

**IMPORTANT UNITED STATES FEDERAL INCOME TAX INFORMATION
CONCERNING THE NOW INC. STOCK DISTRIBUTION**

THE INFORMATION AND EXAMPLES SET FORTH HEREIN ARE FOR GENERAL INFORMATION PURPOSES ONLY AND FOR SHAREHOLDERS WHO ACQUIRED THEIR SHARES OF DNOW THROUGH THEIR OWNERSHIP OF NOV SHARES. EACH SHAREHOLDER SHOULD SEEK THE GUIDANCE OF THEIR OWN TAX ADVISOR OR ACCOUNTANT.

Distribution of NOW Inc. Common Stock

On May 30, 2014, National Oilwell Varco, Inc. (“NOV”) distributed all of the outstanding shares of common stock of NOW Inc. (“NOW”) to the holders of common stock of NOV as of the close of business on May 22, 2014 (the “Record Date”) (the “Spin-Off”).

In the Spin-Off, each NOV shareholder received one (1) share of NOW common stock for every four (4) shares of NOV common stock held by such shareholder as of the Record Date. Fractional shares of NOW were not distributed. Instead, all fractional shares of NOW common stock were aggregated for all NOV shareholders and sold in the public market. Each shareholder that would otherwise have been entitled to a fractional share will receive a check that represents cash in lieu of such fractional share.

The following discussion explains certain United States federal income tax consequences of the Spin-Off and describes how to allocate your tax basis between your existing NOV common stock and the new NOW common stock you received in the Spin-Off.

Tax Treatment of Spin-Off

In connection with the Spin-Off, NOV received a tax opinion from Locke Lord LLP substantially to the effect that the receipt of NOW common stock by NOV shareholders pursuant to the Spin-Off will qualify for non-recognition treatment under Section 355 of the Internal Revenue Code of 1986, as amended. Under such treatment, NOV shareholders will not incur United States federal income tax upon the receipt of shares of NOW common stock in the Spin-Off. However, an NOV shareholder that received cash in lieu of a fractional share will recognize gain or loss in an amount equal to the difference between the cash received and the tax basis of such fractional share, as described below.

Tax Basis

Your tax basis in the NOV common stock you owned immediately before the Spin-Off must be allocated between your NOV common stock and the shares of the NOW common stock you received in the Spin-Off (including any fractional share for which you received cash). This allocation is based on the relative “fair market values” of your NOV common stock and your NOW common stock.

If you acquired NOV common stock prior to the Spin-Off at different times and at different prices, you will need to calculate a separate tax basis for each block of NOV common stock you owned and then allocate the basis in each block of stock separately to the NOW common stock you received in the Spin-Off. In addition, a proportionate amount of the aggregate tax basis allocated to your shares of NOV common stock must be further allocated to any fractional shares of NOW common stock resulting from the sale of such fractional shares on your behalf. The allocation of tax basis to a fractional share is determined by multiplying the aggregate tax basis for the shares of NOV common stock (as determined based upon the above-described allocation) by a fraction the numerator of which is the amount of the fractional share and the denominator of which is the total amount of shares of NOV common stock (including the fractional share).

United States federal income tax law does not specify how you should determine the fair market values of the shares. You should consult your tax advisor to determine what measure of fair market value is appropriate.

One potential approach for determining value is to use the average of the high and low trading prices of the NOV common stock and the NOW common stock on the first regular trading day for the NOW common stock (June 2, 2014). Based on this approach, 89.89177% of your pre-Spin-Off tax basis would be allocated to your NOV common stock and 10.10823% would be allocated to your NOW common stock (including any fractional share), calculated as shown on the Exhibit hereto.

Example of Tax Basis Allocation

Assume that Shareholder A owns 21 shares of NOV common stock and has an aggregate tax basis in those shares of \$1,000.00. Shareholder A would have received 5.25 shares of NOW common stock in the Spin-Off if fractional shares had been distributed ($21/4 = 5.25$). Because fractional shares were not distributed, Shareholder A received 5 shares and cash in lieu of the 0.25 fractional share. Assume that Shareholder A chooses to use the average high-low trading price on June 2, 2014 as the method of determining the fair market values of its NOV common stock and NOW common stock. Shareholder A's tax basis in its NOV common stock and NOW common stock would be determined as follows:

Tax basis in 21 shares of NOV common stock = $\$1,000 \times 89.89177\% = \898.92

Tax basis in 5.25 shares of NOW common stock = $\$1,000 \times 10.10823\% = \101.08

After Shareholder A allocates its aggregate tax basis in its NOV common stock between its shares of NOV common stock and shares of NOW common stock, Shareholder A would make a further allocation of its tax basis in its shares of NOW common stock to the fractional shares of NOW common stock in order to compute gain or loss with respect to the cash received from the sale of the fractional share (and correspondingly reduce the tax basis for its remaining 5 whole shares of NOW common stock).

Tax basis in 0.25 fractional share of NOW common stock = $(\$101.08/5.25) \times 0.25 = \4.81

Final tax basis in 5 whole shares of NOW common stock = $\$101.08 - \$4.81 = \$96.27$

These calculations are summarized in the following table:

<u>Shares</u>	<u>Number of Shares</u>	<u>Tax Basis Allocation (total)</u>	<u>Tax Basis Allocation (per share)</u>
NOV	21	\$898.92	\$42.81
NOW	5	\$96.27	\$19.25
NOW (fractional share)	0.25	\$4.81	n/a
Total Tax Basis		\$1,000.00	

Additional United States Federal Income Tax Reporting Requirements Applicable Only to Certain Large Shareholders

If you held at least 5% of the outstanding NOV common stock immediately before the Spin-Off, then pursuant to Treasury Regulation § 1.355-5(b) you are required to attach a statement describing the details of the Spin-Off to your United States federal income tax return for the period that includes the distribution date of May 30, 2014.

THE INFORMATION SET FORTH ABOVE IS FOR GENERAL INFORMATION PURPOSES ONLY AND DOES NOT PURPORT TO ADDRESS ALL ASPECTS OF FEDERAL TAXATION THAT MAY BE RELEVANT TO A PARTICULAR SHAREHOLDER. THIS INFORMATION DOES NOT CONSTITUTE TAX ADVICE AND MAY NOT BE APPLICABLE TO SHAREHOLDERS WHO ARE NOT CITIZENS OR RESIDENTS OF THE UNITED STATES. NOR DOES IT ADDRESS TAX CONSEQUENCES THAT MAY VARY WITH YOUR INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, YOU ARE URGED TO CONSULT YOUR TAX ADVISOR TO DETERMINE THE APPLICATION OF THE INFORMATION SET FORTH ABOVE TO YOUR INDIVIDUAL CIRCUMSTANCES AND THE PARTICULAR FEDERAL, FOREIGN, STATE AND LOCAL TAX CONSEQUENCES OF THE SPIN-OFF TO YOU.

CIRCULAR 230 DISCLAIMER. THIS DOCUMENT WAS NOT WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF

AVOIDING ANY U. S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON.

EXHIBIT

Determination of the Fair Market Values of NOV Common Stock and NOW Common Stock After the Spin-Off Utilizing the Average High-Low Trading Price Allocation Methodology

The Spin-Off occurred as of the close of business on May 30, 2014. The first regular trading day for the NOW common stock was June 2, 2014. As discussed above, one potential method of determining value is to use the average of the high and low trading prices of NOV common stock and NOW common stock on the first regular trading day for the NOW common stock. The trading prices and basis allocation percentages using this method, which you and your tax advisor may find useful, are set forth in Table A and Table B below.

Table A
Trading Prices

<u>Common Stock</u>	Average High-Low Trading Price <u>June 2, 2014</u>
NOV (value per share)	\$74.545
NOW (value per share)	\$33.530
NOW (implied value for each NOW share as if there were an equal number of NOW and NOV shares outstanding)	\$8.3825 ¹

Table B
Basis Allocation Percentages

<u>Common Stock</u>	Average High-Low Trading Price <u>Allocation %</u>
NOV Value (per share) (a)	\$74.545
NOW Implied Value (per share) (b)	\$8.3825
(a) + (b) = (c)	\$82.9275
NOV Basis Allocation % = (a)/(c)	89.89177%
NOW Basis Allocation % = (b)/(c)	10.10823%

¹ \$33.530/4 using the 1 to 4 distribution ratio.