non-audit services to be provided, consistent with all applicable laws, to the Company by the Company's independent auditors, and establishing the fees and other compensation to be paid to the independent auditors;
- monitoring the independence and performance of the Company's independent auditors and internal audit function;
- establishing procedures for the receipt, retention, response to and treatment of complaints, including confidential, anonymous submissions by the Company's employees, regarding accounting, internal controls, disclosure or auditing matters, and providing an avenue of communication among the independent auditors, management, the internal audit function and the Board of Directors;

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- preparing an audit committee report as required by the SEC to be included in the Company's annual proxy statement; and
  - monitoring the Company's compliance with legal and regulatory requirements.

The size and composition of the Audit Committee will meet the independence requirements set forth in the applicable listing standards of the SEC and the NYSE and the requirements set forth in the Audit Committee charter. At least one member of the Audit Committee will qualify as a financial expert within the meaning of applicable SEC rules. The initial members of the Audit Committee will be determined prior to the distribution.

A more detailed discussion of the committee's mission, composition and responsibilities is contained in the Audit Committee charter, which will be available on our website: [www.dnow.com](http://www.dnow.com).

### ***Compensation Committee***

The principal functions of the Compensation Committee will include:

- discharging the Board of Director's responsibilities relating to compensation of the Company's directors and executive officers;
- approving and evaluating all compensation of directors and executive officers, including salaries, bonuses, and compensation plans, policies and programs of the Company; and
- administering all plans of the Company under which shares of common stock may be acquired by directors or executive officers of the Company.

The Compensation Committee will meet the independence requirements set forth in the applicable listing standards of the SEC and the NYSE and the requirements set forth in the Compensation Committee charter. The initial members of the Compensation Committee will be determined prior to the distribution.

In carrying out its duties, the Compensation Committee will have direct access to outside advisers, independent compensation consultants and others for assistance.

A more detailed discussion of the committee's mission, composition and responsibilities is contained in the Compensation Committee charter, which will be available on our website: [www.dnow.com](http://www.dnow.com).

### ***Nominating/Corporate Governance Committee***

The principal functions of the Nominating/Corporate Governance Committee will include:

- ensuring that the Board of Directors and its committees are appropriately constituted so that the Board and directors may effectively meet their fiduciary obligations to stockholders and the Company;
- identifying individuals qualified to become Board members and recommending to the Board director nominees for each annual meeting of stockholders and candidates to fill vacancies in the Board of Directors;
- recommending to the Board of Directors annually the directors to be appointed to Board committees;
- monitoring, reviewing, and recommending, when necessary, any changes to the Corporate Governance Guidelines of the Company; and
- monitoring and evaluating annually the effectiveness of the Board of Directors and management of the Company, including their effectiveness in implementing the policies and principles of the Corporate Governance Guidelines of the Company.



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The Nominating/Corporate Governance Committee will meet the independence requirements set forth in the applicable listing standards of the SEC and the NYSE and requirements set forth in the Nominating/Corporate Governance Committee charter. The initial members of the Nominating/Corporate Governance Committee will be determined prior to the distribution.

A more detailed discussion of the committee's mission, composition and responsibilities is contained in the Nominating/Corporate Governance Committee charter, which will be available on our website: [www.dnow.com](http://www.dnow.com).

### **Selection of Nominees for Directors**

One of the principal functions of the Nominating/Corporate Governance Committee will be selecting and recommending director candidates to the Board of Directors to be submitted for election at the annual meeting of stockholders and to fill any vacancies on the Board of Directors. We expect that the Nominating/Corporate Governance Committee will identify, investigate and recommend director candidates to the Board of Directors with the goal of creating balance of knowledge, experience and diversity. Generally, the Nominating/Corporate Governance Committee is expected to identify candidates through business and organizational contacts of the directors and management. NOW Inc.'s bylaws to be in effect at the time of the distribution will address the process by which stockholders may nominate candidates for director election at a meeting of stockholders whether or not such nominee is submitted to and evaluated by the Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee will consider and evaluate director candidates recommended by stockholders on the same basis as candidates recommended by our directors, Chief Executive Officer, other executive officers, third-party search firms or other sources.

### **Decision-Making Process to Determine Director Compensation**

Director compensation will be reviewed annually by the Compensation Committee with the assistance of such third-party consultants as the committee deems advisable, and set by action of the NOW Inc. Board of Directors.

### **Board Risk Oversight**

While NOW Inc.'s management team will be responsible for the day-to-day management of risks to the Company, NOW Inc.'s Board of Directors will have broad oversight responsibility for our risk management programs following the separation from NOV. In this oversight role, our Board of Directors will be responsible for satisfying itself that the risk management processes designed and implemented by management are functioning as intended, and necessary steps are taken to foster a culture of risk-adjusted decision-making throughout the organization. In carrying out its oversight responsibility, the NOW Inc. Board of Directors is expected to delegate to individual Board committees certain elements of its oversight function. In this context, the Board of Directors is expected to delegate authority to the Audit Committee to facilitate coordination among the Board's committees with respect to oversight of our risk management programs. As part of this authority, the Audit Committee regularly will discuss NOW Inc.'s risk assessment and risk management policies to ensure that our risk management programs are functioning properly. Our Board of Directors will receive regular updates from its committees on individual areas of risk, such as updates on financial risks from the Audit Committee and compensation program risks from the Compensation Committee.

### **Communications with the Board of Directors**

Upon our separation from NOV, our Board of Directors will maintain a process for stockholders and interested parties to communicate with the NOW Inc. Board of Directors. Stockholders and interested parties may write or call our Board of Directors by contacting our Corporate Secretary as provided below:

- Mailing Address: Corporate Secretary, 7402 North Eldridge Parkway, Houston, Texas 77041
- Phone Number: (281) 823-4700

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Relevant communications will be distributed to the Board of Directors or to any individual director or directors, as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, certain items unrelated to the duties and responsibilities of the Board of Directors will be excluded, such as: business solicitations or advertisements; junk mail and mass mailings; new product suggestions; product complaints; product inquiries; resumes and other forms of job inquiries; spam; and surveys. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded. Any communication that is filtered out will be made available to any outside director upon request.

#### **Non-Employee Director Compensation**

The compensation program for our non-employee directors is described in “Non-Employee Director Compensation” included elsewhere in this information statement.

#### **Executive Compensation**

Our executive compensation programs are described in “Executive Compensation” and “Compensation Discussion and Analysis” included elsewhere in this information statement.

#### **Stock Ownership and Retention Guidelines for Directors and Officers**

Any guidelines we adopt imposing certain obligations on our directors and officers with respect to the ownership and retention of our common stock will be available on our website: [www.dnow.com](http://www.dnow.com).

#### **Compensation Committee Interlocks and Insider Participation**

During the fiscal year ended December 31, 2013, NOV’s distribution business was operated by NOV and its subsidiaries and not through an independent company and therefore did not have a compensation committee or any other committee serving a similar function. Decisions as to the compensation of those who will serve as NOV Inc.’s executive officers were made by NOV. See “Compensation Discussion and Analysis” included elsewhere in this information statement.

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## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

This Compensation Discussion and Analysis discusses the anticipated compensation structure for NOW Inc.'s named executive officers following the distribution, as well as NOV's 2013 historical compensation practices for its named executive officers. NOW Inc.'s anticipated compensation programs and policies remain subject to review and approval by the NOW Inc. Compensation Committee, which has not yet been constituted.

This Compensation Discussion and Analysis has three main parts:

- *NOW Inc. Compensation Programs*—This section discusses the anticipated executive compensation programs at NOW Inc.
- *Effects of the Separation on Outstanding Compensation Awards*—This section discusses the effect of the separation on outstanding compensation awards for our named executive officers.
- *NOV 2013 Executive Compensation*—This section describes and analyzes the executive compensation programs at NOV in 2013.

### NOW Inc. Compensation Programs

#### General

We expect our compensation program and policies to be similar to those employed at NOV immediately prior to the distribution. However, after the distribution, our Compensation Committee will review our compensation program and policies and make appropriate adjustments to reflect our business strategies and to ensure that we can effectively retain and motivate our employees.

#### NOW Inc. Long-Term Incentive Plan

In anticipation of the distribution, NOV, as our sole stockholder, and NOV's board of directors will approve the NOW Inc. Long-Term Incentive Plan (the "Plan"). The Plan is similar to NOV's Long-Term Incentive Plan.

The following is a summary of the material terms of the Plan. The summary does not purport to be complete and is subject to and qualified in its entirety by reference to the complete text of the Plan.

#### General Terms

The purpose of the Plan is to promote the long-term financial interests of the Company, including its growth and performance, by encouraging directors, officers and employees of the Company and its affiliates to acquire an ownership position in the Company, by enhancing the ability of the Company to attract and retain directors, officers and key employees of outstanding ability, and by providing directors, officers and key employees with an interest in the Company aligned with that of the Company's stockholders. It is not possible to determine at this time the number of shares of Company common stock covered by options or restricted stock awards that may be granted in the future under the Plan to any employee.

#### Administration

Generally, the Plan will be administered by the Compensation Committee, which will be composed of independent directors of the Company. The Board will administer the Plan as to awards to members of the Board.

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In addition, the Compensation Committee has the authority to delegate to one or more members of the Board or one or more officers of the Company the power to administer the plan as to employees, other than persons subject to Section 16 of the Act or Section 162(m) of the Code.

The Compensation Committee will have full authority, subject to the terms of the Plan, to establish rules and regulations for the proper administration of the Plan, to select the employees, consultants and directors to whom awards are granted, and to set the date of grant, the type of award that shall be made and the other terms of the awards.

#### **Eligibility**

All employees, consultants and directors of the Company and its affiliates are eligible to participate in the Plan. The selection of those employees, consultants and directors, from among those eligible, who will receive awards is within the discretion of the Compensation Committee.

#### **Term of the Plan**

The Plan will terminate in May 2024, after which time no additional awards may be made or options granted under the Plan.

#### **Number of Shares Subject to the Plan and Award Limits**

A total of 16,000,000 shares are available for issuance of awards under the Plan.

To the extent that an award terminates, expires, lapses, is settled in cash or repurchased for any reason, any shares subject to the award may be used again for new grants under the Plan. In addition, shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation may be used for grants under the Plan.

No participant may receive awards with respect to more than 1,000,000 shares in any calendar year; provided, however, to the extent the 1,000,000 share limit is not awarded to any participant with respect to any calendar year, the amount not so awarded but permitted for such participant shall be available for award to such participant during any subsequent calendar year. The limitation described in the preceding sentence may be adjusted upon a reorganization, stock split, recapitalization or other change in the Company's capital structure. The maximum amount of awards denominated in cash that may be granted to any participant during any calendar year may not exceed \$5,000,000.

#### **Types of Awards**

The Plan permits the granting of any or all of the following types of awards ("Awards"): (1) stock options, (2) restricted stock, (3) performance awards, (4) phantom shares, (5) stock appreciation rights, (6) stock payments, and (7) substitute awards.

#### ***Stock Options***

The term of each option will be as specified by the Compensation Committee at the date of grant (but not more than ten years). The effect of the termination of an optionee's employment, consulting relationship, or membership on the Board will be specified in the Award agreement that evidences each option grant. The Compensation Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an option may vest and be exercised. The period during which an option is exercisable shall be set forth in the Award agreement. No portion of an option which is unexercisable at termination of the participant's employment or service, as applicable, shall thereafter become exercisable, except as may be otherwise provided by the Compensation Committee either in the Award agreement or by action following the grant of the option.

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The option price will be determined by the Compensation Committee and will be no less than the fair market value of the shares on the date that the option is granted, except for adjustments for certain changes in the Company's common stock.

The Compensation Committee may determine the method by which the option price may be paid upon exercise, including in cash, check, other shares of Company common stock owned by the optionee for at least six months prior to exercise (unless waived by the Compensation Committee), shares issuable upon option exercise, other securities or property, a note, withholding of shares, or by a combination thereof. The Plan also allows the Compensation Committee, in its discretion, to establish procedures pursuant to which an optionee may affect a cashless broker exercise of an option. No participant who is a member of the board of directors or an executive officer shall be permitted to pay the exercise price or tax withholding obligation of an option or any other Award in any method that would violate Section 13(k) of the Act.

### ***Restricted Stock***

Awards may be granted in the form of restricted stock ("Restricted Stock Award"). Restricted Stock Awards may be awarded in such numbers and at such times as the Compensation Committee may determine. Restricted Stock Awards will be subject to certain terms, conditions or restrictions, including vesting terms that may be linked to performance criteria or other specified criteria including passage of time.

The Compensation Committee may, in its discretion, waive any restrictions on any outstanding Restricted Stock Award as of a date determined by the Compensation Committee, but the Compensation Committee may not in general take any action to waive restrictions on a Restricted Stock Award that has been granted to a covered employee (within the meaning of Section 162(m) of the Code) if such award has been designed to meet the exception for performance-based compensation under Section 162(m) of the Code.

### ***Performance Awards***

The Compensation Committee may, in its sole discretion, grant Performance Awards under the Plan that may be paid in cash, Company common stock, or a combination thereof as determined by the Compensation Committee. At the time of the grant, the Compensation Committee will establish the maximum dollar amount of each Performance Award, the performance goals which may be linked to performance criteria or other specified criteria, including passage of time, and the performance period over which the performance goals will be measured.

Following the end of the performance period, the Compensation Committee will determine and certify in writing the amount payable to the holder of the Performance Award based on the achievement of the performance goals for such performance period. Payment shall be made in cash and/or in shares of Company common stock, in a lump sum or in installments, following the close of the performance period or at such later deferral date elected by the participant, each as prescribed by the Compensation Committee.

### ***Phantom Shares***

Phantom Shares under the Plan are awards of, or rights to receive amounts equal to, a specified number of shares of Company common stock over or following a specific period of time. Such awards may be subject to fulfillment of conditions, which may be linked to performance criteria or other specified criteria, including the passage of time, if any, as the Compensation Committee may specify.

Payment of Phantom Shares may be made in cash, Company common stock, or a combination thereof and shall be paid in a lump sum or installments, following the close of the performance period or at such later deferral date elected by the participant each as prescribed by the Compensation Committee. Any payment to be made in cash will be based on the fair market value of the Company common stock on the payment date.

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## ***SARs***

The Compensation Committee may grant to employees, consultants and directors Stock Appreciation Rights (“SAR”), which consist of a right to receive amounts equal to the share appreciation in the Company’s common stock over a specified period of time. The payment may be made in shares of Company common stock, cash or both. A SAR may be granted (1) in connection and simultaneously with the grant of an option, (2) with respect to a previously granted option, or (3) independent of an option.

## ***Stock Payments***

Stock Payments may be awarded in such number of shares of Company common stock and may be based upon performance criteria or other specific criteria, if any, as determined appropriate by the Compensation Committee, determined on the date such Stock Payment is made or on any date thereafter. Stock Payments may be made as part of any bonus, deferred compensation or other arrangement, in lieu of all or any portion of such compensation.

## ***Substitute Awards***

The Compensation Committee may also grant to individuals who become employees, consultants or directors of the Company or its subsidiaries in connection with a merger or other corporate transaction awards under the Plan in substitution of an award such person may have held under his or her prior employer’s plan. It is expected that a substitute award will have substantially the same terms as the award it replaces.

## **Dividend Treatment for Performance Based Awards**

Distributions on shares of Company common stock underlying performance awards or awards with performance criteria, including dividends and dividend equivalents, will accrue and be held by the Company without interest until the award with respect to which the distribution was made becomes vested or is forfeited and then paid to the award recipient or forfeited, as the case may be.

## **Federal Income Tax Consequences**

The following is a brief summary of the U.S. federal income tax consequences of the grant, vesting and exercise of stock options under the Plan. This summary is not intended to be exhaustive, and, among other things, does not describe state, local or non-United States tax consequences, or the effect of gift, estate or inheritance taxes. References to the “Company” in this summary mean NOW Inc., or any affiliate of NOW Inc. that employs or receives the services of a recipient of an award under the Plan. Individuals receiving option awards under the Plan should rely upon their own tax advisors for advice concerning the specific tax consequences applicable to them, including the applicability and effect of state, local and foreign tax laws.

Options granted under the Plan may be either incentive stock options, which satisfy the requirements of Section 422 of the Code, or non-statutory stock options, which are not intended to meet such requirements. The federal income tax treatment for the two types of options differs, as described below.

## ***Incentive Stock Options***

An optionee will not recognize any taxable income at the time of the award of an incentive stock option. In addition, an optionee will not recognize any taxable income at the time of the exercise of an incentive stock option (although taxable income may arise at the time of exercise for alternative minimum tax purposes) if the optionee has been an employee of the Company at all times beginning with the option award date and ending three months before the date of exercise (or twelve months in the case of termination of employment due to disability). If the optionee has not been so employed during that time, the optionee will be taxed as described

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below for non-statutory stock options. If the optionee disposes of the shares purchased through the exercise of an incentive stock option more than two years after the option was granted and more than one year after the option was exercised, then the optionee will recognize any gain or loss upon disposition of those shares as capital gain or loss. However, if the optionee disposes of the shares prior to satisfying these holding periods (known as a “disqualifying disposition”), the optionee will be obligated to report as taxable ordinary income for the year in which that disposition occurs the excess, with certain adjustments, of (i) the fair market value of the shares disposed of on the date of exercise over (ii) the exercise price paid for those shares. Any additional gain realized by the optionee on the disqualifying disposition would be capital gain. If the total amount realized in a disqualifying disposition is less than the exercise price of the incentive stock option, the difference would be a capital loss for the optionee. The Company will generally be entitled at the time of the disqualifying disposition to a tax deduction equal to that amount of ordinary income reported by the optionee.

### ***Non-Statutory Options***

An optionee will not recognize any taxable income at the time of the award of a non-statutory option. The optionee will recognize ordinary income in the year in which the optionee exercises the option equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares, and the optionee will be required at that time to satisfy the tax withholding requirements applicable to such income. Any appreciation or depreciation in the fair market value of those shares after the exercise date will generally result in a capital gain or loss to the optionee at the time he or she disposes of those shares. The Company will generally be entitled to an income tax deduction at the time of exercise equal to the amount of ordinary income recognized by the optionee at that time.

### ***Deductibility of Executive Compensation***

Section 162(m) of the Code places a limit of \$1,000,000 on the amount of compensation that the Company may deduct in any taxable year with respect to each “covered employee” within the meaning of Section 162(m) of the Code. Compensation paid under certain qualified performance-based compensation arrangements, which (among other things) provide for compensation based on pre-established performance goals established by the

Compensation Committee, is not considered in determining whether a covered employee’s compensation exceeds \$1,000,000.

The Plan’s terms allow the Compensation Committee to designate that an award shall be subject to performance criteria that will permit the award to satisfy the requirements of Section 162(m) of the Code. For this purpose, the “performance criteria” shall include one or more of the following business criteria with respect to the Company, any subsidiary or any division, operating unit or product line: (1) net earnings (either before or after interest, taxes, depreciation and/or amortization), (2) sales, (3) revenue, (4) net income (either before or after taxes), (5) operating profit, (6) earnings, (7) cash flow (including, but not limited to, operating cash flow and free cash flow), (8) cash flow, (9) return on capital, (10) return on net assets, (11) return on stockholders’ equity, (12) return on assets, (13) return on capital, (14) stockholder returns, (15) return on sales, (16) gross or net profit margin, (17) customer or sales channel revenue or profitability, (18) productivity, (19) expense, (20) margins, (21) cost reductions, (22) controls or savings, (23) operating efficiency, (24) customer satisfaction, (25) corporate value measures (including, but not limited to, compliance, safety, environmental and personnel matters), (26) working capital, (27) strategic initiatives, (28) economic value added, (29) earnings per share, (30) earnings per share from operations, (31) price per share of stock, and (32) market share, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. The Compensation Committee will determine whether the foregoing criteria will be computed without recognition of (i) unusual or nonrecurring events affecting the Company or its financial statements or (ii) changes in applicable laws, regulations or accounting principles. Our stock option and performance-based restricted stock award grants are designed to be “performance-based compensation.”

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## Miscellaneous

The Compensation Committee may amend or modify the Plan at any time; provided, however, that stockholder approval will be obtained for any amendment (1) to the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule, (2) to increase the number of shares available, or (3) to permit the exercise price of any outstanding option or SAR be reduced or for an “underwater” option or SAR to be cancelled and replaced with a new Award or cash. The Company’s Corporate Governance Guidelines do not permit the repricing of options.

## Effects of Separation on Outstanding Compensation Awards

Following the distribution, each outstanding NOV stock option, restricted stock award and performance share award that is held by a continuing NOV employee or a continuing NOV non-employee director will continue as a NOV stock option, restricted stock award and performance share award, as applicable, each appropriately adjusted to generally preserve the intrinsic value of the original award. Each outstanding NOV stock option, restricted stock award and performance share award held by a NOV employee who will become a NOW Inc. employee after completion of the distribution (a “Transferred Employee”) will be converted into a similar NOW Inc. stock option, restricted stock award and performance share award, as applicable, each appropriately adjusted to generally preserve the intrinsic value of the original award; provided, however, that the number of shares to be awarded under each then outstanding NOW Inc. performance based restricted stock award and performance share award held by a Transferred Employee shall be set at the target level of the original NOV award, such target level to be adjusted in connection with the conversion, and shall be subject only to time-based vesting requiring continued employment through the end of the award’s original performance period. See also “Certain Relationships and Related-Party Transactions – Agreements Between Us and NOV – Employee Matters Agreement.”

## NOV 2013 Executive Compensation

### General Overview

NOV’s executive compensation program is administered by the Compensation Committee of NOV’s Board of Directors (the “NOV Compensation Committee”). The NOV Compensation Committee establishes specific compensation levels for NOV’s executive officers and administers NOV’s long-term incentive award plans. The NOV Compensation Committee’s objective regarding executive compensation is to design and implement a compensation program that will attract and retain the best available individuals to serve on NOV’s executive team and properly incentivize those executives to achieve NOV’s short-term and long-term financial and operational goals. To this end, the NOV Compensation Committee strives to provide compensation packages for key executives that generally offer compensation opportunities in the median range of oilfield service companies described below. Data sources reviewed by the NOV Compensation Committee and its independent compensation consultants include industry survey groups, national survey databases, proxy disclosures and general trend data, which are updated annually. The NOV Compensation Committee reviews all elements of executive compensation both separately and in the aggregate.

Major components of the executive compensation program for 2013 were base salary, participation in NOV’s annual cash incentive (bonus) plan and the grant of non-qualified stock options and performance share awards (long-term incentives).

NOV’s compensation program and policies include key features that are designed to align the interests of NOV’s executives and stockholders and to mitigate compensation-related risks:

- Stock ownership guidelines for executives and directors;
- Annual cash incentive and long-term incentive compensation subject to clawback policy;
- No significant compensation in the form of perquisites;



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- Bonus payments to executives under the annual cash incentive program are capped at a certain percentage of the executive's base salary; and
  - Long-term incentives linked to stock price appreciation and company performance.

### **Compensation Philosophy**

NOV believes it is important for each executive to have a fixed amount of cash compensation, in the form of base salary, that is not dependent on the performance or results of NOV. NOV recognizes that a certain amount of financial certainty must be provided to its executives as part of their compensation.

While NOV believes a competitive base salary is needed to attract and retain talented executives, NOV's compensation program also places a strong emphasis on performance driven annual and long-term incentives to align the executive's interests with stockholder value. The annual and long-term incentives are calculated and paid based primarily on financial measures of profitability and stockholder value creation. Executives of NOV are incentivized to increase NOV's profitability and stockholder return in order to earn a major portion of their compensation package.

NOV seeks to structure a balance between achieving strong short-term annual results and ensuring NOV's long-term success and viability. NOV wants each of its executives to balance his or her focus between NOV's day-to-day operational performance and NOV's long-term goals and strategies. To reinforce the importance of balancing these perspectives, NOV's executives are provided both short and long-term incentives.

Base salary is designed to compensate the executive for his or her performance of normal, everyday job functions. NOV's annual cash incentive (bonus) plan and long-term incentives are designed to reward the executive for executing business plans that will benefit NOV in the short and long-term. NOV believes that the mix of short and long-term incentives allows NOV to deliver results aligned with the interests of stockholders. Stock options create a focus on share price appreciation, while the annual cash incentive (bonus) and performance share awards emphasize financial performance, both absolute and relative.

Given the inherent nature of these forms of compensation and the cyclical nature of the industry in which NOV operates, NOV understands that its annual cash incentives and long-term compensation will result in varying compensation for its executives each year. Because of this, NOV has tried to design its annual cash incentives and long-term compensation program in such a way to provide meaningful financial rewards to its executives during times when NOV's financial and operational performance is strong, while motivating executives to stay with NOV during more challenging economic times when NOV's performance may not be as strong.

There are no compensation policy differences among the individual executives, except that the more senior officers, such as the chief executive officer, receive higher compensation consistent with their increased responsibilities. These differences are reviewed and considered in connection with the compensation analysis performed by the NOV Compensation Committee.

### **Competitive Positioning**

Because of these goals and objectives for executive compensation, NOV believes each element of compensation should be properly designed, as well as competitive with the marketplace, to incentivize its executives in the manner stated above.

As part of its process to establish compensation levels for NOV's named executive officers, the NOV Compensation Committee compares each of the major elements of compensation (base salary, annual bonus and long-term incentives) for each of its named executive officers against the median compensation provided to comparable executive officers at companies in a designated peer group. When analyzing peer group data, the

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NOV Compensation Committee does not establish a specific numeric range around the median data points, which it considers reasonable or acceptable. Rather, in setting compensation for any particular named executive officer, the NOV Compensation Committee considers any variance from the median, taking into account other factors as discussed below, and determines whether such variance is appropriate. If the NOV Compensation Committee determines that any variance is unwarranted, the NOV Compensation Committee will make appropriate adjustments to the compensation levels.

NOV's peer group is as follows:

Anadarko Petroleum Corporation	Apache Corporation	Baker Hughes, Inc.
Cameron International Corporation	Cummins Inc.	Danaher Corporation
Devon Energy Corporation	Dresser-Rand Group, Inc.	FMC Technologies Inc.
Halliburton Co.	Illinois Tool Works Inc.	Schlumberger Ltd.
Transocean Ltd.	Weatherford International Ltd.	The Williams Companies, Inc.

The NOV Compensation Committee engaged Frederic Cook & Co. ("Frederic Cook") to conduct its annual competitive review of executive compensation for NOV's top five executives relative to its peer companies in November 2013, as well as to analyze internal pay equity and share usage and dilution, based on the previously approved peer group by the NOV Compensation Committee. Frederic Cook analyzed and compared each position's responsibilities and job title to develop competitive market data based on data from proxy statements. Frederic Cook's proxy analysis focused on the top five executives. Its executive compensation review covered the following elements of compensation: base salaries, annual bonuses, and equity compensation. Frederic Cook generated data on the components of NOV's compensation program compared to the market 25<sup>th</sup> percentile, market 50<sup>th</sup> percentile, and market 75<sup>th</sup> percentile of the designated peer group.

The long term equity incentives for NOV's named executive officers were closely aligned with the peer median for all positions. The pay mix (both target total direct compensation and long term incentives mix) was more performance-oriented than NOV's peers on average.

NOV's share overhang from outstanding equity grants is near the median, and total overhang, which includes shares for future grants, is between the 25th percentile and the median. NOV's three-year average annual share usage from 2010 to 2012 and 2011 to 2013 is slightly above median, and NOV's three-year average fair value transfer is generally near the 25th percentile of the peers from 2010 to 2012 and 2011 to 2013 relative to both market capitalization and revenue.

### **Components of Compensation**

The following describes the elements of NOV's compensation program for 2013, why they were selected, and how the amounts of each element were determined.

#### *Base Salary*

Base salaries provide executives with a fixed level of monthly cash income. While the NOV Compensation Committee is aware of competitive levels, actual salary levels are based on factors including tenure, individual performance and level and scope of responsibility. NOV does not give specific weights to these factors. The NOV Compensation Committee determines median base salary levels by having Frederic Cook conduct a comprehensive review of information provided in proxy statements filed by NOV's peer companies. Generally, each executive is reviewed by the NOV Compensation Committee individually on an annual basis. Salary adjustments are based on the individual's experience and background, the individual's performance during the prior year, the general movement of salaries in the marketplace, NOV's financial position and, for each executive other than the chief executive officer, the recommendations of NOV's chief executive officer. The NOV Compensation Committee does not establish specific, individual goals for NOV's named executive officers,

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other than the chief executive officer. The NOV Compensation Committee's analysis of the individual performance of any particular named executive officer is subjective in nature and takes into account the recommendations of the chief executive officer (other than with respect to him). As a result of these factors, an executive's base salary may be above or below the targeted median at any point in time.

#### *Annual Incentive Award*

The objectives of NOV's annual cash incentive plan are to incent performance to achieve NOV's corporate growth and profitability goals, encourage smart investments and prudent employment of capital, and provide competitive compensation packages to attract and retain management talent.

Substantially all exempt employees, including executive officers, participated in NOV's annual incentive plan in 2013, aligning a portion of each employee's cash compensation with company performance against a predetermined operating profit target. As in prior years, the incentive plan provided for cash awards if objectives related to NOV's achievement of a certain specified operating profit target based on NOV's financial plan were met. NOV's annual financial plan, including NOV's target operating profit level, is established through a comprehensive budget and financial planning process, which includes a detailed analysis of NOV's market outlook and available strategic alternatives, and is approved by the Board each year.

The designated performance objective under the 2013 incentive plan is NOV's operating profit. Each participant is assigned a target level percentage bonus, which ranges from 5% to 150% of salary, depending on the level of the participant. There are three multiplier levels of the target level percentage bonus set under the incentive plan using this single performance metric – minimum (10%), target (100%) and maximum (200%). Based on NOV's annual financial plan, each level is assigned a specified operating profit net of the bonus expense. Entry level is the "minimum" level of operating profit for which NOV provides an annual incentive payout. If NOV's operating profit is less than the entry level threshold, then there is no payout in that fiscal year. If NOV achieves the entry level threshold, the "minimum" level payout of 10% of the target level percentage bonus is earned. The target multiplier level (100% of the participant's applicable percentage of base salary) is earned when the target operating profit is reached by NOV. For the "maximum" level multiplier of 200% of the target level percentage bonus to occur, NOV's operating profit must equal or exceed the maximum operating profit goal that was set for the incentive plan. Results falling between the stated thresholds of minimum, target and maximum will result in an interpolated, or sliding scale payout.

The NOV Compensation Committee believes the use of operating profit as the designated performance objective under the annual incentive plan best aligns the interests of NOV's stockholders and NOV's executive officers. The "target" objective is set at the target operating profit level provided under NOV's annual financial plan approved by the Board. The "target" objective is set at a level that NOV believes is challenging to meet but achievable if NOV properly executes its operational plan and market conditions are as forecasted by NOV at the beginning of the year. The "minimum" and "maximum" level of operating profit under the incentive plan are set based off of the "target" objective, so that the "minimum" objective is 80% of the "target" objective and the "maximum" objective is 110% of the "target" objective. The NOV Compensation Committee believes this objective, formulaic measure allows the "minimum" objective to be set at a level that NOV can achieve even if forecasted market conditions are not as favorable as anticipated and/or NOV's operational plan is not executed as efficiently as planned. The "minimum" objective serves to motivate NOV's executives to continue to work towards executing NOV's operational plan if market conditions, which are generally outside the control of NOV, are not as favorable as forecasted. The NOV Compensation Committee believes this objective, formulaic measure allows the "maximum" objective to be set at a level that would be very challenging for NOV to achieve. The NOV Compensation Committee believes that, for the "maximum" objective to be achieved, a combination of market conditions being more favorable than initially forecasted and NOV executing its operational plan in a highly efficient manner would need to occur.

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All participants in the incentive plan have a minimum of 25% of their bonus awards tied to NOV's consolidated corporate operating profit, while senior executives, including business unit heads, have a minimum of 50% of their bonus awards tied to NOV's consolidated corporate operating profit, with the remainder of their bonus awards, if applicable, tied to their business unit performance. 100% of each named executive officer's annual bonus award is tied to the operating profit of NOV. Participant award opportunities will vary depending upon individual levels of participation in the incentive plan (participation level). NOV designed the incentive plan with the idea that a portion of each executive's cash compensation should be tied to the financial and operating performance of NOV.

Payouts are calculated by multiplying (A) the performance result multiplier which can be anywhere from 10% (minimum) to 100% (target) to 200% (maximum), depending on operating profit performance by (B) the participant's base salary by (C) the participant's designated target percentage of base salary (participation level).

NOV's annual incentive plan is designed to reward its executives in line with the financial performance of NOV on an annual basis. When NOV is achieving strong financial results, its executives will be rewarded well through its annual incentive plan. NOV believes this structure helps keep the executives properly motivated to continue helping NOV achieve these strong results. While the executives' financial benefit is reduced during times when NOV's performance is not as strong, other forms of NOV's compensation program, namely its long-term incentive compensation as well as base salary, help motivate its executives to remain with NOV to help it achieve strong financial and operational results, thereby benefiting the executive, NOV and its stockholders.

#### *Long-Term Incentive Compensation*

The primary purpose of NOV's long-term incentive compensation is to focus its executive officers on a longer-term perspective in their managerial responsibilities. This component of an executive officer's compensation directly links the officers' interests with those of NOV's stockholders. In addition, long-term incentives encourage management to focus on NOV's long-term development and prosperity in addition to annual operating profits. This program helps balance long-term versus short-term business objectives, reinforcing that one should not be achieved at the expense of the other. NOV's Corporate Governance Guidelines encourage its directors and executive officers to own shares of NOV's stock and increase their ownership of those shares over time. The NOV Board has adopted stock ownership guidelines for NOV's directors and adopted stock ownership guidelines for its senior executives (see "Stock Ownership Guidelines for NOV Executives" below for further information).

NOV's long-term incentive compensation granted in 2013 to its named executive officers consisted of stock options and, new for 2013, performance share awards.

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 executive'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 NOV's common stock over the grant price. Accordingly, stock options have value only if NOV'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 NOV. 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.

In March 2013, the NOV Compensation Committee implemented a new performance share award structure to provide for long-term incentives more comparable to those awards used by NOV's peers, as well as to improve certain features in the past design of the performance awards for NOV's executive officers, such as:

- Making award payouts based on two measures instead of one measure;
- Avoiding challenges with using a small comparator group in determining whether an award should vest (limited number of companies, some of which are considerably smaller in size than NOV); and

- Eliminating an earn-out structure that reflects an “all or nothing” approach with no ability to provide limited payouts for a threshold amount of performance and above-target payouts for superior performance.

NOV grants stock options and performance share awards to NOV’s key executives based on competitive grants within the industry and based on the level of long-term incentives appropriate for the competitive long-term compensation component of total compensation. Such executives are eligible to receive stock options and performance share awards annually with other key managers being eligible on a discretionary basis. Eligibility for an award does not ensure receipt of an award. Option grants and performance share award grants must be reviewed and approved by the NOV Compensation Committee.

Options are granted with an exercise price per share equal to the fair market value of NOV’s common stock on the date of grant and generally vest in equal annual installments over a three-year period, and have a ten-year term subject to earlier termination.

The performance share awards can be earned by the executives only by performance against established goals and vest three years from the grant date. The performance share awards are divided into two equal, independent parts that are subject to two separate performance metrics: 50% with a TSR (total shareholder return) goal and 50% with an internal ROC goal (return on capital).

Performance against the TSR goal is determined by comparing the performance of NOV’s TSR with the TSR performance of the members of the OSX index for the three year performance period of the performance share awards. The NOV Compensation Committee believes that the members of the OSX index are an appropriate benchmark against which to compare NOV’s TSR performance. The following table summarizes the relationship between NOV’s TSR performance when compared with the TSR performance of the members of the OSX index and the associated payout levels for the performance achieved for the TSR portion of the award:

<u>Level</u>	<u>Payout%</u>	<u>Percentile Rank vs. OSX Comparator Group</u>
Maximum	200%	200% earned when NOV is at the 75 <sup>th</sup> percentile or greater
Target	100%	100% earned when NOV is at the 50 <sup>th</sup> percentile
Minimum	50%	50% earned when NOV is at the 25 <sup>th</sup> percentile
No Payout	0%	0% earned when NOV is below the 25 <sup>th</sup> percentile

Results falling between the stated thresholds of minimum, target and maximum will result in an interpolated, or sliding scale payout.

Performance against the ROC goal is determined by comparing the performance of NOV’s actual ROC performance average for each of the three years of the performance period against the ROC goal set by the NOV Compensation Committee. The following table summarizes the payout levels on the ROC portion of the award based on NOV’s ROC performance against the ROC goal:

<u>Level</u>	<u>Payout%</u>	<u>Actual ROC Performance</u>
Maximum	200%	200% earned when ROC achievement is 18.15% or higher
Target	100%	100% earned when ROC achievement is 16.5%
Minimum	50%	50% earned when ROC achievement is 13.2%
No Payout	0%	0% earned when ROC achievement is less than 13.2%

Results falling between the stated thresholds of minimum, target and maximum will result in an interpolated, or sliding scale payout.

NOV recognizes that its stock price fluctuates over time, and in certain cases quite significantly. As stock option grants have historically been granted on an annual basis during the first quarter of the calendar year, executives

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who have been employed with NOV for some time have received grants with varying exercise prices. The 10 year term of the options also helps reward its executives who remain with NOV, as it provides the executives time, so long as they continue employment with NOV, to realize financial benefits from their option grants after vesting.

The addition of performance share award grants to its executives helps reduce NOV's long-term incentive compensation reliance on stock price movements and allows for focus on key operational measures. The performance share awards also link NOV's performance to key financial metrics that over the long-term should result in shareholder value creation.

NOV believes that its equity incentive grants must be sufficient in size and duration to provide a long-term performance and retention incentive for executives and to increase their interest in the appreciation of NOV's stock and achievement of positive financial results relative to its peers. NOV believes that stock option and performance share award grants at a competitive level, with certain vesting requirements, are an effective way of promoting the long-term nature of its business.

### **Retirement, Health and Welfare Benefits**

NOV offers retirement, health and welfare programs to all eligible employees. NOV's executive officers generally are eligible for the same benefit programs on the same basis as the rest of NOV's employees. The health and welfare programs cover medical, pharmacy, dental, vision, life, accidental death and dismemberment and disability insurance.

NOV offers retirement programs that are intended to supplement the employee's personal savings. The programs include the National Oilwell Varco, Inc. 401(k) and Retirement Savings Plan ("NOV 401k Plan") and National Oilwell Varco, Inc. Supplemental Savings Plan ("NOV Supplemental Plan"). NOV's U.S. employees, including its executives, are generally eligible to participate in the NOV 401k Plan. Employees of NOV whose base salary meets or exceeds a certain dollar threshold established by NOV's benefits plan administrative committee are generally eligible to participate in the Supplemental Plan. Participation in the NOV 401k Plan and NOV Supplemental Plan are voluntary.

NOV established the NOV 401k Plan to allow employees to save for retirement through a tax-advantaged combination of employee and company contributions and to provide employees the opportunity to directly manage their retirement plan assets through a variety of investment options. The NOV 401k Plan allows eligible employees to elect to contribute a portion of their eligible compensation into the NOV 401k Plan. Wages and salaries from NOV are generally considered eligible compensation. After one year of service, employee contributions are matched in cash by NOV at the rate of \$1.00 per \$1.00 employee contribution for the first 4% of the employee's salary. In addition, NOV makes cash contributions for all eligible employees between 2.5% and 5.5% of their salary depending on the employee's full years of service with NOV. Such contributions vest immediately. The NOV 401k Plan offers 25 different investment options, for which the participant has sole discretion in determining how both the employer and employee contributions are invested. The NOV 401k Plan provides NOV's employees the option to invest directly in NOV's stock. The NOV 401k Plan offers in-service withdrawals, loans and hardship distributions.

NOV established the NOV Supplemental Plan, a non-qualified plan, to

- allow NOV Supplemental Plan participants to continue saving towards retirement when, due to compensation and contribution ceilings established under the Internal Revenue Code, they can no longer contribute to the NOV 401k Plan; and
- provide company contributions that cannot be contributed to the NOV 401k Plan due to compensation and contribution ceilings established under the Internal Revenue Code.

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Compensation which may be deferred into the NOV Supplemental Plan includes wages and salaries from NOV and bonus payments made under NOV's annual incentive plan. NOV Supplemental Plan participants may elect to defer a percentage of their base pay and bonus payments received under NOV's incentive plan into the NOV Supplemental Plan. Contributions in the NOV Supplemental Plan vest immediately. The investment options offered in the NOV Supplemental Plan are similar to the investment options offered in the NOV 401k Plan.

#### **U.S. Income Tax Limits on Deductibility**

Section 162(m) of the Internal Revenue Code imposes a \$1 million limitation on the deductibility of certain compensation paid to NOV's chief executive officer and the next four highest paid NOV executives excluding the chief financial officer ("covered employees"). Excluded from the limitation is compensation that is qualified as "performance based." For compensation to be performance based, it must meet certain criteria, including being based on predetermined objective standards approved by stockholders. Although the NOV Compensation Committee takes the requirements of Section 162(m) into account in designing executive compensation, there may be circumstances when it is appropriate to pay compensation to NOV's covered employees that does not qualify as "performance based compensation" and thus is not deductible by us for federal income tax purposes. NOV's stock option and performance-based restricted stock award grants are designed to be "performance based compensation." Bonus payments to NOV's executives under NOV's Annual Incentive Plan should also qualify as performance based and therefore be excluded from this limitation.

#### **Option Grant Practices**

Historically, NOV has granted stock options to its key employees, including executives, in the first quarter of the year. NOV does not have any program, plan or practice to time its option grants to its executives in coordination with the release of material non-public information, and has not timed its release of material non-public information for the purposes of affecting the value of executive compensation. NOV does not set the grant date of its stock option grants to new executives in coordination with the release of material non-public information.

The NOV Compensation Committee has the responsibility of approving any NOV stock option grants. The NOV Compensation Committee does not delegate material aspects of long-term incentive plan administration to any other person. NOV's senior executives in coordination with the NOV Compensation Committee set a time for the Committee to meet during the first quarter of the year to review and approve stock option grants proposed by the senior executives. The specific timing of the meeting during the quarter is dependent on committee member schedules and availability and NOV finalizing its stock option grant proposal. If approved by the NOV Compensation Committee, the grant date for the stock option grants is the date the Committee meets and approves the grant, with the exercise price for the option grant being based on NOV's closing stock price on the date of grant.

#### **Recoupment Policy**

On February 15, 2013, the NOV Compensation Committee approved an amendment to NOV's Long-Term Incentive Plan to allow the NOV Compensation Committee, at its sole discretion, to terminate any award of stock options and/or restricted stock if it determines that the recipient of such award has engaged in material misconduct. For purposes of this provision, material misconduct includes conduct adversely affecting NOV's financial condition or results of operations, or conduct which constitutes fraud or theft of Company assets, any of which require NOV to make a restatement of its reported financial statements. If any material misconduct results in any error in financial information used in the determination of compensation paid to the recipient of any equity award and the effect of such error is to increase the payment amount pursuant to such award, the NOV Compensation Committee may also require the recipient to reimburse NOV for all or a portion of such increase in compensation provided in connection with any such award. In addition, if there is a material restatement of NOV's financial statements that affects the financial information used to determine the compensation paid to the recipient of an award, then the NOV Compensation Committee may take whatever action it deems appropriate to adjust such compensation.

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On such date, the NOV Compensation Committee also approved a similar clawback type provision be added to NOV's Annual Incentive Plan.

**Stock Ownership Guidelines for NOV Executives**

NOV adopted stock ownership guidelines for its executive officers in February 2013. NOV's stock ownership guidelines for its executive officers are intended to align the interests of NOV's executive officers and NOV's stockholders by requiring NOV executives to accumulate and retain a meaningful level of NOV's stock. Under NOV's guidelines, the executive NOV officers must comply with the following ownership requirements:

<u>Title</u>	<u>Multiple of Base Salary</u>
Chairman & CEO	6X
President & COO	3X
Other executive officers	2X

NOV's executive officers must attain the applicable stock ownership level within five years after first becoming subject to the guidelines. The following shares of NOV any stock count towards compliance with the guidelines: shares owned by the executive; shares owned jointly by the executive and his or her spouse; shares held in a trust established by the executive for the benefit of the executive and his or her family members; shares equal to the number of vested deferred stock units credited to the executive; shares equal to the in-the-money portion of any vested, unexercised options; unvested shares of time-based restricted stock or restricted stock units; and shares credited to the executive's NOV 401(k) plan account. Unvested and unearned performance shares or units and unvested stock options do not count towards compliance guidelines. All of NOV's named executive officers are currently in compliance with NOV's stock ownership guidelines.



## EXECUTIVE COMPENSATION

The following table sets forth for the year ended December 31, 2013 the compensation paid by NOV to the persons who we expect will be our “named executive officers” on the distribution date.

### Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Bonus \$(1) (d)	Stock Awards \$(2) (e)	Option Awards \$(3) (f)	Non-Equity Incentive Plan Compensation (\$) (g)	Change in Pension Value and Nonqual- ified Deferred Compen- sation Earnings (\$) (h)	All Other Compen- sation \$(4) (i)	Total (\$) (j)
Merrill A. Miller, Jr. <i>Executive Chairman</i>	2013	\$975,000	—	\$5,167,465	\$4,711,550	\$1,384,366	—	\$49,200	\$12,287,581
	2012	\$975,000	\$355,000	\$3,806,100	\$3,886,295	\$1,065,405	—	\$48,981	\$10,136,781
	2011	\$975,000	—	\$3,271,800	\$3,282,470	\$2,280,000	—	\$47,800	\$9,832,070
Robert R. Workman <i>President &amp; Chief Executive Officer</i>	2013	\$500,000	—	\$901,290	\$771,514	\$239,359	—	\$22,500	\$2,434,663
	2012	\$500,000	—	\$854,258	\$870,351	\$750,000	—	\$22,422	\$2,997,031
	2011	\$410,000	—	\$718,200	\$718,595	\$615,000	—	\$18,450	\$2,480,245
Daniel L. Molinaro <i>Senior VP &amp; Chief Financial Officer</i>	2013	\$295,000	—	\$152,526	\$305,555	\$167,544	—	\$28,026	\$948,651
	2012	\$295,000	—	\$169,160	\$344,539	\$214,902	—	\$27,979	\$1,051,580
	2011	\$270,000	—	\$115,710	\$347,321	\$324,000	—	\$26,650	\$1,083,681
Raymond W. Chang <i>VP and General Counsel</i>	2013	\$200,000	—	\$53,384	\$106,936	\$94,658	—	\$14,077	\$469,055
	2012	\$200,000	—	\$59,206	\$120,589	\$121,414	—	\$13,898	\$515,107
	2011	\$180,000	—	\$47,880	\$143,719	\$180,000	—	\$12,946	\$564,545
David A. Cherechinsky <i>VP, Corporate Controller &amp; Chief Accounting Officer</i>	2013	\$220,000	—	\$53,384	\$106,936	\$46,674	—	\$18,244	\$445,238
	2012	\$200,090	—	\$59,206	\$120,589	\$200,090	—	\$16,392	\$596,367
	2011	\$200,090	—	\$47,880	\$143,719	\$200,090	—	\$15,767	\$607,546

- (1) Reflects a discretionary bonus payout.
- (2) The amounts reported in this column represent the aggregate grant date fair value of stock awards granted in the relevant year compiled in accordance with FASB Topic 718, excluding forfeiture estimates. Refer to NOV’s 2013 Annual Report, Financial Report to Stockholders for all relevant valuation assumptions used to determine the grant date fair value of the stock awards included in this column.
- (3) The amounts reported in this column represent the aggregate grant date fair value of option awards granted in the relevant year compiled in accordance with FASB Topic 718, excluding forfeiture estimates. Refer to

NOV's 2013 Annual Report, Financial Report to Stockholders for all relevant valuation assumptions used to determine the grant date fair value of option awards included in this column.

- (4) The amounts include:
- (a) NOV's cash contributions for 2013 under the NOV 401(k) and Retirement Savings Plan, a defined contribution plan, on behalf of Mr. Miller - \$20,400; Mr. Workman - \$11,475; Mr. Molinaro - \$23,261; Mr. Chang - \$14,077; and Mr. Cherechinsky - \$16,769.
  - (b) NOV's cash contributions for 2013 under the NOV Supplemental Savings Plan, a defined contribution plan, on behalf of Mr. Miller - \$28,800; Mr. Workman - \$11,025; Mr. Molinaro - \$4,765; Mr. Chang - \$0; and Mr. Cherechinsky - \$1,475.

### Grants of Plan Based Awards

The following table provides information concerning stock options, restricted stock awards and performance share awards granted to our expected named executive officers during the fiscal year ended December 31, 2013. NOV has granted no stock appreciation rights.

#### Grants of Plan-Based Awards

Name (a)	Grant Date (b)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)(3) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards (\$/Sh) (k)	Grant Date Fair Value of Stock and Option Awards (l)
		Threshold (\$)(1) (c)	Target (\$)(1) (d)	Maximum (\$)(1) (e)	Threshold (#)(2) (f)	Target (#)(2) (g)	Maximum (#)(2) (h)				
Merrill A. Miller, Jr.	2013	\$ 146,250	\$ 1,462,500	\$ 2,925,000	0	70,320	140,640		197,500	\$ 69.33	\$ 9,879,015
Robert R. Workman	2013	\$ 40,000	\$ 400,000	\$ 800,000	0	11,236	22,472	13,000	32,019	\$ 69.33	\$ 1,672,804
Daniel L. Molinaro	2013	\$ 17,700	\$ 177,000	\$ 354,000	2,200	2,200	2,200		12,681	\$ 69.33	\$ 458,081
Raymond W. Chang	2013	\$ 10,000	\$ 100,000	\$ 200,000	770	770	770		4,438	\$ 69.33	\$ 160,320
David A. Cherechinsky	2013	\$ 11,000	\$ 110,000	\$ 220,000	770	770	770		4,438	\$ 69.33	\$ 160,320

- (1) Represents the range of possible payouts under the NOV annual incentive compensation plan.
- (2) On March 22, 2013, each of Mr. Miller and Mr. Workman was granted shares of performance share awards, which are reflected in the "Estimated Future Payouts Under Equity Incentive Plan Awards" column in the table above. The performance share awards can be earned by the executives only by performance against established goals and vest three years from the grant date. The performance share awards are divided into two equal, independent parts that are subject to two separate performance metrics: 50% with a TSR (total shareholder return) goal and 50% with an internal ROC goal (return on capital). Performance against the TSR goal is determined by comparing the performance of NOV's TSR with the TSR performance of the members of the OSX index for the three year performance period of the performance share awards. Performance against the ROC goal is determined by comparing the performance of NOV's actual ROC performance average for each of the three years of the performance period against the ROC goal set by the NOV Compensation Committee. Each of Mr. Miller and Mr. Workman can earn, in shares of National Oilwell Varco common stock, from 0 percent to 200 percent of the number of performance shares that are vesting, based upon achievement of the designated performance metrics. See "Compensation Discussion and Analysis – Components of Compensation – Long-Term Incentive Compensation" for further information.
- (3) On February 15, 2013, the Compensation Committee of NOV approved a special grant of restricted stock awards to its executive officers. The restricted stock award granted by NOV to Mr. Workman vests 100% on the third anniversary of the date of grant, provided that such executive officer remains continuously employed with NOV during such time period. Mr. Miller declined receiving such grant.
- (4) Assumptions made in calculating the value of option and restricted stock awards are further discussed in Item 15. Exhibits and Financial Statement Schedules – Notes to Consolidated Financial Statements, Note 13, of NOV's Form 10-K for the fiscal year ended December 31, 2013. The grant date fair value of the restricted stock and performance awards are as follows: Mr. Miller - \$5,167,465;

Mr. Workman - \$901,290; Mr. Molinaro - \$152,526; Mr. Chang - \$53,384; and Mr. Cherechinsky - \$53,384. The grant date fair value of the option awards are as follows: Mr. Miller - \$4,711,550; Mr. Workman - \$771,514; Mr. Molinaro - \$305,555; Mr. Chang - \$106,936; and Mr. Cherechinsky - \$106,936.

### Exercises and Holdings of Previously-Awarded Equity Disclosure

The following table provides information regarding outstanding awards that have been granted to our expected named executive officers where the ultimate outcomes of such awards have not been realized, as of December 31, 2013.

### Outstanding Equity Awards at Fiscal Year-End

Name (a)	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested \$(1) (j)
Merrill A. Miller, Jr.		197,500(2)		\$ 69.33	2/16/23				
	43,166	86,334(3)		\$ 84.58	2/22/22			41,000(5)	\$ 3,260,730
	74,000	37,000(4)		\$ 79.80	2/23/21			45,000(6)	\$ 3,578,850
								70,320(7)	\$ 5,592,550
Robert R. Workman		32,019(2)		\$ 69.33	2/16/23				
	9,666	19,334(3)		\$ 84.58	2/22/22				
	16,200	8,100(4)		\$ 79.80	2/23/21				
	11,295			\$ 44.07	2/17/20			9,000(5)	\$ 715,770
								10,100(6)	\$ 803,253
								11,236(7)	\$ 893,599
								13,000(8)	\$ 1,033,890
Daniel L. Molinaro		12,681(2)		\$ 69.33	2/16/23				
	3,826	7,654(3)		\$ 84.58	2/22/22				
	7,830	3,915(4)		\$ 79.80	2/23/21				
								1,450(10)	\$ 115,319
								2,000(9)	\$ 159,060
								2,200(8)	\$ 174,966
Raymond W. Chang		4,438(2)		\$ 69.33	2/16/23				
	1,339	2,679(3)		\$ 84.58	2/22/22				
	3,240	1,620(4)		\$ 79.80	2/23/21				
								600(10)	\$ 47,718
								700(9)	\$ 55,671
								770(8)	\$ 61,238

Name	Option Awards					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(1) (j)
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (g)	Market Value of Shares or Units of Stock That Have Not Vested (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (i)	
David A. Cherechinsky		4,438(2)		\$ 69.33	2/16/23				
	1,339	2,679(3)		\$ 84.58	2/22/22				
	3,240	1,620(4)		\$ 79.80	2/23/21				
	4,895			\$ 44.07	2/17/20				
	1,600			\$25.96	2/21/19				
								600(10)	\$ 47,718
								700(9)	\$ 55,671
								770(8)	\$ 61,238

- (1) Calculations based upon the closing price (\$79.53) of NOV's common stock on December 31, 2013, the last trading day of the year.
- (2) 2013 Stock Option Grant - Stock options vest at the rate of 33 1/3%/year, with vesting dates of 2/15/14, 2/15/15 and 2/15/16.
- (3) 2012 Stock Option Grant - Stock options vest at the rate of 33 1/3%/year, with vesting dates of 2/21/13, 2/21/14 and 2/21/15.
- (4) 2011 Stock Option Grant - Stock options vest at the rate of 33 1/3%/year, with vesting dates of 2/22/12, 2/22/13 and 2/22/14.
- (5) 2011 Performance-Vesting Restricted Stock Grant - The grant vests 100% on the third anniversary of the date of grant, contingent on NOV's operating income growth, measured on a percentage basis, from January 1, 2011 to December 31, 2013 exceeding the median operating income growth for a designated peer group over the same period. One-time, non-recurring, non-operational gains or charges to income taken by NOV or any member of the designated peer group that are publicly reported would be excluded from the income calculation and comparison set forth above. If NOV's operating income growth does not exceed the median operating income growth of the designated peer group over the designated period, the applicable restricted stock award grant for the executives will not vest and would be forfeited.
- (6) 2012 Performance-Vesting Restricted Stock Grant - The grant vests 100% on the third anniversary of the date of grant, contingent on NOV's operating income growth, measured on a percentage basis, from January 1, 2012 to December 31, 2014 exceeding the median operating income growth for a designated peer group over the same period. One-time, non-recurring, non-operational gains or charges to income taken by NOV or any member of the designated peer group that are publicly reported would be excluded from the income calculation and comparison set forth above. If NOV's operating income growth does not exceed the median operating income growth of the designated peer group over the designated period, the applicable restricted stock award grant for the executives will not vest and would be forfeited.
- (7) 2013 Performance Share Award Grant - The performance share awards can be earned by the executives only by performance against established goals and vest three years from the grant date. The performance share awards are divided into two equal, independent parts that are subject to two separate performance metrics: 50% with a TSR (total shareholder return) goal and 50% with an internal ROC goal (return on capital). Performance against the TSR goal is determined by comparing the performance of NOV's TSR with the TSR performance of the members of the OSX index for the three year performance period of the performance share awards. Performance against the ROC goal is determined by comparing the performance of NOV's actual ROC performance average for each of the three years of the performance period against the

ROC goal set by the NOV Compensation Committee. Executive officer can earn, in shares of NOV common stock, from 0 percent to 200 percent of the number of performance shares that are vesting, based upon achievement of the designated performance metrics.

- (8) 2013 Restricted Stock Grant - The grant vests 100% on the third anniversary of the date of grant, provided that such executive officer remains continuously employed with NOV during such time period.
- (9) 2012 Restricted Stock Grant - The grant vests 100% on the third anniversary of the date of grant, provided that such executive officer remains continuously employed with NOV during such time period.
- (10) 2011 Restricted Stock Grant - The grant vests 100% on the third anniversary of the date of grant, provided that such executive officer remains continuously employed with NOV during such time period.

The following table provides information on the amounts received by our expected named executive officers upon exercise of stock options or vesting of stock awards.

#### Option Exercises and Stock Vested

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
	(#) (b)	(\$) (c)	(#) (d)	(\$) (e)
Merrill A. Miller, Jr.	195,000	\$5,167,655	0	\$ 0
Robert R. Workman	0	\$ 0	0	\$ 0
Daniel L. Molinaro	6,526	\$ 170,414	1,888	\$ 130,895
Raymond W. Chang	5,272	\$ 171,904	769	\$ 53,315
David A. Cherechinsky	0	\$ 0	472	\$ 32,724

#### Post-Employment Compensation

The following table provides information on nonqualified deferred compensation provided under the NOV Supplemental Plan to our expected named executive officers during the fiscal year ended December 31, 2013. For a more detailed discussion, see the section titled “Compensation Discussion and Analysis – Retirement, Health and Welfare Benefits”.

#### Nonqualified Deferred Compensation

Name (a)	Executive Contributions in Last FY (S)(1) (b)	Registrant Contributions in Last FY (S)(2) (c)	Aggregate Earnings in Last FY (S)(3) (d)	Aggregate Withdrawals/Distributions (S) (e)	Aggregate Balance at Last FYE (S) (f)
Merrill A. Miller, Jr.	\$ 0	\$ 28,800	\$ 51,443	—	\$ 353,803
Robert R. Workman	\$ 0	\$ 11,025	\$ 74	—	\$208,069
Daniel L. Molinaro	\$ 103,876	\$ 4,765	\$176,682	—	\$908,806
Raymond W. Chang	\$ 0	\$ 0	\$ 0	—	\$ 0
David A. Cherechinsky	\$ 10,732	\$ 1,475	\$ 1	—	\$ 12,202

- (1) Executive contributions were from the executive’s salary and are included in the Summary Compensation Table under the “Salary” column.
- (2) Registrant contributions are included in the Summary Compensation Table under the “All Other Compensation” column.
- (3) Aggregate earnings reflect the returns of the investment funds selected by the executives and are not included in the Summary Compensation Table.

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## Employment Contracts and Termination of Employment and Change-in-Control Arrangements

### *Miller and Workman*

NOV entered into an employment agreement on January 1, 2002 with Mr. Miller, which was amended on December 22, 2008 and on December 31, 2009. Under the employment agreement, Mr. Miller is provided a base salary, currently set at \$975,000. The employment agreement also entitles him to receive an annual bonus and to participate in NOV's incentive, savings and retirement plans. The agreement has a term of three years and is automatically extended on an annual basis. The agreement provides for a base salary, participation in employee incentive plans, and employee benefits as generally provided to all employees.

In addition, the agreement contains certain termination provisions. If the employment relationship is terminated by NOV for any reason other than

- voluntary termination;
- termination for cause (as defined);
- death; or
- long-term disability;

or if the employment relationship is terminated by the employee for Good Reason, as defined below, Mr. Miller is entitled to receive 3.5 times the amount of his current base salary, three times the amount equal to the total of the employer matching contributions under NOV's 401(k) Plan and Supplemental Plan, and three years participation in NOV's welfare and medical benefit plans. Mr. Miller will have the right, during the 60-day period after such termination, to elect to surrender all or part of any stock options held by him at the time of termination, whether or not exercisable, for a cash payment equal to the spread between the exercise price of the option and the highest reported per share sales price during the 60-day period prior to the date of termination. Any option not so surrendered will remain exercisable until the earlier of one year after the date of termination or the stated expiration date of the specific option grant.

Under the agreement, termination by Mr. Miller for "Good Reason" means

- the assignment to him of any duties inconsistent with his current position or any action by NOV that results in a diminution in his position, authority, duties or responsibilities;
- a failure by NOV to comply with the terms of the agreement; or
- requiring Mr. Miller to relocate or to travel to a substantially greater extent than required at the date of the agreement.

In addition, compensation will be "grossed up" for any excise tax imposed under Section 4999 of the Internal Revenue Code as a result of any payment or benefit provided to Mr. Miller under the employment agreement. The agreement also contains restrictions on competitive activities and solicitation of our employees for three years following the date of termination. After any such termination of employment, Mr. Miller will also have the option to participate in NOV's welfare and medical benefit plans at employee rates and will be entitled to receive outplacement services valued at not more than 15% of base salary.

NOV entered into an employment agreement on January 1, 2002 with Mr. Workman (which was amended on December 22, 2008 and on December 31, 2009) that contain certain termination provisions. Under the employment agreement, Mr. Workman is provided base salary. The agreement has a one-year term and is automatically extended on an annual basis. The agreement also provides for participation in employee incentive plans, and employee benefits as generally provided to all employees. If the employment relationship is terminated by NOV for any reason other than

- voluntary termination;
- termination for cause (as defined);

- 
- death; or
  - long-term disability;

or if the employment relationship is terminated by the employee for Good Reason, the employee is entitled to receive 1.5 times his current base salary and an amount equal to the total of the employer matching contributions under NOV's 401(k) Plan and Supplemental Plan, and one year's participation in NOV's welfare and medical benefit plans.

In addition, compensation will be "grossed up" for any excise tax imposed under Section 4999 of the Internal Revenue Code as a result of any payment or benefit provided to the executive under his employment agreement. The agreement also contains restrictions on competitive activities and solicitation of our employees for one year following the date of termination. After any such termination of employment, the executive will also have the option to participate in NOV's welfare and medical benefit plans at employee rates and will be entitled to receive outplacement services valued at not more than 15% of the executive's base salary.

Additionally, NOV's stock option agreements and restricted stock agreements provide for full vesting of unvested outstanding options and restricted stock, respectively, in the event of a change of control of NOV and a change in the holder's responsibilities following a change of control.

### ***Molinaro, Chang and Cherechinsky***

Each of Mr. Molinaro, Mr. Chang and Mr. Cherechinsky does not have an employment agreement with NOV.

### **Potential Payments Upon Termination or Change in Control**

NOV has entered into certain agreements and maintains certain plans that will require NOV to provide compensation to certain of its executive officers in the event of a termination of employment or change in control of NOV. The separation of NOV's distribution business will not trigger change in control payments to any executive officers.

NOV's Compensation Committee believes the payment and benefit levels provided to such executive officers under their employment agreements and/or change of control plans upon termination or change of control should correspond to the level of responsibility and risk assumed by such executive officer. Thus, the payment and benefit levels for Mr. Miller and Mr. Workman are based on their levels of responsibility and market considerations at the time NOV entered into the relevant agreements. Mr. Molinaro, Mr. Chang and Mr. Cherechinsky do not have any employment agreements with NOV. The NOV Compensation Committee recognizes that it is not likely that certain of NOV's executive officers would be retained by an acquiror in the event of a change of control. As a result, the NOV Compensation Committee believes that a certain amount of cash compensation, along with immediate vesting of all unvested equity compensation, is an appropriate and sufficient incentive for such executive officers to remain employed with NOV, even if a change of control were imminent. It is believed that these benefit levels should provide NOV's executive officers with reasonable financial security so that they could continue to make strategic decisions that impact the future of NOV.

The amount of compensation payable to each of NOV's expected named executive officers in each situation is listed in the tables below.

The following table describes the potential payments upon termination or change in control of NOV as of December 31, 2013 for Merrill A. Miller, Jr.

<u>Executive Benefits and Payments Upon Termination (1)</u>	<u>Involuntary Not for Cause Termination (2)</u>
Base Salary (3.5 times)	\$ 3,412,500
Continuing medical benefits	\$ 288,809
Retirement Contribution and Matching	\$ 234,000
Value of Unvested Stock Options	\$ 2,014,500
Value of Unvested Restricted Stock	\$ 12,432,130
Outplacement Services (3)	\$ 146,250
Estimated Tax Gross Up	\$ 0
<b>Total:</b>	<b><u>\$18,528,189</u></b>

- (1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2013 of \$975,000. Unvested stock options include 37,000 options from 2011 grant at \$79.80/share, 86,334 options from 2012 grant at \$84.58/share and 197,500 options from 2013 grant at \$69.33/share. Unvested restricted stock includes 41,000 shares from 2011 grant and 45,000 shares from 2012 grant, and 70,320 performance share awards from 2013 grant. Value of unvested stock options, restricted stock and performance share awards based on a share price of \$79.53, NOV's closing stock price on December 31, 2013.
- (2) Assumes the employment relationship is terminated by NOV for any reason other than voluntary termination, termination for cause, death, or disability, or if the employment relationship is terminated by the executive for "Good Reason", as of December 31, 2013. Termination by the executive for "Good Reason" means the assignment to the employee of any duties inconsistent with his current position or any action by NOV that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by NOV to comply with the terms of the executive's employment agreement; or the requirement of the executive to relocate or to travel to a substantially greater extent than required at the date of the employment agreement.
- (3) Executive also entitled to outplacement services valued at not more than 15% of base salary. For purposes of this analysis, we valued the outplacement services at 15% of base salary.

In the event of:

- a NOV termination of Mr. Miller's employment for cause;
- Mr. Miller's voluntary termination of his employment with NOV (not for "Good Reason"); or
- Mr. Miller's employment with NOV is terminated due to his death or disability,

no extra benefits are payable by NOV to Mr. Miller as a result of any such events, other than accrued obligations and benefits owed by NOV to Mr. Miller (such as base salary through the date of termination and his outstanding balance in NOV's 401k Plan). In the event termination is not for cause, Mr. Miller would also be entitled to receive an amount equal to 50% of his base salary.



The following table describes the potential payments upon termination or change in control of NOV as of December 31, 2013 for Robert R. Workman.

<u>Executive Benefits and Payments Upon Termination (1)</u>	<u>Involuntary Not for Cause Termination (2)</u>
Base Salary (1.5 times)	\$ 750,000
Continuing medical benefits	\$ 423,098
Retirement Contribution and Matching	\$ 42,500
Value of Unvested Stock Options	\$ 326,594
Value of Unvested Restricted Stock	\$ 3,446,512
Outplacement Services (3)	\$ 75,000
Estimated Tax Gross Up	\$ 0
<b>Total:</b>	<b>\$ 5,063,704</b>

- (1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2013 of \$500,000. Unvested stock options include 8,100 options from 2011 grant at \$79.80/share, 19,334 options from 2012 grant at \$84.58/share and 32,019 options from 2013 grant at \$69.33/share. Unvested restricted stock includes 9,000 shares from 2011 grant, 10,100 shares from 2012 grant and 13,000 shares from 2013 grant, and 11,236 performance share awards from 2013 grant. Value of unvested stock options and restricted stock based on a share price of \$79.53, NOV's closing stock price on December 31, 2013.
- (2) Assumes the employment relationship is terminated by NOV for any reason other than voluntary termination, termination for cause, death, or disability, or if the employment relationship is terminated by the executive for "Good Reason", as of December 31, 2013. Termination by the executive for "Good Reason" means the assignment to the employee of any duties inconsistent with his current position or any action by NOV that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by NOV to comply with the terms of the executive's employment agreement; or the requirement of the executive to relocate or to travel to a substantially greater extent than required at the date of the employment agreement.
- (3) Executive also entitled to outplacement services valued at not more than 15% of base salary. For purposes of this analysis, we valued the outplacement services at 15% of base salary.

In the event of:

- a NOV termination of Mr. Workman's employment for cause;
- Mr. Workman's voluntary termination of his employment with NOV (not for "Good Reason"); or
- Mr. Workman's employment with NOV is terminated due to his death or disability,

no extra benefits are payable by NOV to Mr. Workman as a result of any such events, other than accrued obligations and benefits owed by NOV to Mr. Workman (such as base salary through the date of termination and his outstanding balance in NOV's 401k Plan). In the event termination is not for cause, Mr. Workman would also be entitled to receive an amount equal to 50% of his base salary.

The following table describes the potential payments upon termination or change in control of NOV as of December 31, 2013 for Daniel Molinaro.

<u>Executive Benefits and Payments Upon Termination (1)</u>	<u>Involuntary Not for Cause Termination (2)</u>
Base Salary	\$ 0
Continuing medical benefits	\$ 0
Retirement Contribution and Matching	\$ 0
Value of Unvested Stock Options	\$ 129,346
Value of Unvested Restricted Stock	\$ 449,345
Outplacement Services	\$ 0
Estimated Tax Gross Up	\$ 0
<b>Total:</b>	<b>\$ 578,691</b>

- (1) Unvested stock options include 3,915 options from 2011 grant at \$79.80/share, 7,654 options from 2012 grant at \$84.58/share and 12,681 options from 2013 grant at \$69.33/share. Unvested restricted stock includes 1,450 shares from 2011 grant, 2,000 shares from 2012 grant, and 2,200 shares from 2013 grant. Value of unvested stock options and restricted stock based on a share price of \$79.53, NOV's closing stock price on December 31, 2013.
- (2) Assumes an "Involuntary Termination" as of December 31, 2013. "Involuntary Termination" means termination from employment with NOV on or within twelve months following a Change of Control that is either (i) initiated by NOV for reasons other than (a) the employee's gross negligence or willful misconduct in the performance of his duties with NOV or (b) the employee's final conviction of a felony or a misdemeanor involving moral turpitude, or (ii) initiated by employee after (a) a reduction by NOV of his authority, duties or responsibilities immediately prior to the Change of Control, (b) a reduction of his base salary or total compensation as in effect immediately prior to the Change of Control, or (c) his transfer, without his express written consent, to a location which is outside the general metropolitan area in which his principal place of business immediately prior to the Change of Control may be located or NOV's requiring him to travel on NOV business to a substantially greater extent than required immediately prior to the Change of Control. The term "Change of Control" shall mean: (i) NOV completes the sale of assets having a gross sales price which exceeds 50% of the consolidated total capitalization of NOV (consolidated total stockholders' equity plus consolidated total long-term debt as determined in accordance with generally accepted accounting principles) as at the end of the last full fiscal quarter prior to the date such determination is made; or (ii) any corporation, person or group within the meaning of Section 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act"), becomes the beneficial owner (within the meaning of Rule 13d-3 under the Act) of voting securities of NOV representing more than 30% of the total votes eligible to be cast at any election of directors of NOV.

The following table describes the potential payments upon termination or change in control of NOV as of December 31, 2013 for Raymond Chang.

<u>Executive Benefits and Payments Upon Termination (1)</u>	<u>Involuntary Not for Cause Termination (2)</u>
Base Salary	\$ 0
Continuing medical benefits	\$ 0
Retirement Contribution and Matching	\$ 0
Value of Unvested Stock Options	\$ 45,268
Value of Unvested Restricted Stock	\$ 164,627
Outplacement Services	\$ 0
Estimated Tax Gross Up	\$ 0
<b>Total:</b>	<b>\$ 209,895</b>

- (1) Unvested stock options include 1,620 options from 2011 grant at \$79.80/share, 2,679 options from 2012 grant at \$84.58/share and 4,438 options from 2013 grant at \$69.33/share. Unvested restricted stock includes 600 shares from 2011 grant, 700 shares from 2012 grant, and 770 shares from 2013 grant. Value of unvested stock options and restricted stock based on a share price of \$79.53, NOV's closing stock price on December 31, 2013.
- (2) Assumes an "Involuntary Termination" as of December 31, 2013. "Involuntary Termination" means termination from employment with NOV on or within twelve months following a Change of Control that is either (i) initiated by NOV for reasons other than (a) the employee's gross negligence or willful misconduct in the performance of his duties with NOV or (b) the employee's final conviction of a felony or a misdemeanor involving moral turpitude, or (ii) initiated by employee after (a) a reduction by NOV of his authority, duties or responsibilities immediately prior to the Change of Control, (b) a reduction of his base salary or total compensation as in effect immediately prior to the Change of Control, or (c) his transfer, without his express written consent, to a location which is outside the general metropolitan area in which his principal place of business immediately prior to the Change of Control may be located or NOV's requiring him to travel on NOV business to a substantially greater extent than required immediately prior to the Change of Control. The term "Change of Control" shall mean: (i) NOV completes the sale of assets having a gross sales price which exceeds 50% of the consolidated total capitalization of NOV (consolidated total stockholders' equity plus consolidated total long-term debt as determined in accordance with generally accepted accounting principles) as at the end of the last full fiscal quarter prior to the date such determination is made; or (ii) any corporation, person or group within the meaning of Section 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act"), becomes the beneficial owner (within the meaning of Rule 13d-3 under the Act) of voting securities of NOV representing more than 30% of the total votes eligible to be cast at any election of directors of NOV.

The following table describes the potential payments upon termination or change in control of NOV as of December 31, 2013 for David Cherechinsky.

<u>Executive Benefits and Payments Upon Termination (1)</u>	<u>Involuntary Not for Cause Termination (2)</u>
Base Salary	\$ 0
Continuing medical benefits	\$ 0
Retirement Contribution and Matching	\$ 0
Value of Unvested Stock Options	\$ 45,268
Value of Unvested Restricted Stock	\$ 164,627
Outplacement Services	\$ 0
Estimated Tax Gross Up	\$ 0
<b>Total:</b>	<b>\$ 209,895</b>

- (1) Unvested stock options include 1,620 options from 2011 grant at \$79.80/share, 2,679 options from 2012 grant at \$84.58/share and 4,438 options from 2013 grant at \$69.33/share. Unvested restricted stock includes 600 shares from 2011 grant, 700 shares from 2012 grant, and 770 shares from 2013 grant. Value of unvested stock options and restricted stock based on a share price of \$79.53, NOV's closing stock price on December 31, 2013.
- (2) Assumes an "Involuntary Termination" as of December 31, 2013. "Involuntary Termination" means termination from employment with NOV on or within twelve months following a Change of Control that is either (i) initiated by NOV for reasons other than (a) the employee's gross negligence or willful misconduct in the performance of his duties with NOV or (b) the employee's final conviction of a felony or a misdemeanor involving moral turpitude, or (ii) initiated by employee after (a) a reduction by NOV of his authority, duties or responsibilities immediately prior to the Change of Control, (b) a reduction of his base salary or total compensation as in effect immediately prior to the Change of Control, or (c) his transfer, without his express written consent, to a location which is outside the general metropolitan area in which his principal place of business immediately prior to the Change of Control may be located or NOV's requiring him to travel on NOV business to a substantially greater extent than required immediately prior to the Change of Control. The term "Change of Control" shall mean: (i) NOV completes the sale of assets having a gross sales price which exceeds 50% of the consolidated total capitalization of NOV (consolidated total stockholders' equity plus consolidated total long-term debt as determined in accordance with generally accepted accounting principles) as at the end of the last full fiscal quarter prior to the date such determination is made; or (ii) any corporation, person or group within the meaning of Section 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act"), becomes the beneficial owner (within the meaning of Rule 13d-3 under the Act) of voting securities of NOV representing more than 30% of the total votes eligible to be cast at any election of directors of NOV.

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## NON-EMPLOYEE DIRECTOR COMPENSATION

Members of our Board of Directors who are not full-time employees will receive the following cash compensation:

- For service on the Board of Directors – an annual retainer of \$60,000, paid quarterly;
- For service as chairperson of the audit committee of the Board of Directors – an annual retainer of \$20,000, paid quarterly;
- For service as chairperson of the compensation committee of the Board of Directors – an annual retainer of \$15,000, paid quarterly;
- For service as chairperson of the nominating/corporate governance committee of the Board of Directors – an annual retainer of \$15,000, paid quarterly;
- For service as a member of the audit committee of the Board of Directors – an annual retainer of \$7,500, paid quarterly;
- For service as a member of the compensation committee of the Board of Directors – an annual retainer of \$5,000, paid quarterly;
- For service as a member of the nominating/corporate governance committee of the Board of Directors – an annual retainer of \$5,000, paid quarterly; and
- \$2,000 for each Board meeting and each committee meeting attended.

The Lead Director shall receive an annual retainer of \$20,000, paid quarterly.

Directors of the Board who are also employees will not receive any compensation for their service as directors.

Members of the Board are also eligible to receive stock options and awards, including restricted stock, performance awards, phantom shares, stock payments, or SARs, under the NOW Inc. Long-Term Incentive Plan.

Members of the Board will receive a grant of restricted stock annually, to be granted on the date of each annual stockholders meeting, in an amount determined by dividing \$120,000 by the closing stock price of our common stock on the New York Stock Exchange as of the date of our annual stockholders meeting. The restricted stock award shares will vest in three equal annual installments beginning on the first anniversary of the date of the grant.

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## CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

### The Separation from NOV

The separation will be accomplished by means of the pro rata distribution by NOV of all of the outstanding shares of NOV Inc. common stock to holders of NOV common stock entitled to such distribution, as described under “The Separation and the Distribution” included elsewhere in this information statement. Completion of the distribution will be subject to satisfaction, or waiver by NOV, of the conditions to the separation and distribution described under “The Separation and the Distribution—Conditions to the Distribution.”

### Related-Party Transactions

As a current subsidiary of NOV, we engage in related-party transactions with NOV. Those transactions are described in more detail in Note 3 of Notes to Combined Financial Statements that accompany our audited combined financial statements included elsewhere in this information statement.

From and after the distribution date, we expect to have in effect a Code of Business Conduct and Ethics, which will require all directors and executive officers to promptly bring to the attention of the General Counsel and, in the case of directors, the Chairman of the Nominating/Corporate Governance Committee or, in the case of executive officers, the Chairman of the Audit Committee, any transaction or relationship that arises and of which she or he becomes aware that reasonably could be expected to constitute a related-party transaction. For purposes of the Company’s Code of Business Conduct and Ethics, a related-party transaction is a transaction in which the Company (including its affiliates) is a participant and in which any director or executive officer (or their immediate family members) has or will have a direct or indirect material interest. For so long as NOV continues to be a related party following the distribution, transactions with NOV will be related-party transactions subject to the Code of Business Conduct and Ethics. Any such transaction or relationship will be reviewed by our company’s management or the appropriate Board committee to ensure it does not constitute a conflict of interest and is reported appropriately. Additionally, the Nominating/Corporate Governance Committee’s charter will provide for the committee to conduct an annual review of related-party transactions between each of our directors and the Company (and its affiliates) and to make recommendations to the Board of Directors regarding the continued independence of each Board member.

### Agreements Between Us and NOV

As part of the separation and the distribution, we will enter into a Separation and Distribution Agreement and several other agreements with NOV to effect the separation and to provide a framework for our relationship with NOV after the separation and the distribution. These agreements will provide for the allocation between us and NOV of the assets, liabilities and obligations of NOV and its subsidiaries, and will govern various aspects of the relationship between us and NOV subsequent to the separation, including with respect to transition services, employee benefits, intellectual property rights, tax matters and other commercial relationships. In addition to the Separation and Distribution Agreement, which contains key provisions related to the separation and the distribution, these agreements will include, among others:

- Tax Matters Agreement;
- Employee Matters Agreement;
- Transition Services Agreement; and
- Two Master Supply Agreements.

The forms of certain of the principal agreements described below will be filed as exhibits to the registration statement of which this information statement is a part. The summaries of the material terms of these agreements are qualified in their entirety by reference to the full text of the applicable agreements, which are incorporated by reference into this information statement.

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The terms and provisions of the agreements described below that will be in effect following the separation have not yet been finalized. Material changes may be made prior to the separation and will be included in a subsequent amendment to the registration statement of which this information statement is a part. No changes may be made after our separation from NOV without our consent.

### ***Separation and Distribution Agreement***

The Separation and Distribution Agreement will govern the terms of the separation of the distribution business from NOV's other businesses. Generally, the Separation and Distribution Agreement will include NOV's and our agreements relating to the restructuring steps to be taken to complete the separation, including the assets, equity interests and rights to be transferred, liabilities to be assumed, contracts to be assigned and related matters. Subject to the receipt of required governmental and other consents and approvals, in order to accomplish the separation, the Separation and Distribution Agreement will provide for NOV and us to transfer specified assets (including the equity interests of certain NOV subsidiaries) and liabilities between the companies that will operate the distribution business after the distribution, on the one hand, and NOV's remaining businesses, on the other hand.

Except as expressly set forth in the Separation and Distribution Agreement or any ancillary agreement, neither NOV nor NOW Inc. will make any representation or warranty as to the assets, equity interests, business or liabilities transferred or assumed as part of the separation, as to any approvals or notifications required in connection with the transfers, as to the value or freedom from any security interests of any of the assets transferred, as to the absence or presence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other asset of either NOV or NOW Inc. or as to the legal sufficiency of any assignment, document or instrument delivered to convey title to any asset or thing of value transferred in connection with the separation. All assets will be transferred on an "as is," "where is" basis and the respective transferees will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in the transferee good and marketable title, free and clear of any security interest, and that any necessary consents or governmental approvals are not obtained or that any requirements of laws, agreements, security interests or judgments are not complied with.

The Separation and Distribution Agreement will specify those conditions that must be satisfied or waived by NOV prior to the distribution. See "The Separation and the Distribution—Conditions to the Distribution" included elsewhere in this information statement. In addition, NOV will have the right to determine the date and terms of the distribution, and will have the right to determine to abandon or modify the distribution and to terminate the Separation and Distribution Agreement at any time prior to the distribution.

The Separation and Distribution Agreement will govern the treatment of aspects relating to indemnification, insurance, litigation responsibility, confidentiality, management, intellectual property (including trademarks) and cooperation.

### ***Tax Matters Agreement***

In connection with the separation and distribution, we will enter into a Tax Matters Agreement between us and NOV. The Tax Matters Agreement will set forth each party's rights and obligations with respect to deficiencies and refunds, if any, of federal, state, local, and foreign taxes for periods before and after the distribution, as well as taxes attributable to the separation and distribution, and related matters such as the filing of tax returns and the conduct of IRS and other audits. In addition, it is anticipated that the Tax Matters Agreement will impose certain restrictions on us and our subsidiaries (including restrictions on share issuances, business combinations, sales of assets and similar transactions) that are designed to preserve the generally tax-free status of the separation and distribution.

To the extent we are required to indemnify NOV (or its subsidiaries or other affiliates) or otherwise bear taxes under the Tax Matters Agreement, we may be subject to substantial liabilities.

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***Employee Matters Agreement***

In connection with the separation and the distribution, we will enter into an Employee Matters Agreement between us and NOV. The Employee Matters Agreement will govern NOV's and our compensation and employee benefit obligations with respect to the current and former employees of each company, and generally will allocate liabilities and responsibilities relating to employee compensation and benefit plans and programs. The Employee Matters Agreement will provide for the treatment of outstanding NOV equity awards. The Employee Matters Agreement also will set forth the general principles relating to employee matters, including with respect to the assignment of employees and the transfer of employees from NOV to us, the assumption and retention of liabilities and related assets, expense reimbursements, workers' compensation, leaves of absence, the provision of comparable benefits, employee service credits, the sharing of employee information and the duplication or acceleration of benefits.

***Transition Services Agreement***

In connection with the separation and the distribution, we will enter into a Transition Services Agreement between us and NOV. The Transition Services Agreement will set forth the terms on which NOV will provide to us, and we will provide to NOV, on a temporary basis, certain services or functions that the companies historically have shared. Transition services may include administrative, payroll, human resources, data processing, environmental health and safety, financial audit support, financial transaction support, legal support services, IT and network infrastructure systems and various other support and corporate services. The Transition Services Agreement will provide for the provision of specified transition services generally for a period of up to 18 months.

***Master Supply Agreements***

In connection with the separation and distribution, we will enter into a Master Distributor Agreement and a Master Supply Agreement between us and NOV. Under the Master Distributor Agreement, we will act as a distributor of certain NOV products. Under the Master Supply Agreement, we will supply products and provide solutions, including supply chain management solutions, to NOV.



## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of the date of this information statement, all of the outstanding shares of our common stock are owned by NOV. After the distribution, NOV will not own any of our common stock. The following table provides information with respect to the expected beneficial ownership of our common stock immediately after the distribution by (1) each stockholder who is expected to be a beneficial owner of more than 5 percent of our outstanding common stock based on publicly available information, (2) each of our directors, (3) each executive officer named in the Summary Compensation Table and (4) all of our executive officers and director nominees as a group. Except as otherwise noted above or in the footnotes below, each person or entity identified below has sole voting and investment power with respect to such securities. To the extent our directors and executive officers own NOV common stock as of the record date for the distribution, they will participate in the distribution on the same terms as other holders of NOV common stock. The mailing address for each of the directors and executive officers listed below is 7402 North Eldridge Parkway, Houston, Texas 77041.

We have based the percentages below on each person's beneficial ownership of NOV common stock as of April 1, 2014, unless we indicate some other basis for the share amounts. We estimate that, based on the approximately 429 million shares of NOV common stock outstanding as of April 1, 2014 (excluding treasury shares and assuming no exercise of NOV options), distribution of 100 percent of our common stock and applying the distribution ratio, we will have approximately 107 million shares of common stock outstanding immediately after the distribution.

<b>Principal Stockholders and Address</b>	<b>Shares of Common Stock to be</b>	
	<b>Beneficially Owned</b>	
	<b>Number</b>	<b>Percent</b>
<b>BlackRock, Inc.</b>	6,381,271	5.96%
40 East 52nd Street		
New York, New York 10022		
<b>Director or Named Executive Officer</b>		
Mr. Merrill A. Miller, Jr.	1,336,590	1.25%
Mr. Robert R. Workman	417,386	0.39%
Mr. Daniel L. Molinaro	122,588	0.11%
Mr. Raymond W. Chang	46,800	0.04%
Mr. David A. Cherechinsky	71,375	0.07%
Mr. Rodney W. Eads	0	*
Mr. J. Wayne Richards	0	*
<b>All directors and named executive officers as a group (7 persons)</b>	1,994,739	1.86%

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## DESCRIPTION OF CAPITAL STOCK

### **General**

The following is a summary of information concerning our capital stock. The summaries and descriptions below do not purport to be complete statements of the relevant provisions of our amended and restated certificate of incorporation or of our amended and restated bylaws, as each is anticipated to be in effect at the time of the distribution. The summary is qualified in its entirety by reference to these documents, which you must read for complete information on our capital stock. Our certificate of incorporation and bylaws to be in effect at the time of the distribution will be included as exhibits to our registration statement of which this information statement is a part. The summaries and descriptions below do not purport to be complete statements of Delaware corporate law.

### **Distributions of Securities**

In the past three years, NOW Inc. has not sold any securities, including sales of reacquired securities, new issues (other than to NOV in connection with our formation), securities issued in exchange for property, services or other securities and new securities resulting from the modification of outstanding securities.

### **Common Stock**

Immediately after the distribution, our authorized capital stock will consist of 330 million shares of common stock, par value \$0.01 per share, and 20 million shares of preferred stock, par value \$0.01 per share, all of which shares of preferred stock will be undesignated.

### ***Shares Outstanding***

Immediately following the distribution, we expect that approximately 107 million shares of our common stock will be issued and outstanding based upon approximately 429 million shares of NOV common stock outstanding as of April 1, 2014 and applying the distribution ratio of one share of our common stock for every four shares of NOV common stock held as of the record date (without accounting for cash to be issued in lieu of fractional shares).

### ***Voting Rights***

Each share of common stock will be entitled to one vote on all matters submitted to a vote of stockholders. To be elected in an uncontested election for Board members, a director nominee must receive more votes “for” than “against” by shares present in person or by proxy and entitled to vote. In a contested election for Board members, the Board members will be elected by a plurality of shares present in person or by proxy and entitled to vote.

Holders of shares of our common stock will not have cumulative voting rights. In other words, a holder of a single share of common stock cannot cast more than one vote for each position to be filled on our Board of Directors. A consequence of not having cumulative voting rights is that the holders of a majority of the shares of common stock entitled to vote in the election of directors can elect all directors standing for election, which means that the holders of the remaining shares will not be able to elect any directors.

### ***Other Rights***

In the event of any liquidation, dissolution or winding up of the Company, after the satisfaction in full of the liquidation preferences of holders of any preferred shares, holders of shares of our common stock will be entitled to ratable distribution of the remaining assets available for distribution to stockholders. The shares of our common stock will not be subject to redemption by operation of a sinking fund or otherwise. Holders of shares of our common stock will not be entitled to preemptive or conversion rights or other subscription rights. The rights, preferences and privileges of the holders of NOW Inc. common stock will be subject to, and may be adversely affected by, the rights of the holders of shares of any series or preferred stock that NOW Inc. may designate and issue in the future.

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**Fully Paid**

The issued and outstanding shares of our common stock will be fully paid and non-assessable. This means the full purchase price for the outstanding shares of our common stock will have been paid and the holders of such shares will not be assessed any additional amounts for such shares. Any additional shares of common stock that we may issue in the future will also be fully paid and non-assessable.

**Preferred Stock**

Our certificate of incorporation will authorize our Board of Directors, subject to any limitations prescribed by the DGCL or our certificate of incorporation, to designate and issue from time to time one or more series of preferred stock without stockholder approval. Our Board of Directors will be vested with the authority to fix by resolution the designations, preferences and relative, participating, optional or other special rights, and such qualifications, limitations or restrictions thereof, including, without limitation, redemption rights, dividend rights, liquidation preferences and conversion or exchange rights of any class or series of preferred stock, and to fix the number of classes or series of preferred stock, the number of shares constituting any such class or series and the voting powers for each class or series. We believe that the ability of our Board of Directors to issue one or more series of our preferred stock will provide us with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs that might arise.

The authority of the Board of Directors to issue preferred stock could potentially be used to discourage attempts by third parties to obtain control of our Company through a merger, tender offer, proxy contest or otherwise by making such attempts more difficult or more costly. Our Board of Directors may issue preferred stock with voting rights or conversion rights that, if exercised, could adversely affect the voting power of the holders of common stock. No current agreements or understandings exist with respect to the issuance of preferred stock, and, as of the date of this document, our Board of Directors has no intention to issue any shares of preferred stock.

**Restrictions on Payment of Dividends**

We are incorporated in Delaware and are governed by Delaware law. Holders of shares of our common stock will be entitled to receive dividends, subject to prior dividend rights of the holders of any preferred shares, when, as and if declared by our Board of Directors out of funds legally available for that purpose. We do not currently anticipate paying dividends on our common stock. We currently intend to retain our future earnings to support the growth and development of our business. The payment of future cash dividends, if any, will be at the discretion of our Board of Directors and will depend upon, among other things, our financial condition, results of operations, capital requirements and development expenditures, future business prospects and any restrictions imposed by future debt instruments. See "Dividend Policy" included elsewhere in this information statement.

**Size of Board and Vacancies; Removal**

Upon completion of the separation and the distribution, we expect that nine individuals will serve on our Board of Directors. Our certificate of incorporation will provide that our directors will be divided into three classes, as nearly equal in number as possible, with the members of each class serving staggered three-year terms. Class I directors will have an initial term expiring in 2015, Class II directors will have an initial term expiring in 2016 and Class III directors will have an initial term expiring in 2017. At each annual meeting of stockholders, directors will be elected to succeed the class of directors whose terms have expired. This classification of our Board of Directors could have the effect of increasing the length of time necessary to change the composition of a majority of the Board of Directors; in general, at least two annual meetings of stockholders will be necessary for stockholders to effect a change in a majority of the members of the Board of Directors.

Our certificate of incorporation and bylaws will provide, subject to the rights of holders of a series of shares of preferred stock to elect one or more directors pursuant to any provisions of any certificate of designation relating

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to any such series, that the number of directors will be fixed exclusively by a majority of the entire Board of Directors from time to time. Our certificate of incorporation will also provide that directors may be removed only with cause and only by the affirmative vote of the holders of at least 80 percent of the voting power of the then-outstanding voting stock. Our bylaws will provide that, unless the Board of Directors determines otherwise, vacancies, however created, may be filled only by a majority of the remaining directors, even if less than a quorum.

#### **No Stockholder Action by Written Consent**

Our certificate of incorporation will provide that our stockholders may act only at an annual or special meeting of stockholders and may not act by written consent.

#### **Special Meetings of Stockholders**

Our bylaws will provide that special meetings of stockholders may be called only by the Chief Executive Officer or the Board of Directors, pursuant to a resolution adopted by a majority of the directors the Company would have if there were no vacancies. Stockholders may not call special meetings.

#### **Requirements for Advance Notification of Stockholder Nominations and Proposals**

Our bylaws will contain advance-notice and other procedural requirements that apply to stockholder proposals and stockholder nominations of candidates for the election of directors. Proper notice must be both timely and must include certain information about the stockholder making the proposal or nomination, as applicable, and about the proposal or candidate being nominated, as applicable. In the case of any annual meeting, to be timely, a stockholder proposing to nominate a person for election to our Board of Directors or proposing that any other action be taken must give our corporate secretary written notice of the proposal not less than the 90th day and not earlier than the 120th day before the anniversary of the date on which we first mailed proxy materials for the immediately preceding annual meeting of stockholders. This deadline is subject to an exception if the date of the annual meeting is more than 30 days before or more than 30 days after the first anniversary of the preceding year's annual meeting of stockholders in which case written notice must be given to our corporate secretary not later than the 120th day prior to such annual meeting or the 10th day after public announcement of the annual meeting date is first made. If the Chief Executive Officer or the Board of Directors calls a special meeting of stockholders for the election of directors, a stockholder proposing to nominate a person for that election must give our corporate secretary written notice of the proposal not earlier than the 120th day and not later than the 90th day prior to the special meeting, or the 10th day after public announcement of the special meeting date and the nominees proposed by the Board of Directors is first given by the Company.

These advance-notice provisions may have the effect of precluding a contest for the election of our directors or the consideration of stockholder proposals if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal, without regard to whether consideration of those nominees or proposals might be harmful or beneficial to us and our stockholders.

#### **Amendments to the Certificate of Incorporation and Bylaws**

Our certificate of incorporation will provide that the affirmative vote of the holders of at least 80 percent of our voting stock then outstanding is required to amend certain provisions of the certificate of incorporation, including those relating to the number and classification of the Board of Directors, term and removal of directors, the calling of special meetings of stockholders and exclusive venue for specified disputes. Our certificate of incorporation will also provide that the affirmative vote of holders of at least 80 percent of the voting power of the voting stock then outstanding will be required to amend certain provisions of the bylaws, including those relating to the calling of special meetings of stockholders, stockholder action by written consent, composition

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and classification of the Board of Directors, vacancies on the Board of Directors, term and removal of directors and director and officer indemnification. Our certificate of incorporation will also confer upon our Board of Directors the right to amend our bylaws.

### **Exclusive Forum**

Our bylaws will provide that, unless our Board of Directors consents in writing to an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any of our directors or officers to us or our stockholders, creditors or other constituents, any action asserting a claim against us or any of our directors or officers arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws (as either may be amended from time to time) or any action asserting a claim against us or any of our directors or officers governed by the internal affairs doctrine. If (and only if) the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state court located within the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware.

### **Delaware Statutory Business Combination Statute**

We will be subject to Section 203 of the DGCL, an anti-takeover statute. In general, Section 203 prevents an “interested stockholder,” which is defined generally as a person owning 15 percent or more of a Delaware corporation’s outstanding voting stock or any affiliate or associate of that person, from engaging in a broad range of “business combinations” with the corporation for three years following the date on which that person became an interested stockholder unless:

- Before that person became an interested stockholder, the board of directors of the corporation approved the transaction in which that person became an interested stockholder or approved the business combination;
- On completion of the transaction that resulted in that person’s becoming an interested stockholder, that person owned at least 85 percent of the voting stock of the corporation outstanding at the time the transaction commenced, other than stock held by (1) directors who are also officers of the corporation or (2) any employee stock plan that does not provide employees with the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- Following the transaction in which that person became an interested stockholder, both the board of directors of the corporation and the holders of at least two-thirds of the outstanding voting stock of the corporation not owned by that person approve the business combination.

Under Section 203, the restrictions described above also do not apply to specific business combinations proposed by an interested stockholder following the announcement or notification of designated extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation’s directors, if a majority of the directors who were directors prior to any person’s becoming an interested stockholder during the previous three years, or were recommended for election or elected to succeed those directors by a majority of those directors, approve or do not oppose that extraordinary transaction.

### **Limitation on Liability of Directors, Indemnification of Directors and Officers, and Insurance**

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors’ fiduciary duties as directors, and NOW Inc.’s certificate of incorporation will include such an exculpation provision.

Our certificate of incorporation will provide that no director will be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or

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limitation on liability is not permitted under the DGCL, as now in effect or as amended. Currently, Section 102(b)(7) of the DGCL requires that liability be imposed for the following:

- Any breach of the director's duty of loyalty to our Company or our stockholders.
- Any act or omission not in good faith or which involved intentional misconduct or a knowing violation of law.
- Unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL.
- Any transaction from which the director derived an improper personal benefit.

Additionally, Section 145 of the DGCL provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, in which such person is made a party by reason of the fact that the person is or was a director, officer, employee or agent of the corporation (other than an action by or in the right of the corporation—a "derivative action"), if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such action, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's bylaws, disinterested director vote, stockholder vote, agreement or otherwise. Our certificate of incorporation and bylaws will provide that, to the fullest extent authorized or permitted by the DGCL, as now in effect or as amended, we will indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that such person, or a person of whom he or she is the legal representative, is or was our director or officer, or by reason of the fact that our director or officer is or was serving, at our request, as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by us. We will indemnify such persons against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action if such person acted in good faith and in a manner reasonably believed to be in our best interests and, with respect to any criminal proceeding, had no reason to believe their conduct was unlawful. A similar standard will be applicable in the case of derivative actions, except that indemnification will only extend to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such actions, and court approval will be required before there can be any indemnification where the person seeking indemnification has been found liable to us. Any amendment of this provision will not reduce our indemnification obligations relating to actions taken before an amendment.

We also intend to obtain insurance policies that insure our directors and officers and those of our subsidiaries against certain liabilities they may incur in their capacity as directors and officers. The insurance will provide coverage, subject to its terms and conditions, if the Company is unable to ( *e.g.*, due to bankruptcy) or unwilling to indemnify the directors and officers for a covered wrongful act.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock will be AST. Registered stockholders in the U.S. can contact AST at (800) 937-5449 or through its website at [www.amstock.com](http://www.amstock.com). Stockholders from outside the U.S. can contact AST at (718) 921-8124.

#### **Stock Exchange Listing**

Our common stock will trade on the NYSE under the ticker symbol "DNOW."

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## DESCRIPTION OF INDEBTEDNESS

### Credit Facility

On April 18, 2014, we entered into a five-year senior unsecured credit facility with a syndicate of lenders, including Wells Fargo Bank, National Association, as administrative agent. The credit facility will become available to us upon the satisfaction of customary conditions, including the consummation of the distribution. The credit facility will be 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. We have the right, subject to certain conditions, to increase the aggregate principal amount of commitments under the credit facility by \$250 million.

The credit facility will be unsecured and guaranteed by our domestic subsidiaries. In the event that we or any subsidiary incurs long-term debt which is secured (other than certain excluded obligations), then we are required to secure the credit facility on equal terms with the security granted to such future debt.

The credit agreement related to the credit facility contains 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 3.00x.

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 our 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 principal U.S. office, and (c) the Daily One-Month LIBOR (as defined in the credit agreement) plus 1%. We also have the option for our borrowings under the credit facility to bear interest based on LIBOR (as defined in the credit agreement). 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 credit agreement relating to the credit facility is filed as an exhibit to the registration statement of which this information statement is a part. The foregoing summary of the material terms of the credit agreement is qualified in its entirety by reference to the full text of that credit agreement, which is incorporated by reference into this information statement.

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## DELIVERY OF INFORMATION STATEMENT

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy delivery requirements for information statements with respect to two or more stockholders sharing the same address by delivering a single information statement to those stockholders. This process, known as “householding,” is intended to provide greater convenience for stockholders, and cost savings for companies, by reducing the number of duplicate documents that stockholders receive. Unless contrary instructions from one or more stockholders sharing an address have been received, only one copy of this information statement will be delivered to those multiple stockholders sharing an address.

If, at any time, a stockholder no longer wishes to participate in “householding” and would prefer to receive separate copies of the information statement, the stockholder should notify his or her intermediary or, if shares are registered in the stockholder’s name, should contact us at the address and telephone number provided below. Any stockholder who currently receives multiple copies of the information statement at his or her address and would like to request “householding” of communications should contact his or her intermediary or, if shares are registered in the stockholder’s name, should contact us at the address and telephone number provided below. Additionally, we will deliver, promptly upon written or oral request directed to the address or telephone number below, a separate copy of the information statement to any stockholders sharing an address to which only one copy was mailed.

NOV Investor Relations  
7909 Parkwood Circle Drive  
Houston, Texas 77036-6565  
(713) 346-7500



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## WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form 10 with the SEC with respect to the shares of our common stock that NOV stockholders will receive in the distribution. This information statement is a part of that registration statement and, as allowed by SEC rules, does not include all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For additional information relating to our company and to the separation and the distribution, reference is made to the registration statement and the exhibits and schedules to the registration statement. Statements contained in this information statement as to the contents of any contract or document referred to are not necessarily complete and, in each instance, if the contract or document is filed as an exhibit to the registration statement, we refer you to the copy of the contract or document filed as an exhibit to the registration statement. Each such statement is qualified in all respects by reference to the applicable contract or document.

Following the distribution, we will file annual, quarterly and special reports, proxy statements and other information with the SEC. We intend to furnish our stockholders with annual reports containing combined financial statements audited by an independent registered public accounting firm. The registration statement is, and any of these future filings with the SEC will be, available to the public over the internet on the SEC's website at [www.sec.gov](http://www.sec.gov). You may read and copy any filed document at the SEC's public reference rooms in Washington, D.C. at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information about the public reference rooms.

We plan to make our filings with the SEC available free of charge on our website at [www.dnow.com](http://www.dnow.com) and to provide our filings free of charge upon written request to our Investor Relations department at NOW Inc. 7402 North Eldridge Parkway, Houston, Texas 77041.

Our website and the information contained on that site, or connected to that site, are not and shall not be deemed to be incorporated into this information statement or the registration statement of which this information statement is a part or any other filings we make with the SEC.

No person is authorized to give any information or to make any representations or warranties with respect to the matters described in this information statement other than those contained in this information statement and, if given or made, such information or representation or warranty must not be relied upon as having been authorized by us or by NOV. Neither the delivery of this information statement nor the completion of the distribution shall, under any circumstances, create any implication that there has been no change in our affairs or those of NOV since the date of this information statement is correct as of any time after its date.

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**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**NOW INC.**

**INDEX TO FINANCIAL STATEMENTS**

**NOW Inc.**

**Combined Financial Statements**

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**Wilson Distribution**

**(Financial Statements of a Significant Acquired Business provided pursuant to the Securities and Exchange Commission's Regulation S-X Rule 3-05)**

**Combined Financial Statements**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders  
National Oilwell Varco, Inc.

We have audited the accompanying combined balance sheets of NOW Inc. as of December 31, 2013 and 2012, and the related combined statements of income, comprehensive income, changes in net parent company investment, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index to Financial Statements. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of NOW Inc. at December 31, 2013 and 2012, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Houston, Texas  
February 26, 2014

**NOW Inc.**  
**COMBINED BALANCE SHEETS**  
(In millions)

	December 31,	
	2013	2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 101	\$ 138
Receivables, net	661	692
Inventories, net	850	1,015
Deferred income taxes	21	18
Prepaid and other current assets	29	19
Total current assets	1,662	1,882
Property, plant and equipment, net	102	61
Deferred income taxes	15	11
Goodwill	333	343
Intangibles, net	68	74
Other assets	3	2
Total assets	<u>\$ 2,183</u>	<u>\$ 2,373</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 264	\$ 272
Accrued liabilities	99	113
Accrued income taxes	—	6
Total current liabilities	363	391
Deferred income taxes	16	9
Other liabilities	2	2
Total liabilities	381	402
Commitments and contingencies		
Net parent company investment		
Net parent company investment	1,802	1,953
Accumulated other comprehensive income	—	18
Total net parent company investment	1,802	1,971
Total liabilities and net parent company investment	<u>\$ 2,183</u>	<u>\$ 2,373</u>

The accompanying notes are an integral part of these statements.

**NOW Inc.**  
**COMBINED STATEMENTS OF INCOME**  
**(In millions)**

	<b>Years Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Revenue	\$4,296	\$ 3,414	\$ 1,641
Operating expenses			
Cost of products	3,499	2,803	1,283
Operating and warehousing costs	412	315	157
Selling, general and administrative	161	128	73
Operating profit	224	168	128
Other income (expense), net	(2)	(3)	—
Income before income taxes	222	165	128
Provision for income taxes	75	57	43
Net income	<u>\$ 147</u>	<u>\$ 108</u>	<u>\$ 85</u>

The accompanying notes are an integral part of these statements.

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**NOW Inc.**  
**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**  
(In millions)

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net income	\$ 147	\$ 108	\$ 85
Other comprehensive income (loss):			
Currency translation adjustments	(18)	9	(25)
Comprehensive income	<u>\$ 129</u>	<u>\$ 117</u>	<u>\$ 60</u>

The accompanying notes are an integral part of these statements.

**NOW Inc.**  
**COMBINED STATEMENTS OF CASH FLOWS**  
(In millions)

	Years Ended December 31,		
	2013	2012	2011
<b>Cash flows from operating activities:</b>			
Net income	\$ 147	\$ 108	\$ 85
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	17	12	6
Deferred income taxes	3	(7)	(11)
Other	12	7	4
Change in operating assets and liabilities, net of acquisitions:			
Receivables	23	(25)	(66)
Inventories	158	(87)	(36)
Prepaid and other current assets	(11)	(3)	(2)
Accounts payable	(9)	(59)	22
Income taxes payable	(6)	(1)	—
Other assets/liabilities, net	(17)	43	(5)
Net cash provided by (used in) operating activities	<u>317</u>	<u>(12)</u>	<u>(3)</u>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment	(55)	(14)	(4)
Business acquisitions, net of cash acquired	—	(1,113)	(30)
Other, net	1	—	—
Net cash used in investing activities	<u>(54)</u>	<u>(1,127)</u>	<u>(34)</u>
<b>Cash flows from financing activities:</b>			
Contributions from (distributions to) parent company	(298)	1,185	(37)
Other	(1)	(1)	(1)
Net cash provided by (used in) financing activities	<u>(299)</u>	<u>1,184</u>	<u>(38)</u>
Effect of exchange rates on cash	(1)	2	3
Increase (decrease) in cash and cash equivalents	(37)	47	(72)
Cash and cash equivalents, beginning of period	138	91	163
Cash and cash equivalents, end of period	<u>\$ 101</u>	<u>\$ 138</u>	<u>\$ 91</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash payments during the period for:			
Income taxes	\$ 73	\$ 65	\$ 38

The accompanying notes are an integral part of these statements.

**NOW Inc.**  
**COMBINED STATEMENTS OF CHANGES IN NET PARENT COMPANY INVESTMENT**  
(In millions)

	Net Parent Company Investment	Accumulated Other Comprehensive Income (Loss)	Total Net Parent Company Investment
Balance at December 31, 2010	\$ 612	\$ 34	\$ 646
Net income	85	—	85
Other comprehensive income, net	—	(25)	(25)
Contributions from (distributions to) parent company	(37)	—	(37)
Balance at December 31, 2011	\$ 660	\$ 9	\$ 669
Net income	108	—	108
Other comprehensive loss, net	—	9	9
Contributions from (distributions to) parent company	1,185	—	1,185
Balance at December 31, 2012	\$ 1,953	\$ 18	\$ 1,971
Net income	147	—	147
Other comprehensive income, net	—	(18)	(18)
Contributions from (distributions to) parent company	(298)	—	(298)
Balance at December 31, 2013	\$ 1,802	\$ —	\$ 1,802

The accompanying notes are an integral part of these statements.



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**NOW Inc.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**1. Organization and Basis of Presentation**

**The Separation**

On September 24, 2013, National Oilwell Varco, Inc. ("NOV") announced approval by its Board of Directors to pursue the separation of its distribution business into a stand-alone, publicly traded corporation. This separation is expected to be completed in accordance with a separation and distribution agreement between NOV and NOW Inc. NOV intends to distribute, on a pro rata basis, all of the shares of NOW Inc. common stock to the NOV shareholders as of the record date for the separation. NOW Inc. was incorporated in Delaware as a wholly owned subsidiary of NOV on November 22, 2013. The separation is subject to market conditions, customary regulatory approvals, and final approval by NOV's Board of Directors.

**Basis of Presentation**

These combined financial statements were prepared in connection with the expected separation and are derived from the accounting records of NOV. These statements reflect the combined historical results of operations, financial position and cash flows of NOV Inc. operations and an allocable portion of corporate costs.

These financial statements are presented as if such businesses had been combined for all periods presented. All intercompany transactions and accounts within NOW Inc. have been eliminated. The assets and liabilities in the combined financial statements have been reflected on a historical cost basis, as immediately prior to the separation all of the assets and liabilities presented are wholly owned by NOV and are being transferred within NOV. The combined statement of income also includes expense allocations for certain corporate functions historically performed by NOV, and not allocated to its operating segments, including allocations of general corporate expenses related to executive oversight, accounting, treasury, tax, legal, procurement and information technology. These allocations are based primarily on specific identification of time and/or activities associated with NOV Inc., employee headcount or capital expenditures. Management believes the assumptions underlying the combined financial statements, including the assumptions regarding allocating general corporate expenses from NOV, are reasonable. Nevertheless, the combined financial statements may not include all of the actual expenses that would have been incurred had we been a stand-alone public company during the periods presented and may not reflect our combined results of operations, financial position and cash flows had we been a stand-alone public company during the periods presented. Actual costs that would have been incurred if we 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.

**2. Summary of Significant Accounting Policies**

*Fair Value of Financial Instruments*

The carrying amounts of financial instruments including cash and cash equivalents, receivables, and payables approximated fair value because of the relatively short maturity of these instruments. Cash equivalents include only those investments having a maturity date of three months or less at the time of purchase.

*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 our historical usage of inventory on-hand as well as our future expectations. The allowance, which totaled \$31 million and \$32 million at December 31, 2013 and 2012, respectively, is the amount necessary to reduce the cost of the inventory to its net realizable value.

### Property, Plant and Equipment

Property, plant and equipment are recorded 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 operations as incurred. Disposals are removed at cost less accumulated depreciation with any resulting gain or loss reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of individual items. Depreciation expense was \$11 million, \$8 million and \$4 million for the years ended December 31, 2013, 2012 and 2011, respectively. The estimated useful lives of the major classes of property, plant and equipment are included in Note 6 to the combined financial statements.

### Intangible Assets

The Company has approximately \$333 million of goodwill and \$68 million of identified intangible assets at December 31, 2013. Generally accepted accounting principles require the Company to test goodwill for impairment at least annually or more frequently whenever events or circumstances occur indicating that such assets might be impaired.

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

	<u>United States</u>	<u>Canada</u>	<u>International</u>	<u>Total</u>
Balance at December 31, 2011	\$ 21	\$ 14	\$ 17	\$ 52
Goodwill acquired during period	183	103	5	291
Currency translation adjustments and other	—	—	—	—
Balance at December 31, 2012	\$ 204	\$ 117	\$ 22	\$ 343
Currency translation adjustments and other	(2)	(8)	—	(10)
Balance at December 31, 2013	<u>\$ 202</u>	<u>\$ 109</u>	<u>\$ 22</u>	<u>\$ 333</u>

Identified intangible assets with determinable lives consist primarily of customer relationships, trademarks, trade names, patents, and technical drawings acquired in acquisitions, and are being amortized on a straight-line basis over the estimated useful lives of 2-30 years. Amortization expense of identified intangibles is expected to be approximately \$6 million in each of the next five years.

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

	<u>United States</u>	<u>Canada</u>	<u>International</u>	<u>Total</u>
Balance at December 31, 2011	\$ —	\$ 1	\$ 19	\$ 20
Additions to intangible assets	55	2	1	58
Amortization	(2)	—	(2)	(4)
Balance at December 31, 2012	\$ 53	\$ 3	\$ 18	\$ 74
Amortization	(3)	(1)	(2)	(6)
Balance at December 31, 2013	<u>\$ 50</u>	<u>\$ 2</u>	<u>\$ 16</u>	<u>\$ 68</u>

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

	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
<b>December 31, 2012:</b>			
Trademarks	\$ 58	\$ (3)	\$ 55
Customer relationships	13	(2)	11
Patents	5	—	5
Other	4	(1)	3
Total identified intangibles	<u>\$ 80</u>	<u>\$ (6)</u>	<u>\$ 74</u>
<b>December 31, 2013:</b>			
Trademarks	\$ 58	\$ (6)	\$ 52
Customer relationships	13	(3)	10
Patents	5	—	5
Other	4	(3)	1
Total identified intangibles	<u>\$ 80</u>	<u>\$ (12)</u>	<u>\$ 68</u>

The Company performed its annual impairment analysis for its goodwill during the fourth quarter of 2013 resulting in no impairment. The valuation techniques used in the annual test were consistent with those used during previous testing. The inputs used in the annual test were updated for current market conditions and forecasts.

#### *Foreign Currency*

The functional currency for most of our foreign operations is the local 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. Certain other foreign operations, including our operations in Norway, use the U.S. dollar as the functional currency. 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 functional currency are included in income. Net foreign currency transaction gains (losses) were \$(2) million, \$(3) million and nil for the years ending December 31, 2013, 2012 and 2011, respectively, and are included in other income (expense) in the accompanying combined statements of income.

#### *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 combined statements of income.

#### *Cost of Products*

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

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### *Operating and Warehousing Costs*

Operating and Warehousing Costs include branch location and distribution center expenses (including compensation, benefits and rent).

### *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*

We grant credit to our customers, which operate primarily in the oil and gas industry. Concentrations of credit risk are limited because we have a large number of geographically diverse customers, thus spreading trade credit risk. We control credit risk through credit evaluations, credit limits and monitoring procedures. We perform periodic credit evaluations of our customers' financial condition and generally do 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. Accounts receivable are net of allowances for doubtful accounts of approximately \$22 million and \$15 million at December 31, 2013 and 2012.

### *Stock-Based Compensation*

Compensation expense for the Company's participation in NOV'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 NOV stock option grants and NOV 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, including various employee stock option plans.

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Total compensation cost that has been charged against income for all share-based compensation arrangements was \$6 million, \$6 million and \$5 million for 2013, 2012 and 2011, respectively. The total income tax benefit recognized in the income statement for all share-based compensation arrangements was \$2 million, \$2 million and \$2 million for 2013, 2012 and 2011, respectively.

#### *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 accounting principles generally accepted in the United States 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. Such estimates include but are not limited to, estimated losses on accounts receivable, estimated realizable value on excess and obsolete inventory, estimated accruals for vendor consideration, contingencies, estimated liabilities for litigation exposures, estimates related to the fair value of reporting units for purposes of assessing for impairment and estimates related to deferred tax assets and liabilities, including valuation allowances on deferred tax assets. 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 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, we accrue 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. Related Party Transactions and Net Parent Company Investment**

#### *Allocation of General Corporate Expenses*

The combined financial statements include expense allocations for certain functions provided by NOV as well as other NOV employees not solely dedicated to NOW Inc., 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 share-based compensation. These expenses have been allocated to NOW Inc. on the basis of direct usage when identifiable, with the remainder allocated on the basis of operating profit, headcount or other measure. During 2013, 2012 and 2011, NOW Inc. was allocated \$9 million, \$7 million and \$7 million, respectively, of general corporate expenses incurred by NOV which is included within selling, general and administrative expenses in the combined statements of operations.

The expense allocations have been determined on a basis that is considered to be a reasonable reflection of the utilization of services provided or the benefit received by the Company during the periods presented. The allocations do not, however, reflect the expense the Company would have incurred as an independent, publicly traded company for the periods presented. 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.

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### Net Parent Company Investment

Net contributions from (distributions to) net parent company investment are included within net parent company investment on the Combined Statements of Net Parent Company Investment and Comprehensive Income. The components of the net transfers from/(to) parent as of December 31, 2013, 2012 and 2011 are as follows (in millions):

	December 31,		
	2013	2012	2011
Net contributions from (distributions to) parent company per the combined changes in net parent company investment	<u>\$(151)</u>	<u>\$ 1,293</u>	<u>\$ 48</u>
Less: Net income	<u>(147)</u>	<u>(108)</u>	<u>(85)</u>
Contributions from (distributions to) parent company per the statement of cash flows	<u>\$(298)</u>	<u>\$ 1,185</u>	<u>\$(37)</u>

The combined financial statements include certain assets and liabilities that have historically been held at the parent company corporate level but which are specifically identifiable or otherwise allocable to the Company. The cash and cash equivalents held by the parent company at the corporate level are not specifically identifiable to NOW Inc. and therefore were not allocated to it for any of the periods presented. Cash and equivalents in the Company's combined balance sheets primarily represent cash held locally by entities included in its combined financial statements. Transfers of cash to and from the parent company's cash management system are reflected as a component of net parent company investment on the combined balance sheets.

All significant intercompany transactions between NOW Inc. and the parent company have been included in these combined financial statements and are considered to be effectively settled for cash in the combined financial statements at the time the transaction is recorded when the underlying transaction is to be settled in cash by the parent company. The total net effect of the settlement of these intercompany transactions is reflected in the combined statements of cash flow as a financing activity and in the combined balance sheets as parent company investment.

#### 4. Acquisitions

##### 2012

In the year ended December 31, 2012, the Company completed three acquisitions for an aggregate purchase price of \$1,113 million, net of cash acquired, including the following:

- All the shares of Wilson International, Inc. ("Wilson"), a U.S.-based distributor of pipe, valves and fittings as well as mill, tool and safety products, acquired on May 31, 2012.
- All the shares of CE Franklin Ltd. ("CE Franklin"), a Canada-based distributor of pipe, valves, flanges, fittings, production equipment, tubular products and other general oilfield supplies to oil and gas producers in Canada as well as to the oil sands, refining, heavy oil, petrochemical, forestry and mining industries, acquired on July 19, 2012.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of each 2012 acquisition (in millions):

	<u>Wilson</u>	<u>CE Franklin</u>	<u>Other</u>	<u>Total</u>
Current assets, net of cash acquired	\$ 797	\$ 202	\$ 4	\$ 1,003
Property, plant and equipment	20	13	—	33
Intangible assets	56	2	—	58
Goodwill	217	74	—	291
Other assets	2	1	—	3
Total assets acquired	<u>1,092</u>	<u>292</u>	<u>4</u>	<u>1,388</u>
Current liabilities	218	55	—	273
Other liabilities	2	—	—	2
Total liabilities	<u>220</u>	<u>55</u>	<u>—</u>	<u>275</u>
Cash consideration, net of cash acquired	<u>\$ 872</u>	<u>\$ 237</u>	<u>\$ 4</u>	<u>\$ 1,113</u>

The Company allocated \$58 million to intangible assets (20 year weighted-average life), comprised of trademarks. Goodwill specifically includes the expected synergies and other benefits that the Company believes will result from combining its operations with those of businesses acquired and other intangible assets that do not qualify for separate recognition, such as assembled workforce in place at the date of each acquisition. The amount allocated to goodwill represents the excess of the purchase price over the fair value of the net assets acquired. Goodwill resulting from the Wilson acquisition is deductible for tax purposes while the CE Franklin acquisition is not deductible for tax purposes.

#### *Unaudited Pro Forma Financial Information*

The unaudited financial information in the table below summarizes the combined results of operations of NOV's legacy distribution business, Wilson and CE Franklin, on a pro forma basis, as though the companies had been combined as of the beginning of each of the periods presented. The pro forma financial information is presented for informational purposes only and may not be indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of each of the periods presented. The pro forma financial information for all periods presented includes the business combination accounting effect on historical Wilson and CE Franklin revenues, adjustments to depreciation on acquired property, amortization charges from acquired intangible assets, financing costs on new debt in connection with the acquisition and related tax effects.

The unaudited pro forma financial information for the years ended December 31, 2012 and 2011 combines the historical results for NOW Inc. for the years ended December 31, 2012 and 2011 and the historical results for Wilson and CE Franklin for the years ended December 31, 2012 and 2011 (in millions):

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Total revenues	<u>\$4,613</u>	<u>\$4,260</u>
Net income	<u>\$ 164</u>	<u>\$ 141</u>

#### *2011*

The Company acquired all of the shares of Capital Valves Limited, a U.K.-based valve distributor to the energy industry, on February 23, 2011 for approximately \$30 million. Of the purchase price, approximately \$11 million was allocated to goodwill and \$22 million to intangibles.

## 5. Inventories, net

Inventories consist of (in millions):

	December 31,	
	2013	2012
Finished goods	\$881	\$ 1,047
Less: inventory reserves	(31)	(32)
Total	<u>\$850</u>	<u>\$ 1,015</u>

## 6. Property, Plant and Equipment

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

	Estimated Useful Lives	December 31,	
		2013	2012
Information technology equipment	1-7 Years	\$ 44	\$ 49
Land and buildings	5-35 Years	62	33
Operating equipment	3-15 Years	57	33
		163	115
Less: accumulated depreciation		(61)	(54)
Total		<u>\$ 102</u>	<u>\$ 61</u>

## 7. Accrued Liabilities

Accrued liabilities consist of (in millions):

	December 31,	
	2013	2012
Compensation and other related expenses	\$ 24	\$ 30
Customer prepayments	18	41
Taxes (non income)	25	18
Other	32	24
Total	<u>\$99</u>	<u>\$113</u>

## 8. Employee Benefit Plans

We have benefit plans covering substantially all of our 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, 2013, 2012 and 2011, expenses for defined-contribution plans were \$9 million, \$6 million, and \$4 million, respectively, and all funding is current. The Company sponsors one defined benefit plan in the UK which is frozen. This plan as of December 31, 2013 has a projected benefit obligation of \$4 million and plan assets of \$5 million. The net asset is presented within other assets on the combined balance sheets.

## 9. Commitments and Contingencies

We are involved in various other claims, regulatory agency audits and pending or threatened legal actions involving a variety of matters. At December 31, 2013, 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 our opinion, any ultimate liability, to the extent not otherwise recorded or accrued for, will not materially affect our financial position, cash flow or results of operations. To the extent a resolution is not negotiated as anticipated, we cannot predict the timing or effect that any resulting government actions may have on our 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.

Our 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 our business. Although we have not incurred material costs in connection with our 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 us.

The Company leases certain facilities and equipment under operating leases that expire at various dates through 2023. 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 \$70 million, \$50 million, and \$22 million in 2013, 2012 and 2011, respectively.

Future minimum lease commitments under noncancellable operating leases with initial or remaining terms of one year or more at December 31, 2013, are payable as follows (in millions):

2014	\$ 62
2015	42
2016	29
2017	24
2018	21
Thereafter	<u>52</u>
Total future lease commitments	<u>\$230</u>

## 10. Common Stock

### *NOV Stock Options*

Stock option information summarized below includes amounts for the National Oilwell Varco Long-Term Incentive Plan related to those employees of NOW Inc. upon separation. NOV options outstanding at December 31, 2013 under the stock option plans have exercise prices between \$14.11 and \$84.58 per share, and expire at various dates from March 12, 2014 to February 16, 2023.

The following summarizes options activity:

	Years Ended December 31,					
	2013		2012		2011	
	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price
Shares under option at beginning of year	482,992	\$65.11	580,208	\$51.87	597,583	\$39.75
Granted	252,745	69.33	142,636	84.58	170,424	79.80
Exercised	(57,082)	72.85	(214,292)	81.54	(174,713)	78.20
Cancelled	(86,945)	72.48	(25,560)	74.32	(13,086)	59.70
Shares under option at end of year	591,710	\$68.12	482,992	\$65.11	580,208	\$51.87
Exercisable at end of year	253,471	\$60.34	187,091	\$50.66	217,197	\$43.11

The following summarizes information about stock options outstanding at December 31, 2013:

Range of Exercise Price	Weighted-Avg Remaining Contractual Life	Options Outstanding		Options Exercisable	
		Shares	Weighted-Avg Exercise Price	Shares	Weighted-Avg Exercise Price
\$14.11—\$45.00	5.16	112,647	\$38.11	112,647	\$38.11
\$45.01—\$70.00	8.60	250,334	68.78	26,750	64.16
\$70.01—\$84.58	7.65	228,729	82.19	114,074	81.39
Total	7.57	591,710	\$68.12	253,471	\$60.34

The weighted-average fair value of options granted during 2013, 2012 and 2011, was approximately \$24.10, \$30.01 and \$29.52 per share, respectively, as determined using the Black-Scholes option-pricing model. The total intrinsic value of options exercised during 2013 and 2012, was \$2 million and \$8 million, respectively.

The determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our 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, and actual and projected employee stock option exercise activity. The use of the Black Scholes model requires the use of extensive actual employee exercise activity data and the use of a number of complex assumptions including expected volatility, risk-free interest rate, expected dividends and expected term.

Valuation Assumptions:	Years Ended December 31,		
	2013	2012	2011
Expected volatility	50.1%	51.7%	53.2%
Risk-free interest rate	0.9%	0.9%	2.1%
Expected dividends	\$0.75	\$0.57	\$0.44
Expected term (in years)	3.4	3.2	3.1

NOV used the actual volatility for traded options for the past 10 years prior to option date as the expected volatility assumption required in the Black Scholes model.

The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The dividend yield assumption is based on the history and expectation of dividend payouts. The estimated expected term is based on actual employee exercise activity for the past ten years.

As stock-based compensation expense recognized in the Combined Statement of Income in 2013 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. ASC Topic 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

The following summary presents information regarding outstanding options at December 31, 2013 and changes during 2013 with regard to options under all stock option plans:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2012	482,992	\$ 65.11		
Granted	252,745	\$ 69.33		
Exercised	(57,082)	\$ 72.48		
Cancelled	(86,945)	\$ 72.85		
Outstanding at December 31, 2013	<u>591,710</u>	\$ 68.12	7.57	\$ 6,750,550
Vested or expected to vest	<u>582,243</u>	\$ 68.12	7.57	\$ 6,642,542
Exercisable at December 31, 2013	253,471	\$ 60.34	6.09	\$ 4,864,833

At December 31, 2013, total unrecognized compensation cost related to nonvested stock options was \$5 million. This cost is expected to be recognized over a weighted-average period of two years. The total fair value of stock options vested in 2013, 2012 and 2011 was approximately \$3 million, \$4 million and \$4 million, respectively. Cash used to settle equity instruments granted under all share-based payment arrangements for 2013, 2012 and 2011 was not material for any period.

#### NOV Restricted Shares

During the year ended December 31, 2013, NOV granted 51,654 shares of restricted stock and restricted stock units with a fair value of \$69.33 per share. In addition, NOV granted performance share awards to senior management employees with potential payouts varying from zero to 11,236 shares with a fair value of \$68.26. The restricted stock and restricted stock units were granted February 15, 2013 and vest on the third anniversary of the date of grant. The performance share awards were granted on March 22, 2013 and can be earned based on performance against established goals over a three-year performance period. The performance share awards are divided into two equal, independent parts that are subject to two separate performance metrics: 50% with a TSR (total shareholder return) goal (the "TSR Award") and 50% with an internal ROC (return on capital) goal (the "ROC Award").

Performance against the TSR goal is determined by comparing the performance of NOV's TSR with the TSR performance of the members of the OSX index for the three year performance period. Performance against the ROC goal is determined by comparing the performance of NOV's actual ROC performance average for each of the three years of the performance period against the ROC goal set by NOV's Compensation Committee.

The following summary presents information regarding outstanding restricted shares:

	Years Ended December 31,					
	2013		2012		2011	
	Number of Units	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value
Nonvested at beginning of year	82,480	\$ 67.56	99,835	\$ 44.21	107,475	\$ 42.15
Granted	62,538	69.13	29,900	84.58	27,040	79.80
Vested	(20,900)	69.33	(25,650)	83.80	(32,100)	80.17
Cancelled	(21,430)	58.15	(21,605)	40.28	(2,580)	49.87
Nonvested at end of year	<u>102,688</u>	<u>\$ 73.73</u>	<u>82,480</u>	<u>\$ 67.56</u>	<u>99,835</u>	<u>\$ 44.21</u>

The weighted-average grant date fair value of restricted stock awards and restricted stock units granted during the years ended 2013, 2012 and 2011 was \$69.33, \$84.58 and \$79.80 per share, respectively. There were 20,900; 25,650 and 32,100 restricted stock awards that vested during 2013, 2012 and 2011, respectively. At December 31, 2013, there was approximately \$8 million of unrecognized compensation cost related to nonvested restricted stock awards and restricted stock units, which is expected to be recognized over a weighted-average period of two years.

## 11. Income Taxes

Income taxes as presented are calculated on a separate tax return basis and may not be reflective of the results that would have occurred on a standalone basis. NOW Inc.'s operations have historically been included in NOV's U.S. federal and state tax returns or non-U.S. jurisdictions tax returns.

With the exception of certain dedicated foreign entities, the Company does not maintain taxes payable to/from its parent and is deemed to settle the annual current tax balances immediately with the legal tax-paying entities in the respective jurisdictions. These settlements are reflected as changes in net parent company investment.

The Company determined the provision for income taxes using the asset and liability approach. Under this approach, deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities.

Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In assessing the need for a valuation allowance, the Company looked to the future reversal of existing taxable temporary differences, taxable income in carryback years, the feasibility of tax planning strategies and estimated future taxable income and determined a valuation allowance is not needed. The need for a valuation allowance can be affected by changes to tax laws, changes to statutory tax rates and changes to future taxable income estimates.

The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the combined financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

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

	<b>Years Ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Domestic	\$ 161	\$ 115	\$ 89
Foreign	61	50	39
	<u>\$ 222</u>	<u>\$ 165</u>	<u>\$ 128</u>

The components of the provision for income taxes consisted of (in millions):

	Years Ended December 31,		
	2013	2012	2011
<b>Current:</b>			
Federal	\$ 48	\$ 46	\$ 34
State	4	4	3
Foreign	20	14	17
Total current income tax provision	<u>72</u>	<u>64</u>	<u>54</u>
<b>Deferred:</b>			
Federal	6	(4)	(5)
State	—	1	—
Foreign	(3)	(4)	(6)
Total deferred income tax provision	<u>3</u>	<u>(7)</u>	<u>(11)</u>
Total income tax provision	<u>\$ 75</u>	<u>\$ 57</u>	<u>\$ 43</u>

The difference between the effective tax rate reflected in the provision for income taxes and the U.S. federal statutory rate was as follows (in millions):

	Years Ended December 31,		
	2013	2012	2011
Federal income tax at U.S. statutory rate	\$ 78	\$ 58	\$ 45
Foreign income tax rate differential	(5)	(5)	(3)
State income tax, net of federal benefit	3	2	2
Nondeductible expenses	2	1	1
Foreign dividends, net of foreign tax credits	(1)	1	(2)
Change in contingency reserve and other	(2)	—	—
Total income tax provision	<u>\$ 75</u>	<u>\$ 57</u>	<u>\$ 43</u>

Significant components of our deferred tax assets and liabilities were as follows (in millions):

	December 31,		
	2013	2012	2011
<b>Deferred tax assets:</b>			
Allowances and operating liabilities	\$ 31	\$ 27	\$ 16
Net operating loss carryforwards	1	—	—
Book over tax depreciation	2	1	1
Other	2	1	—
Total deferred tax assets	<u>36</u>	<u>29</u>	<u>17</u>
<b>Deferred tax liabilities:</b>			
Tax over book depreciation	(2)	—	—
Intangible assets	(14)	(9)	(5)
Total deferred tax liabilities	<u>(16)</u>	<u>(9)</u>	<u>(5)</u>
Net deferred tax asset	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 12</u>

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Unrecognized tax benefit at beginning of year	\$ 2	\$ 2	\$ 2
Reductions for lapse of applicable statutes of limitations	(2)	—	—
Unrecognized tax benefit at end of year	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 2</u>

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.

The Company is subject to taxation in the United States, various states and foreign jurisdictions. The Company has significant operations in the United States, Canada, the United Kingdom, Indonesia, and Norway. 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 2007 and outside the U.S. for the tax years ending after 2006.

In the United States, the Company has no net operating loss carryforwards as of December 31, 2013.

Outside the United States, the Company has \$1 million of net operating loss carryforwards as of December 31, 2013, most of which will carry forward indefinitely.

Also in the United States, the Company has \$3 million of excess foreign tax credits as of December 31, 2013.

Undistributed earnings of certain of the Company's foreign subsidiaries amounted to \$87 million and \$97 million at December 31, 2013 and 2012, respectively. Those 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 condition of the Company.

## 12. Business Segments and Primary End-Market

The Company's operations consist of three reportable segments: United States, Canada and International.

### *United States*

We have more than 200 locations in the U.S., which are geographically positioned to best serve the upstream, midstream and downstream energy and industrial markets. Our U.S. branch network was significantly expanded with the locations added through the Wilson acquisition, which has enabled us to broaden our customer base, leverage our inventory and purchasing power and enhance our position in the midstream and downstream energy and industrial markets.

Approximately 75% of our U.S. locations are Energy Branches. Our Energy Branches primarily serve the upstream and midstream sectors of the oil and gas industry with locations in every major land and offshore area of the country. Within our branch network, we have a team of sales and operations professionals trained in the

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products, applications and customer service required to support our customers as they drill, explore, produce, transport and refine oil and gas products. Our locations offer a comprehensive line of products, including line pipe, valves, fittings and flanges, OEM spare parts, mill supplies, tools, safety supplies, personal protective equipment and miscellaneous expendable items. We also have a team of technical professionals who provide expertise in applied products, and applications, such as artificial lift systems, coatings, electrical products, gas meter runs and valve actuation. The midstream segment is served through many of the same Energy Branches, including the locations added as part of the Wilson acquisition.

The balance of our U.S. locations are Supply Chain locations, which serve the upstream and downstream energy and industrial end markets and our customer on-site locations. Through our network of upstream and downstream and industrial facilities staffed by skilled personnel, we provide products primarily to refineries, chemical companies, utilities, manufacturers and engineering and construction companies in the areas of the country where these markets are situated. Our primary product offering for the upstream and downstream and industrial markets includes all grades of pipe, valves, fittings, mill supplies, tools and safety supplies. Additionally, our upstream and downstream and industrial branches offer safety equipment, repair and maintenance, and also provide planning, sourcing and expediting of orders throughout the lifecycle of large capital projects. Our Supply Chain locations serve many oil and gas operators and drilling contractors. Supply Chain customers outsource procurement functions to us, which brings our sizeable vendor network to their doorstep and enables them to benefit from on-site management of their warehouses, inventory, materials, projects, logistics and manufacturing tool cribs. Customers engage our Supply Chain solutions to improve their bottom lines and accelerate their time to market through the identification and implementation of measurable operational efficiencies. To achieve this, we partner with our customers to review their current operations, allowing us to make informed recommendations regarding the restructuring of processes and inventories. Our Supply Chain solutions result in long term partnerships because they are customized to each customers' requirements, guided by a strategic framework, and are not easily replicated.

We also have extensive one-stop shop specialty operations in the U.S. that provide our customers a unique way to purchase artificial lift, valves and valve actuation, measurement and controls, fluid transfer and flow optimization, which enables them to better focus on their core business. In these businesses, we provide additional value to our customers through the design, assembly, fabrication and optimization of products and equipment essential to the safe and efficient production of oil and gas.

### *Canada*

We have a network of over 70 branches in the Canadian oilfield, predominantly in the oil rich provinces of Alberta and Saskatchewan in Western Canada. Our Canada segment primarily serves the energy exploration, production and drilling business, offering customers the same products and value-added solutions that we perform in the U.S. In Canada, we also provide training and supervise the installation of fiberglass pipe, supported by substantial inventory on the ground to serve our customers.

### *International*

We operate in over 20 countries and serve the needs of our international customers from more than 30 locations outside of the U.S. and Canada, all of which are strategically located in major oil and gas development areas. Our approach in these markets is similar to our approach in the U.S., as our customers look to us to provide inventory and support closer to their drilling and exploration activities. Our long legacy of operating in many international regions, combined with significant recent expansion into several new key markets, provides a significant competitive advantage as few of our competitors have a presence in all of these markets.

*Business Segments:*

	<u>United States</u>	<u>Canada</u>	<u>International</u>	<u>Total</u>
<b>December 31, 2013</b>				
Revenues	\$ 2,863	\$ 773	\$ 660	\$ 4,296
Operating profit	134	47	43	224
Depreciation and amortization	11	3	3	17
Long-lived assets	86	13	3	102
Goodwill	202	109	22	333
Total assets	1,582	411	190	2,183
<b>December 31, 2012</b>				
Revenues	\$ 2,257	\$ 591	\$ 566	\$ 3,414
Operating profit	94	37	37	168
Depreciation and amortization	7	2	3	12
Long-lived assets	40	16	5	61
Goodwill	204	117	22	343
Total assets	1,603	549	221	2,373
<b>December 31, 2011</b>				
Revenues	\$ 917	\$ 305	\$ 419	\$ 1,641
Operating profit	73	30	25	128
Depreciation and amortization	3	—	3	6
Long-lived assets	10	4	5	19
Goodwill	21	14	17	52
Total assets	577	146	106	829

*Primary End-Market:*

The following table presents combined revenues by primary end-market (in millions):

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Energy Branches	\$ 3,581	\$ 2,961	\$ 1,641
Supply Chain	715	453	—
Total	<u>\$ 4,296</u>	<u>\$ 3,414</u>	<u>\$ 1,641</u>

Our Energy Branches are the legacy brick and mortar supply store operations that provide products to multiple upstream and midstream customers from a single location. These branches serve repeat customers, across a variety of pricing models. Our Supply Chain group targets a broader customer segment to include downstream, upstream, industrial and manufacturing, in which our customers are generally contractually committed to source from us under a single business model that includes a fixed pricing structure. We are typically integrated into our customers' facilities; have on-site NOW Inc. branches and inventory committed to a specific customer; perform duties otherwise managed by our customers; manage third party materials on behalf of our customers; employ vending machines and/or tool cribs to store and dispense materials on-demand; and have a much greater component of technology to enable e-commerce and key performance indicators to be measured and reported specifically to each customer. While Energy Branches and Supply Chain serve different markets, in some cases customers require the similar products resulting in some overlap of products carried and sold.



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

Product Category	Years Ended December 31,		
	2013	2012	2011
Drilling and production	\$ 987	\$ 860	\$ 623
Pipe	845	621	148
Valves	839	569	197
Fittings and flanges	664	522	197
Mill tool, MRO, safety and other	961	842	476
Total	<u>\$4,296</u>	<u>\$3,414</u>	<u>\$1,641</u>

The change in product categories is primarily due to the 2012 acquisitions of Wilson and CE Franklin.

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**SCHEDULE II**

**NOW Inc.**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**Years Ended December 31, 2013, 2012 and 2013**

	<u>Balance beginning of year</u>	<u>Additions (Deductions) charged to costs and expenses</u>	<u>Charge off s and other</u>	<u>Balance end of year</u>
Allowance for doubtful accounts:				
2013	\$ 15	\$ 9	\$ (2)	\$ 22
2012	6	14	(5)	15
2011	7	2	(3)	6
Allowance for excess and obsolete inventories:				
2013	\$ 32	\$ 5	\$ (6)	\$ 31
2012	22	16	(6)	32
2011	22	5	(5)	22

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Shareholders  
NOW Inc.

In our opinion, the accompanying combined balance sheet and the related combined statements of income and cash flows, present fairly, in all material respects, the financial position of Wilson Distribution (the "Company") at December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion. The balance sheet of the Company as of December 31, 2010 was audited by other auditors whose report dated January 2, 2012 expressed an unqualified opinion.

/s/ PricewaterhouseCoopers LLP

Houston, Texas  
March 8, 2012

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## INDEPENDENT AUDITORS REPORT

To the Board of Directors and Shareholders  
National Oilwell Varco, Inc.

We have audited the accompanying combined statements of income and cash flows of Wilson Distribution (“the Company”) for the five month period ended May 31, 2012, and the related notes to the combined financial statements.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined results of the Company’s operations and cash flows for the five month period ended May 31, 2012 in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Houston, Texas  
February 26, 2014

**WILSON DISTRIBUTION  
COMBINED BALANCE SHEET  
(In millions)**

	<u>December 31, 2011</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 5
Receivables less allowance for doubtful accounts (\$1.7 million)	240
Inventories	478
Deferred taxes	13
Other current assets	<u>3</u>
	739
Fixed assets less accumulated depreciation	20
Goodwill	73
Intangible assets	28
Other current assets	<u>1</u>
	<u>\$ 861</u>
<b>Liabilities and Owner's Investment</b>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 222
Estimated liability for taxes on income	<u>44</u>
	266
Deferred taxes	11
Other liabilities	<u>15</u>
	292
Schlumberger investment in Wilson	<u>569</u>
	<u>\$ 861</u>

The accompanying notes are an integral part of these statements.

**WILSON DISTRIBUTION**  
**COMBINED STATEMENTS OF INCOME**  
(In millions)

	Period Ended May 31, 2012	Year Ended December 31, 2011
<b>Revenue</b>	<u>\$ 1,061</u>	<u>\$ 2,066</u>
<b>Expenses</b>		
Cost of goods sold	891	1,746
Selling, general and administrative	122	233
Depreciation and amortization	2	4
Retention bonuses	—	2
Stock-based compensation	—	1
Income before taxes	46	80
Taxes on income	16	30
Net income	30	\$ 50
Noncontrolling interest	4	—
Net income attributable to Wilson	<u>\$ 26</u>	<u>\$ 50</u>

The accompanying notes are an integral part of these statements.

**WILSON DISTRIBUTION**  
**COMBINED STATEMENTS OF CASH FLOWS**  
(In millions)

	Period Ended May 31, 2012	Year Ended December 31, 2011
<b>Cash flows from operating activities</b>		
Net income	\$ 30	\$ 50
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2	5
Deferred income taxes	1	3
Other	—	2
Change in operating assets and liabilities:		
Receivables	(43)	(23)
Inventories	(11)	(115)
Accounts payable and accrued liabilities	17	61
Income taxes payable	(44)	11
Other assets/liabilities, net	1	(11)
Net cash used in operating activities	<u>(47)</u>	<u>(17)</u>
<b>Cash flows from investing activities</b>		
Capital expenditures	—	(5)
Net cash used in investing activities	<u>—</u>	<u>(5)</u>
<b>Cash flows from financing activities</b>		
Net transactions with Schlumberger	77	24
Net cash provided by financing activities	<u>77</u>	<u>24</u>
Net increase in cash and cash equivalents	30	2
Cash and cash equivalents, beginning of period	5	3
Cash and cash equivalents, end of period	<u>\$ 35</u>	<u>\$ 5</u>

The accompanying notes are an integral part of these statements.

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## Notes to Combined Financial Statements

### 1. Business Description

Wilson Distribution (“Wilson”) is an industry leading provider of pipes, valves, and fittings; mill, tool and safety products . Wilson offers a diverse range of products to the upstream, midstream and downstream energy segments and other industries through its distribution network of over 200 locations.

Wilson became a wholly owned subsidiary of Schlumberger Limited (“Schlumberger”) on August 27, 2010, when Schlumberger acquired all of the outstanding shares of Smith International, Inc. Under the terms of the transaction, Smith International, Inc. became a wholly owned subsidiary of Schlumberger. On May 31, 2012, all the outstanding shares of Wilson were acquired by National Oilwell Varco, Inc.

### 2. Summary of Accounting Policies

The Combined Financial Statements of Wilson and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America.

#### *Principles of Combination*

The accompanying Combined Financial Statements includes the accounts of Wilson International, Inc. and Wilson Distribution Holding B. V. All intercompany transactions between the Wilson companies have been eliminated.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, Wilson evaluates its estimates, including those related to collectability of accounts receivable; valuation of inventories; recoverability of goodwill and intangible assets and contingencies. Wilson bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

#### *Revenue Recognition*

Wilson recognizes revenue based upon purchase order, contracts or other persuasive evidence of an arrangement with the customer that include fixed or determinable prices provided that collectability is reasonably assured. Revenue is recognized for products upon delivery, when the customer assumes the risk and rewards of ownership.

#### *Cash and Cash Equivalents*

Wilson considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

#### *Translation of Non-United States Currencies*

The functional currency of Wilson is primarily the U.S. dollar. Assets and liabilities recorded in currencies other than U.S. dollars, which are not significant, are translated at period end exchange rates.

#### *Inventories*

Inventories, which consist entirely of finished goods, are stated at average cost or at market, whichever is lower.



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### *Fixed Assets and Depreciation*

Fixed assets are stated at cost less accumulated depreciation, which is provided for by charges to income over the estimated useful lives of the assets using the straight-line method. Expenditures for replacements and improvements are capitalized. Maintenance and repairs are charged to operating expenses as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the balance sheet and the net amount, less proceeds from disposal, is charged or credited to income.

### *Goodwill, Other Intangibles and Long-lived Assets*

Wilson records the excess of purchase price over the fair value of the tangible and identifiable intangible assets acquired as goodwill. Goodwill is tested for impairment annually as well as when an event or change in circumstance indicates an impairment may have occurred. Wilson performed a qualitative assessment for purposes of its annual goodwill impairment test and determined that it is more likely than not that the fair value of Wilson was greater than its carrying amount. Accordingly, no further testing was required.

Long-lived assets, including fixed assets and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In reviewing for impairment, the carrying value of such assets is compared to the estimated undiscounted future cash flows expected from the use of the assets and their eventual disposition. If such cash flows are not sufficient to support the asset's recorded value, an impairment charge is recognized to reduce the carrying value of the long-lived asset to its estimated fair value. The determinations of future cash flows as well as the estimated fair value of long-lived assets involve significant estimates on the part of management. If there is a material change in economic conditions or other circumstances influencing the estimate of future cash flows or fair value, Wilson could be required to recognize impairment charges in the future.

In connection with Schlumberger's acquisition of Smith International, Inc., approximately \$73 million of goodwill and \$30 million of intangible assets were allocated to Wilson.

### *Taxes on Income*

Wilson computes taxes on income in accordance with the tax rules and regulations where the income is earned. Taxable income may differ from pretax income for financial accounting purposes. To the extent that differences are due to revenue or expense items reported in one period for tax purposes and in another period for financial accounting purposes, an appropriate provision for deferred income taxes is made. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. When it is more likely than not that a portion or all of the deferred tax asset will not be realized in the future, Wilson provides a corresponding valuation allowance against deferred tax assets.

Wilson International, Inc. is included in the consolidated U.S. federal income tax return of Schlumberger's U.S. subsidiary. Schlumberger's policy for intercompany allocation of U.S. federal income taxes provides that Wilson compute the provision for U.S. federal income taxes on a separate company basis. Schlumberger's U.S. federal tax returns for the years from 2005 to 2011 are either currently under audit or remain open and subject to examination by the tax authorities.

Schlumberger's tax filings are subject to regular audit by the tax authorities. These audits may result in assessments for additional taxes which are resolved with the authorities or, potentially, through the courts. Wilson recognizes the impact of a tax position in its financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. Tax liabilities are recorded based on estimates of additional taxes which will be due upon the conclusion of these audits. Estimates of these tax liabilities are made based upon prior experience and are updated in light of changes in facts and circumstances. However, due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in liabilities which could be materially different from these estimates. In such an event, Wilson will record additional tax expense or tax benefit in the year in which such resolution occurs.

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### Concentration of Credit Risk

Wilson's assets that are exposed to concentrations of credit risk consist primarily of receivables from customers. Such receivables are derived from many customers and Wilson maintains an allowance for uncollectible accounts receivable based on expected collectability and performs ongoing credit evaluations of its customers' financial condition.

The majority of Wilson's revenues are generated from customers in the energy sector, which includes major multinational and independent oil companies, pipeline companies and contract drilling companies. One customer represented approximately 18% Wilson's revenue during 2011. Approximately 95% of Wilson's revenue during 2011 was derived in the United States.

### 3. Fixed Assets

A summary of fixed assets follows (in millions):

	<b>December 31, 2011</b>
Land	\$ 4
Buildings & improvements	18
Machinery & equipment	36
	58
Less accumulated depreciation	(38)
	<u>\$ 20</u>

The estimated useful lives generally range from 20 to 40 years for buildings and 3 to 10 years for machinery and equipment. Leasehold improvements are amortized over the lives of the leases or the estimated useful lives of the improvements, whichever is shorter.

Depreciation expense relating to fixed assets was \$1.6 million for the period ended May 31, 2012 and \$3.3 million for the year ended December 31, 2011.

### 4. Intangible Assets

Intangible assets consist of tradenames and trademarks and are being amortized over 25 years. At December 31, the gross book value and accumulated amortization of intangible assets were as follows (in millions):

	<b>December 31, 2011</b>
Gross book value	\$ 30
Less accumulated depreciation	(2)
	<u>\$ 28</u>

Amortization expense was \$0.5 million for the period ended May 31, 2012 and \$1.2 million for the year ended December 31, 2011 and is estimated to be \$1.2 million for each of the next five years.

## 5. Income Taxes

The components of income tax expense for the year ended December 31, 2011 was as follows (in millions):

	Period Ended May 31, 2012	Year Ended December 31, 2011
Current		
United States—Federal	\$ 12	\$ 23
United States—State	1	2
Outside United States	2	2
	<u>15</u>	<u>27</u>
Deferred		
United States—Federal	1	3
	<u>\$ 16</u>	<u>\$ 30</u>

A reconciliation of the United States statutory federal tax rate (35%) to the combined effective tax rate for the year ended December 31, 2011 is:

	Period Ended May 31, 2012	Year Ended December 31, 2011
U.S. statutory federal rate	35%	35%
U.S. state income taxes	2%	2%
Other	(2)%	1%
Effective income tax rate	<u>35%</u>	<u>38%</u>

The components of net deferred tax assets (liabilities) were as follows (in millions):

	December 31, 2011
Inventory	\$ 8
Accounts receivable	1
Employee benefits	2
Intangible assets	(11)
Other, net	2
	<u>\$ 2</u>

## 6. Leases and Lease Commitments

Total rent expense was approximately \$7 million for the period ended May 31, 2012 and \$17 million for the year ended December 31, 2011. Future minimum rental commitments under noncancelable leases for each of the next five years are as follows (in millions):

2012	\$ 12
2013	9
2014	7
2015	7
2016	4
Thereafter	3
	<u>\$ 42</u>

## 7. Contingencies

Wilson is party to various legal proceedings from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. Management believes that the probability of a material loss is remote. However, litigation is inherently uncertain and it is not possible to predict the ultimate disposition of these proceedings.

## 8. Pension and Other Benefit Plans

Wilson sponsors a defined benefit pension plan covering certain employees in the United States. Future benefit accruals and the addition of new participants were frozen in 2003 and prior. The expense relating to this plan for the five months ended May 31, 2012 and the year ended December 31, 2011 was not significant.

	December 31, 2011
Projected benefit obligation	\$ 7
Fair value of plan assets	5
Unfunded liability	<u>\$ 2</u>

The projected benefit obligation at May 31, 2012 and December 31, 2011 was determined based on a discount rate of 3.50%.

The weighted-average allocation of the plan assets by asset category are as follows:

	December 31, 2011
Equity securities	39%
Debt securities	54%
Other investments	7%
	<u>100%</u>

The expected benefits to be paid under the pension plan are as follows (in millions):

2012	\$ 2.0
2013	0.1
2014	0.4
2015	0.1
2016	0.6
2017—2021	2.9

Wilson maintains the Wilson 401(k) Retirement Plan under which participating employees may voluntarily contribute a percentage of their compensation, as defined. Wilson makes matching contributions to each participant's account up to 6 percent of qualified compensation. In addition, discretionary profit-sharing contributions may be provided based upon Wilson's financial performance to participants who are employed by Wilson on December 31.

Wilson recognized expense totaling approximately \$2 million and \$6 million related to company contributions to the plan during the five months ended May 31, 2012 and the year ended December 31, 2011, respectively.

## 9. Stock Compensation Plans

### *Stock Options*

Key employees are granted stock options under Schlumberger Limited stock option plans. For all of the stock options granted, the exercise price of each option equals the average of the high and low sales prices of Schlumberger Limited stock on the date of the grant; an option's maximum term is generally ten years, and options vest in increments over five years.

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions and resulting weighted-average assumptions and resulting weighted-average fair value per share:

Dividend yield	1.2%
Expected volatility	37%
Risk free interest rates	2.7%
Expected option life	7.0 years
Weighted-average fair value per share	\$ 31.50

Under the plans, employees of Wilson were granted stock options of 59,500 shares of Schlumberger Limited stock in 2011.

#### *Discounted Stock Purchase Plan*

Under the terms of the Schlumberger Limited discounted stock purchase plan (“DSPP”), employees can choose to have a portion of their earnings withheld, subject to certain restrictions, to purchase Schlumberger Limited common stock. The purchase price of the stock is 92.5% of the lower of the stock price at the beginning or end of the plan period at six-month intervals. Under the plan, Schlumberger Limited sold 11,380 shares to Wilson employees in 2011.

The fair value of the employees’ purchase rights under the DSPP was estimated using the Black-Scholes model with the following assumptions and resulting weighted average fair value per share:

Dividend yield	1.2%
Expected volatility	28%
Risk free interest rates	0.2%
Weighted-average fair value per share	\$ 12.80

#### *Total Stock-Based Compensation Expense*

The following summarizes stock-based compensation expense recognized in income (in millions):

	<b>Period Ended May 31, 2012</b>	<b>Year Ended December 31, 2011</b>
Stock options	\$ 0.2	\$ 0.4
DSPP	—	0.1
<b>Total stock-based compensation expense</b>	<b>\$ 0.2</b>	<b>\$ 0.5</b>

As of December 31, 2011, there was \$1.7 million of total unrecognized compensation cost related to nonvested stock options. Approximately \$0.4 million is expected to be recognized in each of 2012, 2013, 2014 and 2015 and \$0.1 million in 2016.

## **10. Related Party Transactions**

Working capital and other financing needs for Wilson are funded by Schlumberger. As of May 31, 2012 and December 31, 2011, the cumulative advances from Schlumberger was approximately \$228 million and \$230 million, respectively. These amounts are reflected as a component of equity on the accompanying Combined Balance Sheet.

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The following is an analysis of the movement of the Schlumberger investment in Wilson (in millions):

Balance at January 1, 2011	\$ 495
Net income	50
Net transactions with Schlumberger	<u>24</u>
Balance at December 31, 2011	\$ 569
Net income	13
Net transactions with Schlumberger	<u>(2)</u>
Balance at May 31, 2012	\$ 580

Sales to Schlumberger and its subsidiaries were approximately \$58 million during 2011. Included in the accompanying combined balance sheet within accounts receivable are \$14 million of net receivables from Schlumberger at December 31, 2011. Sales to Schlumberger and its subsidiaries were approximately \$32 million during period ending May 31, 2012. Included in the accompanying combined balance sheet within accounts receivable are \$26 million of net receivables from Schlumberger at May 31, 2012.

Selling, general and administrative includes charges from Schlumberger of approximately \$18 million in 2011. These charges primarily relate to certain support services performed by employees of Schlumberger to Wilson.

In connection with Schlumberger's acquisition of Smith International, Inc., retention bonuses of \$2.8 million were paid to Wilson employees during 2011, of which approximately \$1.7 million of this was recognized as expense during 2011. Such amount is included within Retention bonuses in the Combined Statement of Income. In connection with Schlumberger's planned sale of Wilson, retention bonuses of \$4 million were paid to employees during period ended May 31, 2012.

#### *Investment in CE Franklin*

On February 1, 2012, Smith International, Inc. contributed its approximately 56% equity interest in CE Franklin Ltd, a publicly owned Canadian distribution company, to Wilson. On May 31, 2012, Wilson contributed the entire 56% equity interest back to Smith International, Inc. The results of operations during the five month period ended May 31, 2012 reflect the consolidation of these operations into Wilson for the period under which Wilson had a majority ownership of CE Franklin.

**FOR IMMEDIATE RELEASE**

**Contact: Daniel Molinaro**  
**(281) 823-4941**

**NOW INC. SPINS OFF FROM NATIONAL OILWELL VARCO, INC.**

HOUSTON, May 30, 2014 — NOW Inc. (NYSE: DNOW) spun off from National Oilwell Varco, Inc. (“NOV”) today, entering the market as one of the largest distributors to the energy industry. Effective as of 5:00 p.m. Eastern Time on May 30, 2014, DistributionNOW shares were distributed to NOV shareholders at a rate of one share of DistributionNOW common stock for every four shares of NOV common stock held as of 5:00 p.m. Eastern Time on May 22, 2014. Regular way trading of DistributionNOW common stock will begin on June 2, 2014. DistributionNOW stock will be traded on the NYSE under the ticker symbol “DNOW.”

“At our core, we are a distribution and supply chain services company focused on serving our energy and industrial customers,” said Robert Workman, DistributionNOW President and CEO. “This move benefits all our stakeholders. We will continue to grow our footprint in North America and internationally, provide more opportunities for our DistributionNOW team members and maximize profitability for shareholders. We are all extremely excited about the possibilities.”

*NOW Inc. is one of the largest distributors to the energy industry on a worldwide basis, with a legacy of over 150 years. NOW operates primarily under the DistributionNOW and Wilson Export brands. Through its network of over 300 locations and over 5,000 employees worldwide, NOW stocks and sells a comprehensive offering of energy products as well as an extensive selection of products for industrial applications. NOW also provides supply chain management solutions to energy and industrial manufacturing companies around the world.*

*Statements made in this press release that are forward-looking in nature are intended to be “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and may involve risks and uncertainties. These statements may differ materially from the actual future events or results. Readers are referred to documents filed by NOW Inc. with the Securities and Exchange Commission, including its registration statement on Form 10, which identify significant risk factors which could cause actual results to differ from those contained in the forward-looking statements.*

**FOR IMMEDIATE RELEASE**

**Contact: Daniel Molinaro**  
**(281) 823-4941**

**NOW INC. ADDS FIVE NEW DIRECTORS TO COMPLETE ITS BOARD**

HOUSTON, May 30, 2014 — NOW Inc. (NYSE: DNOW) announced today the election of the following five new directors to the board of directors (“Board”): Richard Alario, Terry Bonno, James Crandell, Galen Cobb and Michael Frazier. Messrs. Alario, Crandell, Cobb and Frazier and Ms. Bonno join Merrill A. “Pete” Miller, Jr., Robert R. Workman, Rodney W. Eads and J. Wayne Richards, who have been serving as directors of DistributionNOW since its registration statement on Form 10 went effective earlier this month.

DistributionNOW’s Board will be chaired by Pete Miller, DistributionNOW’s Executive Chairman.

Pete Miller, DistributionNOW’s Executive Chairman, remarked, “I am excited and delighted to welcome Dick, Terry, Jim, Galen and Michael to our board to join Rodney and Wayne as our other outside independent directors. Each member brings a vast amount of experience and different perspective and skill set to the Board that will help DistributionNOW continue to grow its business and increase profitability. Robert and I look forward to working with each board member on this exciting new venture.”

*NOW Inc. is one of the largest distributors to the energy industry on a worldwide basis, with a legacy of over 150 years. NOW operates primarily under the DistributionNOW and Wilson Export brands. Through its network of over 300 locations and over 5,000 employees worldwide, NOW stocks and sells a comprehensive offering of energy products as well as an extensive selection of products for industrial applications. NOW also provides supply chain management solutions to energy and industrial manufacturing companies around the world.*

*Statements made in this press release that are forward-looking in nature are intended to be “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and may involve risks and uncertainties. These statements may differ materially from the actual future events or results. Readers are referred to documents filed by NOW Inc. with the Securities and Exchange Commission, including its registration statement on Form 10, which identify significant risk factors which could cause actual results to differ from those contained in the forward-looking statements.*