DISTRIBUTION NOW

2015 Notice of Annual Meeting & Proxy Statement

May 27, 2015 | Houston, TX

DISTRIBUTION NOW

April 17, 2015

Dear Stockholder:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders of NOW Inc., which will be held on Wednesday, May 27, 2015 at 10:00 a.m., local time, at the Company's corporate headquarters located at 7402 N. Eldridge Parkway, Houston, Texas 77041.

The accompanying notice of meeting and proxy statement contain information regarding the matters to be voted on at the meeting in the formal Notice of Meeting and Proxy Statement, which are included on the following pages of this booklet.

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted at the meeting, so please submit your proxy as soon as possible. You may vote by mailing a completed proxy card, by telephone, or over the Internet. If you so desire, you may withdraw your proxy and vote in person at the meeting.

Also included in this booklet as Appendix A is NOW Inc.'s 2014 Annual Report on Form 10K, which we are distributing to the Company's stockholders in lieu of a separate annual report.

Thank you for your continued support of and interest in NOW Inc.

Sincerely,

Robert Workman
President and Chief Executive Officer

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NOW INC.
7402 N. Eldridge Parkway
Houston, Texas 77041

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 27, 2015

DATE:	Wednesday, May 27, 2015
TIME:	10:00 a.m. (Houston time)
PLACE:	DistributionNOW 7402 N. Eldridge Parkway Houston, Texas 77041

The 2015 annual meeting of stockholders of NOW Inc. will be held at the Company's corporate headquarters located at 7402 N. Eldridge Parkway, Houston, Texas on Wednesday, May 27, 2015, at 10:00 a.m. local time, for the following purposes:

- To elect three directors to hold office for a three-year term;
- To consider and act upon a proposal to ratify the appointment of Ernst & Young LLP as independent auditors of the Company for 2015;
- To consider and act upon an advisory proposal to approve the compensation of our named executive officers;
- To consider and act upon an advisory proposal regarding the frequency of the advisory vote on named executive officer compensation;
- To consider and vote on the approval of the NOW Inc. Annual Cash Incentive Plan for Executive Officers; and
- To consider and act upon any other matters that may properly come before the annual meeting or any postponement or adjournment thereof.

The Board of Directors recommends that you vote "FOR" the election of the three nominees for director (Proposal 1), "FOR" the proposal to ratify the appointment of Ernst & Young LLP as Independent Auditors of the Company for 2015 (Proposal 2), "FOR" the approval of the compensation of our named executive officers (Proposal 3) and "FOR" the proposal to approve the NOW Inc. Annual Cash Incentive Plan for Executive Officers (Proposal 5).

The Board of Directors recommends that the advisory vote on named executive officer compensation be conducted on an annual basis (Proposal 4).

The Board of Directors has set April 9, 2015 as the record date for the annual meeting of the stockholders ("Annual Meeting"). If you were a stockholder of record at the close of business on April 9, 2015, you are entitled to vote at the Annual Meeting. A complete list of these stockholders will be available for examination at the Annual Meeting and during ordinary business hours at our offices at 7402 N. Eldridge Parkway, Houston, Texas 77041 for a period of ten days prior to the Annual Meeting.

You are cordially invited to join us at the Annual Meeting. However, to ensure your representation, we request that you return your signed proxy card at your earliest convenience, whether or not you plan to attend the Annual Meeting. You may revoke your proxy at any time if you wish to attend and vote in person.

By Order of the Board of Directors

/s/ Raymond Chang

Raymond Chang
Vice President, General Counsel and Secretary

Houston, Texas
April 17, 2015

NOW INC.

7402 N. Eldridge Parkway

Houston, Texas 77041

PROXY STATEMENT

Except as otherwise specifically noted in this Proxy Statement, "NOW", the "Company," "we," "our," "us," and similar words in this Proxy Statement refer to NOW Inc.

ANNUAL MEETING:	Date:	Wednesday, May 27, 2015
	Time:	10:00 a.m. (Houston time)
	Place:	DistributionNOW 7402 N. Eldridge Parkway Houston, Texas 77041

AGENDA:

Proposal 1: To elect three nominees as directors of the Company for a term of three years.

Proposal 2: To ratify the appointment of Ernst & Young LLP as independent auditors of the Company.

Proposal 3: To approve, on an advisory basis, the compensation of our named executive officers.

Proposal 4: To recommend a frequency for the advisory vote on named executive officer compensation.

Proposal 5: To approve the NOW Inc. Annual Cash Incentive Plan for Executive Officers.

The Board of Directors recommends that you vote "FOR" the election of the three nominees for director (Proposal 1), "FOR" the proposal to ratify the appointment of Ernst & Young LLP as Independent Auditors of the Company for 2015 (Proposal 2), "FOR" the approval of the compensation of our named executive officers (Proposal 3) and "FOR" the proposal to approve the NOW Inc. Annual Cash Incentive Plan for Executive Officers (Proposal 5).

The Board of Directors recommends that the advisory vote on named executive officer compensation be conducted on an annual basis (Proposal 4).

RECORD DATE/ WHO CAN VOTE: All stockholders of record at the close of business on April 9, 2015 are entitled to vote. The only class of securities entitled to vote at the Annual Meeting is NOW common stock. Holders of NOW common stock are entitled to one vote per share at the Annual Meeting.

PROXIES SOLICITED BY: Your vote and proxy is being solicited by the Board of Directors for use at the Annual Meeting. This Proxy Statement and enclosed proxy card is being sent on behalf of the Board of Directors to all stockholders beginning on or about April 17, 2015. By completing, signing and returning your proxy card, you will authorize the persons named on the proxy card to vote your shares according to your instructions.

PROXIES: If your properly executed proxy does not indicate how you wish to vote your common stock, the persons named on the proxy card will vote FOR election of the three nominees for director (Proposal 1), FOR the ratification of the appointment of Ernst & Young LLP as independent auditors (Proposal 2), FOR the approval of the compensation of our named executive officers (Proposal 3), FOR the frequency of the advisory vote on named executive officer compensation to be on an annual basis (Proposal 4), and FOR the approval of the NOW Inc. Annual Cash Incentive Plan for Executive Officers (Proposal 5).

REVOKING YOUR PROXY: You can revoke your proxy at any time prior to the time that the vote is taken at the meeting by: (i) filing a written notice revoking your proxy; (ii) filing another proxy bearing a later date; or (iii) casting your vote in person at the Annual Meeting. Your last vote will be the vote that is counted.

QUORUM: As of April 9, 2015, there were 109,329,010 shares of NOW common stock issued and outstanding. The holders of these shares have the right to cast one vote for each share held by them. The presence, in person or by proxy, of stockholders entitled to cast at least 54,664,506 votes constitutes a quorum for adopting the proposals at the Annual Meeting. Abstentions will be included in determining the number of shares present at the meeting for the purpose of determining a quorum, as will broker non-votes. A broker non-vote occurs when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given. If you have properly signed and returned your proxy card by mail, you will be considered part of the quorum, and the persons named on the proxy card will vote your shares as you have instructed them.

VOTE REQUIRED FOR APPROVAL: For the proposal to elect the three director nominees (Proposal 1), our bylaws require that each director nominee be elected by the majority of votes cast with respect to such nominee (i.e., the number of shares voted "for" a director nominee must exceed the number of shares voted "against" that nominee). For additional information regarding our majority voting policy, see page 9 of the proxy statement. You cannot abstain in the election of directors and broker non-votes are not counted. **Brokers are not permitted to vote your shares on the election of directors in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.**

Approval of the proposal to ratify the appointment of Ernst & Young LLP as independent auditors (Proposal 2), the proposal to approve the compensation of our named executive officers (Proposal 3), and the proposal to approve the NOW Inc. Annual Cash Incentive Plan for

Executive Officers (Proposal 5), will require the affirmative vote of a majority of the shares of our common stock entitled to vote and present in person or by proxy. An abstention will have the same effect as a vote "against" such proposal. **With respect to Proposals 3 and 5, brokers are not permitted to vote your shares in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.**

For the frequency of the advisory vote on executive officer compensation (Proposal 4), stockholders will be able to cast their votes on whether to hold say-on-pay votes every one, two or three years. The choice which receives the highest number of votes will be deemed the choice of the stockholders. **With respect to Proposal 4, brokers are not permitted to vote your shares on the frequency of the advisory vote on compensation of our named executive officers in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.**

MULTIPLE PROXY CARDS:

If you receive multiple proxy cards, this indicates that your shares are held in more than one account, such as two brokerage accounts, and are registered in different names. You should vote each of the proxy cards to ensure that all of your shares are voted.

HOUSEHOLDING:

The U.S. Securities and Exchange Commission, or SEC, has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a copy of these materials, other than the Proxy Card, to those stockholders. This process, which is commonly referred to as "householding," can mean extra convenience for stockholders and cost savings for the Company. Beneficial stockholders can request information about householding from their banks, brokers, or other holders of record. Through householding, stockholders of record who have the same address and last name will receive only one copy of our Proxy Statement and Annual Report, unless one or more of these stockholders notifies us that they wish to continue receiving individual copies. This procedure will reduce printing costs and postage fees.

Stockholders who participate in householding will continue to receive separate Proxy Cards. If you are eligible for householding, but you and other stockholders of record with whom you share an address currently receive multiple copies of Proxy Statements and Annual Reports, or if you hold stock in more than one account and wish to receive only a single copy of the Proxy Statement or Annual Report for your household, please contact Broadridge Householding Department, in writing, at 51 Mercedes Way, Edgewood, New York 11717, or by phone at (800) 542-1061. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Proxy Statement and Annual Report, please notify your broker if you are a beneficial stockholder.

COST OF PROXY SOLICITATION:	We have retained InvestorCom, Inc. to solicit proxies from our stockholders at an estimated fee of $5,500, plus expenses. This fee does not include the costs of preparing, printing, assembling, delivering and mailing the Proxy Statement. The Company will pay for the cost of soliciting proxies. Some of our directors, officers and employees may also solicit proxies personally, without any additional compensation, by telephone or mail. Proxy materials also will be furnished without cost to brokers and other nominees to forward to the beneficial owners of shares held in their names.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on Wednesday, May 27, 2015.

The Company's 2015 Proxy Statement and the Annual Report to Stockholders for the year ended 2014 are also available at:

http://www.proxyvote.com

For directions to the Annual Meeting, please contact investor relations at 281-823-4700.

PLEASE VOTE -- YOUR VOTE IS IMPORTANT

ELECTION OF DIRECTORS
PROPOSAL NO. 1 ON THE PROXY CARD

The Board of Directors of NOW Inc. (the "Board") is divided into three classes, each class serving a term of three years. Directors whose terms expire this year include: Terry Bonno, Galen Cobb, and James Crandell.

Terry Bonno, Galen Cobb, and James Crandell are nominees for directors for a three-year term expiring at the Annual Meeting in 2018, or when their successors are elected and qualified. We believe each of the nominees will be able to serve if elected. However, if any nominee is unable to serve, the remaining members of the Board have authority to nominate another person, elect a substitute, or reduce the size of the Board. Directors whose terms expire in 2016 and 2017 will continue to serve in accordance with their prior election or appointment. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Vote Required for Approval

NOW's Bylaws require that each director be elected by the majority of votes cast with respect to such director in uncontested elections (the number of shares voted "for" a director nominee must exceed the number of votes cast "against" that nominee). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors would be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. Whether an election is contested or not is determined as of a date that is 14 days in advance of when we file our definitive proxy statement with the SEC. This year's election was determined to be an uncontested election, and the majority vote standard will apply. If a nominee who is serving as a director is not elected at the annual meeting, Delaware law provides that the director would continue to serve on the Board as a "holdover director." However, under our Bylaws and Corporate Governance Guidelines, each director must submit an advance, contingent, irrevocable resignation that the Board may accept if the director fails to be elected through a majority vote. In that situation, the Nominating/Corporate Governance Committee would make a recommendation to the Board about whether to accept or reject the resignation, or whether to take other action. The Board will act on the Nominating/Corporate Governance Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. If a nominee who was not already serving as a director fails to receive a majority of votes cast at the annual meeting, Delaware law provides that the nominee does not serve on the Board as a "holdover director." In 2015, all director nominees are currently serving on the Board.

Brokers are not permitted to vote your shares on the election of directors in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.

Information Regarding Nominees for Director for Terms Expiring in 2015:

Name	Age	Expiration Date of Current Term	Biography	Year First Became Director
Terry Bonno	57	2015	Ms. Bonno has been a director of the Company since May 2014. Ms. Bonno has served as a Senior Vice President of Marketing for Transocean Ltd since 2011 and Vice President Marketing since 2008 with oversight of Transocean's marketing in 14 countries. Additionally, her role included managing Turnkey/Project Management Organization (Applied Drilling Technology UK) from 2013 until its recent disposition and sale to private equity. Prior to this role she served in various Director and Management roles at Transocean Ltd leading the Marketing and Contracts efforts for West Africa and the Americas from 2001 until 2008. Prior to being acquired by Transocean Ltd., she served in a Director Marketing and Contracts role for Turnkey Drilling with RBFalcon and Global Marine (a wholly owned subsidiary of Applied Drilling Technology Inc. (ADTI)) from 1993 until 2001. During her time with Global Marine from 1982 to 1999 she served in various Accounting Management roles.	2014
Galen Cobb	61	2015	Mr. Cobb has been a director of the Company since May 2014. Mr. Cobb has served as Vice President Industry Relations for Halliburton since 2002, and is responsible for Halliburton's industry relations global activities, energy trade policy issues, executive client relations, and trade organization oversight. He has worked for Halliburton for over thirty-nine years serving in various executive management positions in operations, marketing, sales and business development. From 1991 to 1994, he was Director CIS and China with oversight in establishing Halliburton's presence and operations in these emerging markets. Later he was named Director Executive Sales and Business Development with expanded responsibilities for the worldwide development and promotion of Halliburton's services and products.	2014

Name	Age	Expiration Date of Current Term	Biography	Year First Became Director
James Crandell	61	2015	Mr. Crandell has been a director of the Company since May 2014. Mr. Crandell has served as Managing Director of Cowen and Company since 2013. Mr. Crandell served as Managing Director of Dahlman Rose from 2011 until its acquisition by Cowen and Company in 2013. Previously, he served as Managing Director at Barclays Capital plc from 2008 until 2011. Mr. Crandell was Managing Director for Lehman Brothers starting in 1999 until its acquisition by Barclays Capital in 2008. From 1981 until 1998, he held various posts at Salomon Brothers, including managing director, senior oil services analyst and director of U.S. equity research, before his promotion to global coordinator of equity research in 1994. Mr. Crandell has more than 30 years of experience as a Wall Street analyst focusing on oilfield services & equipment.	2014

YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE IN FAVOR OF THE ELECTION OF THE THREE NOMINEES FOR DIRECTOR.

Information Regarding Continuing Directors:

Name	Age	Expiration Date of Current Term	Biography	Year First Became Director
Richard Alario	60	2017	Mr. Alario has been a director of the Company since May 2014. Mr. Alario has served as Chairman of the Board, President and Chief Executive Officer of Key Energy Services, Inc., a provider of a complete range of well intervention services, since 2004. Prior to joining Key Energy Services, Mr. Alario was employed by BJ Services Company, an oilfield services company, where he served as Vice President from 2002 after OSCA, Inc. was acquired by BJ Services. Prior to joining BJ Services, Mr. Alario had over 21 years of service in various capacities with OSCA, an oilfield services company, most recently having served as its Executive Vice President. He currently serves as ex-officio chairman, director and executive committee member of the National Ocean Industries Association. He is also a director of Kirby Corporation.	2014
Rodney Eads	64	2017	Mr. Eads has been a director of the Company since May 2014. Mr. Eads has served as President of Eads Holdings, LLC, a wholly owned private investment firm since 2009. Mr. Eads previously served as Chief Operating Officer and Executive Vice President of Pride International Inc. from 2006 until 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 until 2006. From 1977 to 1997, he served in several executive and operations management positions with Exxon Corporation, primarily in international assignments.	2014
Michael Frazier	65	2016	Mr. Frazier has been a director of the Company since May 2014. Mr. Frazier has been with Simmons & Company International, an independent investment bank specializing in the energy industry, since 1992. In 2002 and 2005, he was appointed President and Chief Executive Officer of Simmons, respectively, and in 2009 appointed Chairman. Mr. Frazier serves on the boards of both Simmons & Company International and Simmons & Company International Limited. He also serves on the board of Energy Opportunities Capital Management. Prior to joining Simmons, Mr. Frazier was actively involved in the exploration and production of oil and gas as an independent operator.	2014

Name	Age	Expiration Date of Current Term	Biography	Year First Became Director
Merrill Miller, Jr.	64	2017	Mr. Miller has been a director of the Company and its Chairman of the Board since May 2014. Mr. Miller was elected Executive Chairman of the Company in February 2014. Mr. Miller served as a director of National Oilwell Varco from May 2001, and Chairman of its Board from July 2005, until the Company's spin-off from National Oilwell Varco in May 2014. Mr. Miller served as Executive Chairman of National Oilwell Varco from February 2014 until May 2014. He also served as Chief Executive Officer of National Oilwell Varco from May 2001 until February 2014, and as President from November 2000 until December 2012. Mr. Miller 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. Miller is also on the board of directors of Transocean Ltd., a company that provides offshore contract drilling services for energy companies.	2014
J. Wayne Richards	55	2016	Mr. Richards has been a director of the Company since May 2014. 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 was 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 until 2011 when 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.	2014
Robert Workman	46	2016	Mr. Workman has been a director of the Company since May 2014. Mr. Workman was elected President and Chief Executive Officer of the Company in February 2014. Mr. Workman served as National Oilwell Varco's President – Distribution Services from January 2001 until the Company's spin-off in May 2014. He previously served National Oilwell Varco 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.	2014

COMMITTEES AND MEETINGS OF THE BOARD

Committees

The Board of Directors appoints committees to help carry out its duties. The Board of Directors has the following standing committees: Audit, Compensation, and Nominating/Corporate Governance. Last year, the Board of Directors met 2 times and the committees met a total of 7 times. Mr. Miller and Mr. Workman do not serve on any committees. The following table sets forth the committees of the Board of Directors and their members as of the date of this proxy statement, as well as the number of meetings each committee held during 2014:

Director	Audit Committee	Compensation Committee	Nominating/Corporate Governance Committee
Merrill Miller, Jr.			
Robert Workman			
Richard Alario		+	•
Terry Bonno	•		
Galen Cobb	•		
James Crandell		•	•
Rodney Eads	+		
Michael Frazier		•	+
J. Wayne Richards	•		
Number of Meetings Held in 2014	4	2	1

(+) Denotes Chair

Attendance at Meetings

Each incumbent director attended at least 75% of the meetings of the Board and committees of which that director was a member.

Audit Committee

Messrs. Eads (Chairman), Cobb, Richards and Ms. Bonno are the current members of the Audit Committee. All members of this committee are “independent” within the meaning of the rules governing audit committees by the New York Stock Exchange, or NYSE.

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee’s primary duties and responsibilities are to:

- monitor the integrity of the Company’s financial statements, financial reporting processes, systems of internal controls regarding finance, and disclosure controls and procedures;
- select and appoint the Company’s independent auditors, pre-approve all audit and non-audit services to be provided, consistent with all applicable laws, to the Company by the Company’s independent auditors, and establish the fees and other compensation to be paid to the independent auditors;
- monitor the independence and performance of the Company’s independent auditors and internal audit function;

- establish 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 provide an avenue of communication among the independent auditors, management, the internal audit function and the Board of Directors;
- prepare an audit committee report as required by the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy statement; and
- monitor the Company's compliance with legal and regulatory requirements.

A copy of the Audit Committee Charter is available on the Company's website, www.distributionnow.com, under the Investor Relations/Corporate Governance section.

Audit Committee Financial Expert
The Board of Directors has determined that all members of the Audit Committee meet the NYSE standard of having accounting or related financial management expertise and meet the SEC's criteria of an Audit Committee Financial Expert.

Compensation Committee

Messrs. Alario (Chairman), Crandell and Frazier are the current members of the Compensation Committee. All members of the Compensation Committee are independent as defined by the applicable NYSE listing standards.

The Compensation Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee's primary duties and responsibilities are to:

- discharge the Board's responsibilities relating to compensation of the Company's directors and executive officers;
- approve and evaluate all compensation of directors and executive officers, including salaries, bonuses, and compensation plans, policies and programs of the Company; and
- administer all plans of the Company under which shares of common stock may be acquired by directors or executive officers of the Company.

A copy of the Compensation Committee Charter is available on the Company's website, www.distributionnow.com, under the Investor Relations/Corporate Governance section.

Compensation Committee Interlocks and Insider Participation. Messrs. Alario, Crandell, and Frazier served on the Compensation Committee during 2014. None of these members is a former or current officer or employee of the Company or any of its subsidiaries, is involved in a relationship requiring disclosure as an interlocking executive officer/director, or had any relationship requiring disclosure under Item 404 of Regulation S-K.

Nominating/Corporate Governance Committee

Messrs. Frazier (Chairman), Alario and Crandell are the current members of the Nominating/Corporate Governance Committee. All members of the Nominating/Corporate Governance Committee are independent as defined by the applicable NYSE listing standards.

The Nominating/Corporate Governance Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee's primary duties and responsibilities are to:

- ensure that the Board and its committees are appropriately constituted so that the Board and directors may effectively meet their fiduciary obligations to stockholders and the Company;
- identify individuals qualified to become Board members and recommend to the Board director nominees for each annual meeting of stockholders and candidates to fill vacancies in the Board;
- recommend to the Board annually the directors to be appointed to Board committees;
- monitor, review, and recommend, when necessary, any changes to the Corporate Governance Guidelines; and
- monitor and evaluate annually the effectiveness of the Board and management of the Company, including their effectiveness in implementing the policies and principles of the Corporate Governance Guidelines.

A copy of the Nominating/Corporate Governance Committee Charter is available on the Company's website, www.distributionnow.com, under the Investor Relations/Corporate Governance section.

BOARD OF DIRECTORS

Director Nomination Process and Diversity Considerations

The Nominating/Corporate Governance Committee has the responsibility of identifying candidates for election as directors, reviewing background information relating to candidates for director, and recommending to the Board of Directors nominees for directors to be submitted to stockholders for election. It is the policy of the Committee to consider director candidates recommended by stockholders. Nominees to be evaluated by the Nominating/Corporate Governance Committee are selected by the Committee from candidates recommended by multiple sources, including other directors, management, stockholders, and candidates identified by independent search firms (which firms may be paid by the Company for their services), all of whom will be evaluated based on the same criteria. As of April 9, 2015, we had not received any recommendations from stockholders for potential director candidates. All of the current nominees for director are standing members of the Board that are proposed by the entire Board for re-election. Written suggestions for nominees should be sent to the Secretary of the Company at the address listed below.

The Board of Directors believes that nominees should reflect the following characteristics:

- have a reputation for integrity, honesty, candor, fairness and discretion;
- be knowledgeable, or willing to become so quickly, in the critical aspects of the Company's businesses and operations;
- be experienced and skillful in serving as a competent overseer of, and trusted advisor to, the senior management of at least one substantial enterprise; and
- have a range of talent, skill and expertise sufficient to provide sound and prudent guidance with respect to the full scope of the Company's operations and interests.

The Board considers diversity in identifying nominees for director. The Board seeks to achieve a mix of directors that represents a diversity of background and experience, including with respect to gender and race. The Board considers diversity in a variety of different ways and in a fairly expansive manner. The Board not only considers diversity concepts such as race and gender, but also diversity in the sense of differences in viewpoint, professional experience, education, skill and other qualities and attributes that contribute to board heterogeneity. Also considered as part of the diversity analysis is whether the individual has work experience in the Company's industry, or in the broader energy or industrial market. The Company believes the Board benefits from different viewpoints and experiences by having a mix of members of the Board who have experience in its industry and those who do not have such experience.

The Nominating/Corporate Governance Committee reviews Board composition annually to ensure that the Board reflects the knowledge, experience, skills, expertise, and diversity required for the Board to fulfill its duties. There are currently no directorship vacancies to be filled on the Board. If and when the need arises for the Company to add a new director to the Board, the Nominating/Corporate Governance Committee will take every reasonable step to ensure that diverse candidates (including, without limitation, women and minority candidates) are in the pool from which nominees are chosen and strive to obtain diverse candidates by searching in traditional corporate environments, as well as government, academia, and non-profit organizations.

Director Qualifications

The Company believes that each member of its Board of Directors possess the basic attributes of being a director of the Company, namely having a reputation for integrity, honesty, candor, fairness and discretion. Each director has also become knowledgeable in major aspects of the Company's business and operations, which has allowed the Board to provide better oversight functions to the Company. In addition to the experience, qualifications and skills of each director set forth in their biographies starting on page 10 of this proxy statement, the Company also considered the following factors in determining that the board member should serve on the Board:

Mr. Alario has served as the chief executive officer, president, and chairman of the board of a publicly traded company for the past 11 years. Mr. Alario has extensive experience in the oil service business, having worked in that industry for over 30 years. Mr. Alario has gained valuable board experience from his tenure as a director of Kirby Corporation, including from his service on its audit committee and as the chairman of its nominating/corporate governance committee. Through service in these roles, Mr. Alario has gained extensive experience in assessing the risks associated with various energy industry cycles.

Ms. Bonno provides valuable service and experience to the Audit Committee, due to her past and current experience serving on the financial committee, enterprise risk management committee, and disclosure committee at Transocean Ltd. Ms. Bonno has extensive experience in the oil service industry and a background in accounting with approximately 30 years of being a certified public accountant and experience overseeing the Sox Compliance Global Marketing Function. Ms. Bonno has dealt with all facets of potential risk areas for a global energy company and brings that experience and perspective to the Board.

Mr. Cobb provides valuable service and experience to the Audit Committee, due to his over 39 years of serving in various management positions for Halliburton. Mr. Cobb has developed experience and expertise in warehouse management and distribution, international operations, especially in emerging markets, as well as marketing and business development in a large corporate environment. As a result of this extensive experience, Mr. Cobb is very familiar with the strategic and project planning processes that impact the Company's business and continued development for growth.

Mr. Crandell has over 30 years of experience as a Wall Street analyst focusing on oilfield services and equipment. He has held positions of increasing importance at multiple investment firms, including serving as managing director of global oilfield services equity research. Given Mr. Crandell's extensive experience as an analyst covering the oilfield services sector, he is able to provide the Company useful and impactful information from a shareholder perspective. As such, Mr. Crandell's experience as an analyst of the energy industry helps provide a different perspective for the Company.

Mr. Eads provides valuable service and experience to the Audit Committee, due to his MBA degree and 40 years of experience in the energy industry and in his previous roles in senior executive management where he worked to help mitigate risk. Mr. Eads' significant international experience and deep expertise in drilling, supply chain management and construction projects, together with his 12 years of experience as an executive officer of two public companies, makes him well qualified to serve as a director of the Company.

Mr. Frazier has over 35 years of experience in investment banking specializing in the energy industry. He currently serves as president and chief executive officer of a private investment firm focused on the energy sector. Mr. Frazier has gained valuable outside board experience from serving on the boards of Simmons & Company International, Simmons & Company International Limited, and Energy Opportunities Capital Management.

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, to Executive Chairman. Mr. Miller has extensive experience with the Company and the oilfield 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 current tenure as a director of Chesapeake Energy Corporation and Transocean Ltd.

Mr. Richards provides valuable service and experience to the Audit Committee, due to his 30 years of experience in the oilfield products and services industry. Mr. Richards' experience serving as the chief executive officer of several companies and his experience in growing energy companies organically and through acquisitions, makes him well qualified to serve as a director of the Company. Mr. Richards has dealt with many facets of potential risk areas for an energy service company, as a current and former chief executive officer, and brings that experience and perspective to the Board.

Mr. Workman has been an officer of a publicly traded company since 2001. Mr. Workman's 23-year career in the distribution business includes positions of increasing importance, from sales manager, to Vice President, to Business Group President. Mr. Workman has extensive experience with the Company and the oil service industry. Mr. Workman's extensive experience in the Company's business and the industry, his MBA degree, and his unparalleled knowledge of the Company makes him uniquely and well qualified to serve as a director of the Company.

AUDIT COMMITTEE REPORT

The responsibilities of the Audit Committee include providing oversight to the Company's financial reporting process through periodic combined and separate meetings with the Company's independent auditors and management to review accounting, auditing, internal controls and financial reporting matters. The management of the Company is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The Audit Committee, in carrying out its role, relies on the Company's senior management, including senior financial management, and its independent auditors.

The Board of Directors has determined that all of the members of the Audit Committee are independent based on the guidelines set forth by the NYSE and SEC rules for the independence of Audit Committee members. The Audit Committee, at each regularly scheduled quarterly meeting in 2014, met separately in executive session with both the internal audit director and the independent audit partner, without management being present.

The Audit Committee reviewed and discussed with senior management the audited financial statements included in the Company's Annual Report on Form 10-K. Management has confirmed to the Audit Committee that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles ("GAAP").

The Audit Committee discussed with Ernst & Young LLP, the Company's independent auditors, the matters required to be discussed under the Public Company Accounting Oversight Board ("PCAOB") standards. The Audit Committee has received the written disclosures and the letter from Ernst & Young required by applicable requirements of PCAOB regarding Ernst & Young's communication with the Audit Committee concerning independence, and has discussed Ernst & Young's independence with Ernst & Young.

Based on the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's 2014 Annual Report on Form 10-K.

Notwithstanding the foregoing, the Audit Committee's charter clarifies that it is not the Audit Committee's duty to conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with GAAP. Management is responsible for the Company's financial reporting process, including its system of internal controls, and for the preparation of financial statements in accordance with GAAP. Management is also responsible for assuring compliance with laws and regulations and the Company's corporate policies, subject to the Audit Committee's oversight in the areas covered by the Audit Committee's charter. The independent auditors are responsible for expressing opinions on those financial statements and on the effectiveness of the Company's internal control over financial reporting.

Members of the Audit Committee

Rodney Eads, Committee Chairman
Terry Bonno
Galen Cobb
Wayne Richards

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS
PROPOSAL NO. 2 ON THE PROXY CARD

Information Regarding our Independent Auditors

The Audit Committee of the Board of Directors has reappointed Ernst & Young LLP as independent auditors for 2015. Stockholders are being asked to vote upon the ratification of the appointment. Representatives of Ernst & Young will attend the Annual Meeting, where they will be available to respond to appropriate questions and have the opportunity to make a statement if they desire.

Vote Required for Approval

The proposal to ratify the appointment of Ernst & Young LLP as independent auditors will require approval of a majority of the shares of our common stock entitled to vote and present in person or by proxy. In accordance with NYSE rules, a proposal to ratify independent auditors is considered to be a "discretionary" item. This means that brokerage firms may vote in their discretion on this matter on behalf of beneficial owners who have not furnished voting instructions within the time period specified in the voting instructions submitted by such brokerage firms. Abstentions, which will be counted as votes present for the purpose of determining a quorum, will have the effect of a vote against the proposal. Your shares will be voted as you specify on your proxy. If your properly executed proxy does not specify how you want your shares voted, we will vote them for the ratification of the appointment of Ernst & Young LLP as independent auditors.

Audit Fees

The Audit Committee pre-approves all services provided by the Company's independent auditors to the Company and its subsidiaries. Consideration and approval of such services generally occurs in the regularly scheduled quarterly meetings of the Audit Committee. The Audit Committee has delegated the Chairman of the Audit Committee to pre-approve allowed non-audit services, subject to review by the full committee at the next regularly scheduled meeting. The Audit Committee has considered whether the provision of all services other than those rendered for the audit of the Company's financial statements is compatible with maintaining Ernst & Young's independence and has concluded that their independence is not compromised.

The following table sets forth Ernst & Young LLP's fees for services rendered during 2014 (after the Company was spun off from National Oilwell Varco). Prior to May 30, 2014, audit, audit-related, tax and other fees were paid by National Oilwell Varco because our results were included in the consolidated financial statements of National Oilwell Varco. All services provided by Ernst & Young LLP were pre-approved by the Audit Committee.

	2014	2013
Audit Fees	$1,261,500	-
Audit Related Fees(1)	52,000	-
Tax Fees	-	-
All Other Fees	-	-
Total	$ 1,313,500	$ -

[(1)]Consists primarily of fees for audits of employee benefit plans.

Your Board of Directors recommends that you vote "FOR" the proposal to ratify the appointment of Ernst & Young LLP.

APPROVAL OF COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS – PROPOSAL NO. 3 ON THE PROXY CARD

A proposal will be presented at the meeting asking stockholders to approve on an advisory basis the compensation of the Company's named executive officers as described in this proxy statement.

Why You Should Approve our Executive Compensation Program

The Company's compensation philosophy is designed to attract and retain executive talent and emphasize pay for performance, including the creation of stockholder value. The Company encourages its stockholders to read the Executive Compensation section of this proxy statement, including the compensation tables, as well as the Compensation Discussion and Analysis (CD&A) section of this proxy statement, for a more detailed discussion of our compensation programs and policies. The Company believes its compensation programs and policies are appropriate and effective in implementing its compensation philosophy and in achieving its goals, and that they are aligned with stockholder interests and worthy of stockholder support.

We believe that stockholders should consider the following in determining whether to approve this proposal:

Compensation Program is Closely Linked to Stockholder Value

An important portion of each executive's compensation at the Company is in the form of long-term incentive awards, which are directly linked to the Company's performance and the creation of stockholder value. The Company's long-term incentive awards, starting with its first annual grant in 2015, consists of: stock options, time-based restricted stock and performance-based share awards. We believe this mix appropriately motivates long-term performance and rewards executives for absolute gains in share price, performance against designated metrics and relative financial performance against a designated peer group.

Strong Pay-for-Performance Orientation

The Company's annual and long-term incentive programs established in 2015, the Company's first full year in existence, pay its named executive officers only if certain performance metrics (absolute and/or relative) are achieved. Thus, two of the three components of an executives' pay at the Company are purely based on performance.

Compensation Program Has Appropriate Long-term Orientation

Minimum three-year vesting for equity awards: The Company encourages a long-term orientation by its executives through the use of three-year vesting requirements for annual grants of stock options, restricted stock and performance-based awards.

Summary of Good Governance and Risk Mitigating Factors

- *Limited Bonus payouts:* Bonus awards cannot exceed 200% of target, limiting excessive awards for short-term performance.

- *Balanced pay mix:* The mix of pay is balanced between annual and long-term compensation.

- *Multiple year vesting of long-term incentives:* Long-term incentive awards do not fully vest until a minimum of three years after the grant.

- *CEO Pay:* CEO base salary level is currently below the competitive peer median.

- *Clawback Policy:* Awards of long-term equity compensation and compensation under the Company's annual cash incentive plan can be terminated by the Compensation Committee if it determines that the recipient of such award has engaged in material misconduct.

The Company's compensation program for its named executive officers has been thoughtfully designed to support the Company's long-term business strategies and drive creation of stockholder value. The program does not encourage excessive risk-taking by management. It is aligned with the competitive market for talent, and highly sensitive to Company performance. The Company believes its program will deliver reasonable pay that is strongly linked to Company performance over time.

The following resolution will be submitted for a stockholder vote at the 2015 annual meeting:

"RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the Company's named executive officers listed in the 2014 Summary Compensation Table included in the proxy statement for this meeting, as such compensation is disclosed pursuant to Item 402 of Regulation S-K in this proxy statement under the section entitled "Executive Compensation", including the compensation tables and other narrative executive compensation disclosures set forth under that section, as well as the section in the proxy statement entitled "Compensation Discussion and Analysis".

This advisory vote on the compensation of the Company's named executive officers gives stockholders another mechanism to convey their views about the Company's compensation programs and policies. Although your vote on executive compensation is not binding on the Company, the Board values the views of stockholders. The Board and Compensation Committee will review the results of the vote and take them into consideration in addressing future compensation policies and decisions.

Your Board of Directors recommends that you vote "FOR" the proposal to approve the compensation of our named executive officers.

FREQUENCY OF ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION – PROPOSAL NO. 4 ON THE PROXY CARD

In Proposal No. 3, stockholders are being asked to cast a non-binding advisory vote with respect to the compensation of the Company's named executive officers named in the Summary Compensation Table. This advisory vote is typically referred to as a "say-on-pay" vote. In this proposal, the Board of Directors is also asking stockholders to cast a non-binding advisory vote on how frequently say-on-pay votes should be held in the future. Stockholders will be able to cast their votes on whether to hold say-on-pay votes every one, two or three years. Alternatively, you may abstain from casting a vote.

The following resolution will be submitted for a stockholder vote at the 2015 annual meeting:

"RESOLVED, that the option of once every year, two years or three years that receives the highest number of votes cast for this resolution will be determined to be the preferred frequency with which the Company is to hold an advisory vote on the compensation of the Company's named executive officers listed in the annual proxy statement."

This advisory vote is not binding on the Board. The Board acknowledges that there are a number of points of view regarding the relative benefits of annual and less frequent say-on-pay votes. Accordingly, the Board intends to hold say-on-pay votes in the future in accordance with the alternative that receives the most stockholder support.

Your Board of Directors recommends that you vote to approve the compensation of our named executive officers every year.

APPROVAL OF THE NOW INC.
EXECUTIVE OFFICER ANNUAL INCENTIVE PLAN
PROPOSAL NO. 5 ON THE PROXY CARD

The Board has adopted the NOW Inc. Annual Cash Incentive Plan for Executive Officers (the "Bonus Plan"). We are seeking stockholder approval for the Bonus Plan in order to receive favorable tax treatment for the Bonus Plan under Section 162(m) of the Internal Revenue Code.

Vote Required for Approval

The affirmative vote of a majority of the shares entitled to vote on this proposal and present in person or by proxy is required to approve Proposal No. 5.

Description of the Plan

The following summary describes briefly the principal features of the Bonus Plan, and is qualified in its entirety by reference to the full text of the Bonus Plan, which is provided as Appendix I to this Proxy Statement.

General

The Bonus Plan is designed to benefit the Company and its stockholders by providing certain officers of the Company with incentive compensation that is tied to the achievement of specified performance goals. The Compensation Committee of the Board of Directors will select on an annual basis officers of the Company who will participate in the Bonus Plan.

The Bonus Plan will be administered by the Compensation Committee in accordance with the terms of the Bonus Plan. The Compensation Committee has the authority to: (1) manage the operation and administration of the Bonus Plan, (2) interpret the Bonus Plan, (3) select the executives who are eligible to participate in the Bonus Plan, (4) establish the performance objectives and corresponding award opportunities for each participant, (5) approve all awards, and (6) make all other decisions and to take all other actions necessary or appropriate for the proper administration of the Bonus Plan.

Performance Objectives and Incentive Awards

For each calendar year, the Compensation Committee will determine the performance objectives and the corresponding incentive award opportunities for each participant expressed as a percentage of such participant's base salary. Performance objectives may be expressed in terms of one or more of the following performance criteria (with respect to the Company, any of its subsidiaries or divisions, operating unit or product line):

- net earnings (either before or after interest, taxes, depreciation and/or amortization);
- sales;
- revenue;
- net income (either before or after taxes);
- operating profit;
- EBITDA;
- cash flow (including, but not limited to, operating cash flow and free cash flow);
- cash flow return on capital;
- return on net assets;
- return on stockholders' equity;

- return on assets;
- return on capital;
- stockholder returns;
- return on sales;
- gross or net profit margin;
- customer or sales channel revenue or profitability;
- productivity;
- expense targets;
- margins;
- cost reductions;
- controls or savings;
- operating efficiency;
- customer satisfaction;
- corporate value measures (including, but not limited to, compliance, safety, environmental and personnel matters);
- working capital;
- strategic initiatives;
- economic value added;
- earnings per share;
- earnings per share from operations;
- price per share of stock; and
- market share.

Performance objectives may be stated in absolute terms or based on comparisons to peer group companies or indices to be achieved during a calendar year.

The Compensation Committee shall determine after the end of each calendar year the extent to which the performance objectives set for each participant were achieved, and shall certify in writing the extent to which the objectives have been achieved. Each award, if any, shall be paid in a cash lump sum as soon as practicable following the Compensation Committee's certification. The maximum award any participant may receive for any calendar year is $5 million. The relative benefits or amounts that will be received by or allocated to the various categories of eligible participants under the Bonus Plan during the life of the Bonus Plan are currently not determinable.

Tax Matters

Section 162(m) of the Internal Revenue 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 Internal Revenue Code. However, certain "performance-based compensation" is not subject to the deduction limit if the compensation is paid based solely on the attainment of pre-established objective performance measures established by a committee of outside directors and the Bonus Plan providing for such compensation is approved by the stockholders. The Bonus Plan is designed to meet these requirements. To qualify, we are seeking stockholder approval of the Bonus Plan.

YOUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSAL TO APPROVE THE EXECUTIVE OFFICER ANNUAL INCENTIVE PLAN.

CORPORATE GOVERNANCE

NOW's Board of Directors is committed to promoting transparency in reporting information about the Company, complying with the spirit as well as the literal requirements of applicable laws, rules and regulations, and corporate behavior that conforms to corporate governance standards that substantially exceed the consensus view of minimum acceptable corporate governance standards. The Board of Directors adopted Corporate Governance Guidelines which established provisions for the Board's composition and function, Board committees and committee membership, evaluation of director independence, the roles of the Chairman of the Board, the Chief Executive Officer and the Lead Director, the evaluation of the Chief Executive Officer, regular meetings of non-employee directors, board conduct and review, selection and orientation of directors, director compensation, access to management and independent advisors, and annual review of the Corporate Governance Guidelines. A copy of the Corporate Governance Guidelines is available on the Company's website, www.distributionnow.com, under the Investor Relations/Corporate Governance section. The Company will furnish print copies of the Corporate Governance Guidelines, as well as its Committee charters, to interested stockholders without charge, upon request. Written requests for such copies should be addressed to: Raymond Chang, Secretary, NOW Inc., 7402 N. Eldridge Parkway, Houston, Texas 77041.

Director Independence

The Corporate Governance Guidelines address, among other things, standards for evaluating the independence of the Company's directors. The Board undertakes an annual review of director independence and considers transactions and relationships during the prior year between each director or any member of his or her immediate family and the Company and its affiliates, including those reported under "Certain Relationships and Related Transactions" in this Proxy Statement. In February 2015, as a result of this annual review, the Board affirmatively determined that a majority of the members of the Board of Directors are independent of the Company and its management under the standards set forth in the Corporate Governance Guidelines. The following directors were affirmed as independent: Richard Alario, Terry Bonno, Galen Cobb, James Crandell, Rodney Eads, Michael Frazier, and J. Wayne Richards.

Board Leadership

Currently, the roles of Chairman of the Board and Chief Executive Officer are not combined at the Company. The Company believes that effective corporate governance, including the independent oversight of management, does not require that the Chairman of the Board be an independent director. The Company believes that its stockholders are best served by a Board that has the flexibility to establish a leadership structure that fits the needs of the Company at a particular point in time.

The Board believes that our current Executive Chairman is best situated to serve as Chairman because he is the director most familiar with our business and most capable of effectively identifying strategic priorities and leading the discussion and execution of our strategy. The Board also believes that the role of Executive Chairman facilitates information flow between management and the Board.

To assist with providing independent oversight of management and the Company's strategy, the non-employee members of the Board of Directors have appointed J. Wayne Richards, an independent director, as Lead Director. The Lead Director is responsible for: (1) developing the agenda for, and presiding over the executive sessions of, the Board's non-management directors, (2) facilitating communications between the Chairman of the Board and other members of the Board, (3) coordinating, with the Chairman, the assessment of the committee structure, organization, and charters, and evaluating the need for any changes, (4) acting as principal liaison between the non-management directors and the Chief Executive Officer on matters dealt with in executive session, and (5) assuming such further tasks as the independent directors may determine.

The Board also holds executive sessions on a quarterly basis at which only non-employee directors are present. In addition, the committees of the Board provide independent oversight of management. Each of the committees of the Board is composed entirely of independent directors.

The Board has concluded that this structure is in the best interest of stockholders because it provides an appropriate balance between our Chairman's ability to lead the Board and the Company and the ability of our independent directors, under the leadership of our Lead Director, to provide independent objective oversight of our management.

Board Role in Risk Oversight

The Board of Directors and its committees help conduct certain risk oversight functions for the Company. The Board is periodically advised on the status of various factors that could impact the business and operating results of the Company, including oil and gas prices. The full Board is also responsible for reviewing the Company's strategy, business plan, and capital expenditure budget at least annually. Through these various functions, the Board is able to monitor these risks and assist the Company in determining whether certain mitigating actions, if any, need to be taken.

The Audit Committee serves an important role in providing risk oversight, as further detailed in its charter. One of the Audit Committee's primary duties and responsibilities is to monitor the integrity of the Company's financial statements, financial reporting processes, systems of internal controls regarding finance, and disclosure controls and procedures. The Audit Committee is also responsible for 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, and the internal audit function and the Board. In addition, the Audit Committee monitors the Company's compliance with legal and regulatory requirements. The Company considers the Audit Committee an important part of the risk management process, and senior management works closely with the Audit Committee on these matters in managing material risks to the Company.

The other committees of the Board also assist in the risk oversight function. The Nominating/Corporate Governance Committee is responsible for ensuring that the Board and its committees are appropriately constituted so that the Board and its directors may effectively meet their fiduciary obligations to stockholders and the Company. The Nominating/Corporate Governance Committee is also responsible for monitoring and evaluating on an annual basis the effectiveness of the Board and management of the Company, including their effectiveness in implementing the policies and principles of the Corporate Governance Guidelines. The Compensation Committee is responsible for compensation of the Company's directors and executive officers. These various responsibilities of these committees allow them to work with the Company to make sure these areas do not pose undue risks to the Company.

Risk Assessment in Compensation Programs

Consistent with SEC disclosure requirements, the Company, its Compensation Committee and the Compensation Committee's independent compensation consultant assess the Company's compensation programs on an annual basis and have determined that the Company's compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. On an annual basis, Company management, the Compensation Committee and the Compensation Committee's compensation consultant will assess the Company's executive and broad-based compensation programs to determine if the programs' provisions and operations create undesired or unintentional risk of a material nature.

The Company's variable forms of compensation, namely the annual cash incentive bonus program and long-term equity incentives, have structural limitations and other mitigating controls, which are designed to prevent the Company from being exposed to unexpected or unbudgeted materially adverse events. For example, bonus payments to an executive under the annual cash incentive bonus program are capped at a certain percentage of the executive's base salary, and the number of shares of restricted stock and stock options granted under the Company's long-term equity incentive plan are fixed amounts of shares.

The Company, the Compensation Committee and the Compensation Committee's consultant believe that the Company's compensation policies and practices do not create inappropriate or unintended significant risk to the Company as a whole. The Company and the Compensation Committee also believe that the Company's incentive compensation arrangements provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage significant risks, and are supported by the oversight and administration of the Compensation Committee with regard to executive compensation programs.

Policies on Business Ethics and Conduct

The Company has a long-standing Business Ethics Policy. The Board adopted the Code of Business Conduct and Ethics For Members of the Board of Directors and Executive Officers and the Code of Ethics for Senior Financial Officers. These codes are designed to focus the Board and management on areas of ethical risk, provide guidance to personnel to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct and help to foster a culture of honesty and accountability. As set forth in the Corporate Governance Guidelines, the Board may not waive the application of the Company's policies on business ethics and conduct for any Director or Executive Officer. Copies of the Code of Business Conduct and Ethics For Members of the Board of Directors and Executive Officers and the Code of Ethics for Senior Financial Officers, as well as the code of ethics applicable to employees of the Company, are available on the Company's website, www.distributionnow.com, under the Investor Relations/Corporate Governance section. The Company will furnish print copies of these Codes to interested stockholders without charge, upon request. Written requests for such copies should be addressed to: Raymond Chang, Secretary, NOW Inc., 7402 N. Eldridge Parkway, Houston, Texas 77041.

Communications with Directors

The Board has provided a process for interested parties to communicate with our non-employee directors. Parties wishing to communicate confidentially with our non-employee directors may do so by calling 1-866-880-2773. This procedure is described on the Company's website, www.distributionnow.com, in the Investor Relations/Corporate Governance section. Calls to this number will be answered by an independent, automated system 24 hours a day, 365 days a year. A transcript of the call will be delivered to a member of the Audit Committee. Parties wishing to send written communications to the Board, other than sales-related communications, should send a letter addressed to the member or members of the Board to whom the communication is directed, care of the Secretary, NOW Inc., 7402 N. Eldridge Parkway, Houston, Texas, 77041. All such communications will be forwarded to the Board member or members specified.

Director Attendance at Annual Meetings

The Company does not have a formal policy with respect to director attendance at annual stockholder meetings.

NYSE Corporate Governance Matters

As a listed company with the NYSE, our Chief Executive Officer, as required under Section 303A.12(a) of the NYSE Listed Company Manual, must certify to the NYSE each year whether or not he is aware of any violation by the Company of NYSE Corporate Governance listing standards as of the date of the certification. As 2015 is the first full year the Company will be listed on the NYSE, the Company's Chief Executive Officer will submit his first certification to the NYSE after the Company's annual stockholders meeting scheduled for May 27, 2015.

On February 25, 2015, the Company filed its 2014 Form 10-K with the SEC, which included as Exhibits 31.1 and 31.2 the Chief Executive Officer and Chief Financial Officer certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

EXECUTIVE OFFICERS

The following persons are our current executive officers. The executive officers of the Company serve at the pleasure of the Board of Directors and are subject to annual appointment by the Board of Directors. None of the executive officers, directors, or nominees for director has any family relationships with each other.

Name	Age	Position	Biography
Merrill Miller, Jr.	64	Executive Chairman	Mr. Miller has been a director of the Company and its Chairman of the Board since May 2014. Mr. Miller was elected Executive Chairman of the Company in February 2014. Mr. Miller served as a director of National Oilwell Varco from May 2001, and Chairman of its Board from July 2005, until the Company's spin-off from National Oilwell Varco in May 2014. Mr. Miller served as Executive Chairman of National Oilwell Varco from February 2014 until May 2014. He also served as Chief Executive Officer of National Oilwell Varco from May 2001 until February 2014, and as President from November 2000 until December 2012. Mr. Miller 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. Miller is also on the board of directors of Transocean Ltd., a company that provides offshore contract drilling services for energy companies.
Robert Workman	46	President and Chief Executive Officer	Mr. Workman has been a director of the Company since May 2014. Mr. Workman has served as President and Chief Executive Officer of the Company since February 2014. Mr. Workman served as National Oilwell Varco's President – Distribution Services from January 2001 until the Company's spin-off in May 2014. He previously served National Oilwell Varco 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.

Name	Age	Position	Biography
Daniel Molinaro	68	Senior Vice President and Chief Financial Officer	Mr. Molinaro has served as the Company's Senior Vice President and Chief Financial Officer since February 2014. Mr. Molinaro served as National Oilwell Varco's Vice President from 2003, and served as National Oilwell Varco's Treasurer from 1987, until the Company's spin-off in May 2014. 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.
Raymond Chang	44	Vice President, General Counsel and Secretary	Mr. Chang has served as the Company's Vice President and General Counsel since February 2014. Mr. Chang served as National Oilwell Varco's Vice President, Assistant General Counsel and Assistant Secretary from 2009 until the Company's spin-off in May 2014. He previously served National Oilwell Varco starting in 2001 in various positions within its legal department. Prior to joining National Oilwell Varco, he was an associate at the law firm of Baker & McKenzie from 1997 until 2001.
David Cherechinsky	51	Vice President, Corporate Controller and Chief Accounting Officer	Mr. Cherechinsky has served as the Company's Vice President, Corporate Controller and Chief Accounting Officer since February 2014. Mr. Cherechinsky served as Vice President—Finance for National Oilwell Varco's distribution business group from 2003, and as Vice President—Finance for National Oilwell Varco's Distribution & Transmission business segment from 2011, until the Company's spin-off in May 2014. He previously served National Oilwell Varco starting in 1989 in various corporate roles, including internal auditor, credit management and business analyst.

STOCK OWNERSHIP

Security Ownership of Certain Beneficial Owners

Based on information filed with the SEC as of the most recent practicable date, this table shows the number and percentage of shares beneficially owned by owners of more than five percent of the outstanding shares of the common stock of the Company at December 31, 2014. The number and percentage of shares of common stock beneficially owned is based on 109,270,942 shares outstanding as of December 31, 2014.

5% Owners	No. of Shares	Percent of Class
Baillie Gifford & Co. (1) Calton Square 1 Greenside Row Edinburgh EH1 3AN Scotland UK	12,754,962	11.91%
Orbis Investment Management (U.S.), LLC (2) Orbis Investment Management Limited Orbis Asset Management Limited 600 Montgomery Street, Suite 3800 San Francisco, CA 94111	10,723,609	10.02%
First Eagle Investment Management, LLC (3) 1345 Avenue of the Americas New York, NY 10105	8,583,603	8.02%
Neuberger Berman Group LLC (4) Neuberger Berman LLC 605 3rd Avenue New York, NY 10016	7,431,465	6.94%
BlackRock, Inc. (5) 55 East 52nd Street New York, NY 10022	6,665,578	6.2%
The Vanguard Group (6) 100 Vanguard Blvd. Malvem, PA 19355	6,457,038	6.03%
Janus Capital Management LLC (7) 151 Detroit Street Denver, Colorado 80206	6,042,990	5.6%

(1) Shares owned at December 31, 2014, as reflected in Amendment No. 1 to Schedule 13G filed with the SEC on January 29, 2015 by Baillie Gifford & Co. ("Baillie Gifford"), were reported as being beneficially owned by Baillie Gifford and are held by Baillie Gifford and/or one or more of its investment adviser subsidiaries, which may include Baillie Gifford Overseas Limited, on behalf of investment advisory clients, which may include investment companies registered under the Investment Company Act, employee benefit plans, pension funds or other institutional clients.

(2) Shares owned at December 31, 2014, as reflected in Amendment No. 1 to Schedule 13G filed with the SEC on February 17, 2015 by Orbis Investment Management (U.S.), LLC ("OIMUS"), Orbis Investment Management Limited ("OIML"), and Orbis Asset Management Limited ("OAML"). OIMUS, OIML and OAML may collectively be deemed to constitute a group for the purposes of Section 13(d)(3) of the Securities Exchange Act of 1934. OIMUS is the beneficial owner of 35,636 shares of common stock or 0.03% of the shares of common stock of NOW Inc. believed to be outstanding. OIML is the beneficial owner of 10,678,548 shares of common stock or 9.97% of the shares of common stock of NOW Inc. believed to be outstanding. OAML is the beneficial owner of 9,425 shares of common stock or 0.01% of the shares of common stock of NOW Inc. believed to be outstanding.

(3) Shares owned at December 31, 2014, as reflected in Schedule 13G filed with the SEC on January 30, 2015 by First Eagle Investment Management, LLC ("FEIM"). First Eagle Investment Management, LLC, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is deemed to be the beneficial owner of 8,583,603 shares, or 8.02% of the ordinary shares believed to be outstanding as a result of acting as investment adviser to various clients. Clients of FEIM have the right to receive and the ultimate power to direct the receipt of dividends from, or the proceeds of the sale of, such securities. The First Eagle Global Fund, a registered investment company for which FEIM acts as investment adviser, may be deemed to beneficially own 5,851,664 of these 8,583,603 units, or 5.47% of the Company's units of beneficial interest.

(4) Shares owned at December 31, 2014, as reflected in Schedule 13G filed with the SEC on February 12, 2015 by Neuberger Berman Group LLC and Neuberger Berman LLC. Neuberger Berman LLC, Neuberger Berman Management LLC, Neuberger Berman Trust Co N.A., Neuberger Berman Trust Co of Delaware N.A., NB Alternatives Advisers LLC, Neuberger Berman Fixed Income LLC and NB Alternative Investment Management and certain affiliated persons may be deemed to beneficially own NOW Inc. common stock as reported hereunder in their various fiduciary capacities by virtue of the provisions of Exchange Act Rule 13d-3. Neuberger Berman Group LLC, through its subsidiary Neuberger Berman Holdings LLC, controls Neuberger Berman LLC, Neuberger Berman Management LLC, Neuberger Berman Trust Co N.A., Neuberger Berman Trust Co of Delaware N.A., NB Alternatives Advisers LLC, Neuberger Berman Fixed Income LLC, NB Alternative Investment Management LLC and certain affiliated persons.

(5) Shares owned at December 31, 2014, as reflected in Schedule 13G filed with the SEC on February 6, 2015 by BlackRock, Inc. ("BlackRock"). Within the BlackRock group are the following subsidiaries: BlackRock Advisors (UK) Limited, BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Asset Management North Asia Limited, BlackRock Fund Advisors, BlackRock Fund Managers Ltd, BlackRock Institutional Trust Company, N.A., BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Ltd, BlackRock Investment Management, LLC, BlackRock Japan Co Ltd, BlackRock Life Limited.

(6) Shares owned at December 31, 2014, as reflected in Schedule 13G filed with the SEC on February 10, 2015 by the Vanguard Group. Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 62,693 shares or 0.05% of the common stock outstanding of NOW Inc. as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd. ("VIA"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 8,500 shares or 0.00% of the common stock outstanding of NOW Inc. as a result of its serving as investment manager of Australian investment offerings.

(7) Shares owned at December 31, 2014, as reflected in Schedule 13G filed with the SEC on February 18, 2015 by Janus Capital Management LLC ("Janus Capital"). Janus Capital has a direct 96.81% ownership stake in INTECH Investment Management ("INTECH") and a direct 100% ownership stake in Perkins Investment Management LLC ("Perkins"). Due to the above ownership structure, holdings for Janus Capital, Perkins and INTECH are aggregated for purposes of this reporting. Janus Capital, Perkins and INTECH are registered investment advisers, each furnishing investment advice to various investment companies registered under Section 8 of the Investment Company Act of 1940 and to individual and

institutional clients (collectively referred to herein as "Managed Portfolios"). As a result of its role as investment adviser or sub-adviser to the Managed Portfolios, Janus Capital may be deemed to be the beneficial owner of 6,036,790 shares or 5.6% of the shares outstanding of NOW Inc. Common Stock held by such Managed Portfolios. However, Janus Capital does not have the right to receive any dividends from, or the proceeds from the sale of, the securities held in the Managed Portfolios and disclaims any ownership associated with such rights.

Security Ownership of Management

This table shows the number and percentage of shares of the Company's common stock beneficially owned as of April 9, 2015 by each of our current directors and executive officers and by all current directors and executive officers as a group. The number and percentage of shares of common stock beneficially owned is based on 109,329,010 shares outstanding as of April 9, 2015. Beneficial ownership includes any shares as to which the director or executive officer has the right to acquire within 60 days of April 9, 2015 through the exercise of any stock option, warrant or other right. Each stockholder has sole voting and investment power, or shares these powers with his spouse, with respect to the shares beneficially owned.

	Shares Beneficially Owned		
Name of Individual	**Number of Common Shares[(1)]**	**Outstanding Options Exercisable Within 60 Days**	**Percent of Class***
Richard Alario…..……………………………………………..	3,642	0	*
Terry Bonno………...………………………………………….	3,642	0	*
Raymond Chang…...…………………………………………..	101,435	33,205	*
David Cherechinsky…......……………………………………..	75,156	47,156	*
Galen Cobb……..……………………………………………...	3,642	0	*
James Crandell…………………………………………………	3,642	0	*
Rodney Eads…………………………………………………...	3,642	0	*
Michael Frazier………………………………………………...	29,943	0	*
Merrill Miller Jr………………………………………………..	869,642	1,042,655	1.7%
Daniel Molinaro..………………………………………………	131,760	85,476	*
J. Wayne Richards..……………………………………………	3,642	0	*
Robert Workman...…………………………………………….	420,620	201,444	*
All current directors and executive officers as a group (12 persons)……………………………………………………	1,650,408	1,409,936	2.8%

*Less than 1 percent.

(1)Includes shares deemed held by executive officers and directors in the Company's 401(k) plans and deferred compensation plans.

COMPENSATION DISCUSSION AND ANALYSIS

General Overview

NOW Inc.'s executive compensation program is administered by the Compensation Committee of the Board of Directors. The Compensation Committee establishes specific compensation levels for the Company's executive officers and administers the Company's long-term incentive award plans. The 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 the Company's executive team and properly incentivize those executives to achieve the Company's short-term and long-term financial and operational goals. To this end, the Compensation Committee strives to provide compensation packages for key executives that generally offer compensation opportunities in the median range of the companies in its designated peer group as described below. Data sources reviewed by the 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 Compensation Committee reviews all elements of executive compensation both separately and in the aggregate.

Major components of the executive compensation program for 2015 are base salary, participation in the Company's annual cash incentive (bonus) plan and the grant of non-qualified stock options, restricted stock and performance-based restricted stock awards (long-term incentives).

2014 Performance Overview

In 2014, the Company had the following highlights:

- Company spun off from National Oilwell Varco and became a separate publicly traded corporation;
- Creation of one of the largest distributors to the energy and industrial markets;
- The alignment and implementation of a global ERP system; and
- Revenue in 2014 of $4.1 billion.

Participants

The following is a list of our named executive officers by name and position, as of December 31, 2014:

Name	Position
Merrill Miller, Jr.	Executive Chairman
Robert Workman	President and Chief Executive Officer
Daniel Molinaro	Senior Vice President and Chief Financial Officer
Raymond Chang	Vice President, General Counsel and Secretary
David Cherechinsky	Vice President and Chief Accounting Officer

Good Pay Practices

Our compensation program and policies include key features that are designed to align the interests of our executives and stockholders and to mitigate compensation-related risks:

- Annual cash incentive and long-term incentive compensation subject to clawback policy;
- No significant compensation in the form of perquisites;
- Bonus payments to executives under the annual cash incentive program are capped at a certain percentage of the executive's base salary;
- Long-term incentive awards do not fully vest until a minimum of three years after the grant;
- Mix of pay is balanced between annual and long-term compensation; and
- Long-term incentives linked to stock price appreciation and company performance.

Compensation Philosophy

The Company 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 the Company. The Company recognizes that a certain amount of financial certainty must be provided to its executives as part of their compensation.

While the Company believes a competitive base salary is needed to attract and retain talented executives, the Company'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 the Company are incentivized to increase the Company's profitability and stockholder return and to optimize the Company's financial performance in order to earn a major portion of their compensation package.

The Company seeks to structure a balance between achieving strong short-term annual results and ensuring the Company's long-term success and viability. The Company wants each of its executives to balance his or her focus between the Company's day-to-day operational performance and the Company's long-term goals and strategies. To reinforce the importance of balancing these perspectives, the Company'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. The Company's annual cash incentive (bonus) plan and long-term incentives are designed to reward the executive for executing business plans that will benefit the Company in the short and long-term. The Company believes that the mix of short and long-term incentives allows the Company 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-based restricted stock 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 we operate, the Company understands that its annual cash incentives and long-term compensation will result in varying compensation for its executives each year. Because of this, the Company 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 the Company's financial and operational performance is strong, while motivating executives to stay with the Company during more challenging economic times when the Company'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 Compensation Committee's independent consultant.

Competitive Positioning

Because of these goals and objectives for executive compensation, the Company 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. The Company believes it is also important that executive compensation be properly designed to attract and retain talented executives.

As part of its process to establish compensation levels for the Company's named executive officers, the 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 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 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 Compensation Committee determines that any variance is unwarranted, the Compensation Committee will make appropriate adjustments to the compensation levels.

The Compensation Committee has been taking steps to position our senior executives' total target compensation closer to our peer group median.

In August 2014, the Compensation Committee requested that its independent compensation consultant, Longnecker & Associates ("L&A"), develop a designated peer group against which the Company's named executive officers compensation is compared, and provide recommendations on the ongoing peer group framework.

L&A identified potential peer candidates based on companies of similar size, companies in the oil and gas equipment manufacturing/services industry and companies in the peer group of its closest competitors, as well as companies for which the Company competes for management talent. L&A then analyzed each company's revenue, assets, market capitalization and EBITDA in relation to the Company. L&A indicated that an ideal size for the designated peer group of the Company would be between 12 to 18 companies.

L&A then consulted with the Company for its input on the peer group list it created based on the factors described above. After reviewing the peer group and L&A's analysis and recommendations, the Compensation Committee approved the following peer group of 16 companies to form the Company's designated peer group:

W.W. Grainger, Inc.	WESCO International Inc.	KBR, Inc.
MRC Global Inc.	Flowserve Corp.	Superior Energy Services, Inc.
MasTec, Inc.	Fastenal Company	Dresser-Rand Group Inc.
MSC Industrial Direct Co. Inc.	McDermott International Inc.	Applied Industrial Technologies, Inc.
Anixter International Inc.	Forum Energy Technologies, Inc.	DXP Enterprises, Inc.
Rosetta Resources, Inc.		

The Compensation Committee recognized that the proposed peer group was within reasonable size parameters (generally 0.5 times to 2 times the Company's revenues, assets, EBITDA and/or market capitalization) and were generally similar to the Company in terms of industry and/or operations.

The Compensation Committee then engaged L&A in November 2014 to conduct its annual competitive review of executive compensation for the Company's top five executives relative to its peer companies, as well as to analyze internal pay equity based on the peer group approved by the Compensation Committee. L&A analyzed and compared each position's responsibilities and job title to develop competitive market data. L&A's analysis focused on the top five executives. Its executive compensation review covered the following elements of compensation: base salaries, annual bonuses, and equity compensation. L&A generated data on the components of the Company's compensation program compared to the market 25th percentile, market 50th percentile, and market 75th percentile of the designated peer group.

Based on the compiled data and the comparisons prepared by L&A, the Compensation Committee, in consultation with the Company and L&A, determined that the total direct compensation for the Company's named executive officers relative to the designated peer group was generally positioned near the market 25th percentile, with certain elements of compensation such as base salary generally aligned below the market 25th percentile.

Components of Compensation

The following describes the elements of the Company's compensation program for 2014, 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 Compensation Committee is aware of competitive levels, actual salary levels are based on factors including tenure, individual performance, and level and scope of responsibility. The Company does not give specific weights to these factors. The Compensation Committee determines median base salary levels by having L&A conduct a comprehensive review of information provided in proxy statements filed by our peer companies. Generally, each executive is reviewed by the 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, our financial position and, for each executive other than the chief executive officer, the recommendations of our executive chairman and chief executive officer. The Compensation Committee does not establish specific individual goals for the Company's named executive officers, other than the chief executive officer (see "Compensation of the Chief Executive Officer" below for a discussion of the chief executive officer's goals). The 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 executive chairman and 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.

In November 2014, the Compensation Committee reviewed with L&A the base salaries of the named executive officers. The Compensation Committee considered each named executive officer's base salary relative to his peers and found that overall, the Company's executives are generally aligned below the market 25th percentile. Based on L&A's analysis, the CEO was currently further behind the market than the other executives. The Compensation Committee also considered that there have been no adjustments to the Company's named executive officers' base salary since the Company's spin-off from National Oilwell Varco.

L&A recommended to the Compensation Committee that it adopt a philosophy of targeting base salaries near the market 50th percentile of the Company's designated peer group. Given that many of the executives were not near the market 50th percentile, and to allow the executives to mature into their current roles, L&A recommended that increases to base salaries to achieve near the market 50th percentile be made over a period of three years, so as to limit the amount of any increases over a one year period and to allow the Compensation Committee to review and make any further adjustments on an annual basis. The Compensation Committee agreed to the staged increases in base salary pay, subject to an annual cap that would allow the Company to maintain fiscal responsibility and better manage pay for performance alignment while salaries adjust to the market median.

Based on these factors, the Company's named executive officers, other than its Executive Chairman (who voluntarily receives $1 in annual base salary), received the following salary increases effective January 2015:

Name	2014 Base Salary	2015 Base Salary
Robert Workman	$500,000	$600,000
Daniel Molinaro	$395,000	$425,000
Raymond Chang	$320,000	$368,000
David Cherechinsky	$220,000	$253,000

The Compensation Committee noted that those base salary adjustments would put the listed executives' base salary pay closer to the median base salary range. The Executive Chairman has voluntarily agreed to effectively forego cash compensation ($1 in annual base salary and no annual incentive compensation) and will only be compensated in long-term incentives.

Annual Incentive Award

The objectives of the Company's annual cash incentive plan are to incent performance to achieve the Company's corporate growth and profitability goals, encourage smart investments and prudent employment of capital, incent efficient and optimal cash flow management, and provide competitive compensation packages to attract and retain management talent.

In 2014, the Company's corporate exempt employees, including executive officers, who were participating in the National Oilwell Varco annual incentive plan were paid out their bonus payments under such plan by National Oilwell Varco for their tenure with National Oilwell Varco before the spin-off. For the remainder of 2014, such corporate exempt employees, including executive officers, were paid bonus payments by the Company under the same terms as the earlier payout to complete the remainder of 2014 before the Company would start its own annual incentive plan.

In November 2014, the Compensation Committee, the Company and L&A discussed establishing an annual cash incentive plan for the Company. In January 2015, the Compensation Committee agreed that the Company's annual incentive plan would have two independent, pre-determined and equally weighted metrics to measure the Company's success and payouts under such plan: (1) working capital as a percentage of revenue ("Working Capital") and (2) EBITDA percentage ("EBITDA"). Working capital is defined as current assets (excluding cash) less current liabilities (excluding short-term borrowings). Substantially all corporate exempt employees of the Company, including executive officers, are eligible to participate in the Company's annual incentive plan in 2015, aligning a portion of each employee's cash compensation with Company performance.

Each participant is assigned a target level percentage bonus, which ranges from 5% to 100% of salary, depending on the level of the participant. There are three performance result multiplier levels of the target level percentage bonus set under the incentive plan for each of the two performance metrics – minimum (50%), target (100%) and maximum (200%) (the "performance result multiplier"). Entry level is the "minimum" level of EBITDA and Working Capital for which the Company provides an annual incentive payout. If the Company's EBITDA is less than the entry level threshold, then there is no payout in that fiscal year for the EBITDA portion of the annual incentive. If the Company's Working Capital is less than the entry level threshold, then there is no payout in that fiscal year for the Working Capital portion of the annual incentive. If the Company achieves the entry level threshold for a performance metric, the "minimum" level payout of 50% of the target level percentage bonus is earned. For the EBITDA portion of the annual incentive plan, the target multiplier level (100% of the participant's applicable percentage of base salary) is earned when the target EBITDA level is reached by the Company. For the Working Capital portion of the annual incentive plan, the target multiplier level (100% of the participant's applicable percentage of base salary) is earned when the target Working Capital level is reached by the Company. For the EBITDA portion of the annual incentive plan, for the "maximum" level multiplier of 200% of the target level percentage bonus to occur, the Company's EBITDA must equal or exceed the maximum EBITDA goal that was set for the incentive plan. For the Working Capital portion of the annual incentive plan, for the "maximum" level multiplier of 200% of the target level percentage bonus to occur, the Company's Working Capital must equal or exceed the maximum Working Capital 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.

For 2015, the chief executive officer's participation level will be 100%, the chief financial officer's participation level will be 80%, and the other executive officers' participation level will be between 75-80%. These participation level percentages are based on each executive's level of responsibility for the Company's financial performance. Mr. Miller, the Company's Executive Chairman, has voluntarily waived his right to participate in the Company's annual incentive plan.

The Compensation Committee believes the use of two separate metrics, EBITDA and Working Capital, as the designated performance objectives under the annual incentive plan best align the interests of the Company's stockholders and the Company's executive officers. The "target" objective is set at a level that the Company believes is challenging to meet but achievable if the Company properly executes its operational plan and market conditions are positive and favorable during the year. The "minimum" and "maximum" level of operating profit under the incentive plan are set based off of the "target" objective. The Compensation Committee believes this objective, formulaic measure allows the "minimum" objective to be set at a level that the Company can achieve even if market conditions are not as favorable and/or the Company's operational plan is not executed as efficiently as planned. The "minimum" objective serves to motivate the Company's executives to continue to work towards executing the Company's operational plan if market conditions, which are generally outside the control of the Company, are not as favorable. The Compensation Committee believes this objective, formulaic measure allows the "maximum" objective to be set at a level that would be extremely challenging for the Company to achieve. The Compensation Committee believes that, for the "maximum" objective to be achieved, a combination of market conditions being much more favorable than initially forecasted and the Company executing its operational plan in a highly efficient manner would need to occur.

Payouts are calculated by multiplying (A) the sum of (1) the performance result multiplier with respect to EBITDA performance, divided by two, and (2) the performance result multiplier with respect to Working Capital performance, divided by two, by (B) the participant's base salary, by (C) the participant's designated participation level percentage.

The following examples calculate an annual incentive award payment for Mr. Workman assuming (1) the Company's 2015 EBITDA and Working Capital were each equal to the target set under the incentive plan and (2) the Company's 2015 EBITDA and Working Capital each exceeded the maximum set under the incentive plan:

(1) ((100%/2) + (100%/2)) (performance result) x $600,000 (base salary) x 100% (participation level) = $600,000

(2) ((200%/2) + (200%/2)) (performance result) x $600,000 (base salary) x 100% (participation level) = $1,200,000

The Company's annual incentive plan is designed to reward its executives in line with the financial performance of the Company on an annual basis. When the Company is achieving strong financial results, its executives will be rewarded well through its annual incentive plan. The Company believes this structure helps keep the executives properly motivated to continue helping the Company achieve these strong results. While the executives' financial benefit is reduced during times when the Company's performance is not as strong, other forms of the Company's compensation program, namely its long-term incentive compensation as well as base salary, help motivate its executives to remain with the Company to help it achieve strong financial and operational results, thereby benefiting the executive, the Company and its stockholders.

Long-Term Incentive Compensation

The primary purpose of the Company'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 the Company's stockholders. In addition, long-term incentives encourage management to focus on the Company's long-term development and prosperity in addition to profitability and optimal cash flow. This program helps balance long-term versus short-term business objectives, reinforcing that one should not be achieved at the expense of the other. The Company's long-term incentive compensation program also serves to help the Company attract and retain management talent.

In November 2014, the Compensation Committee, the Company and L&A discussed establishing a long-term incentive plan structure for the Company. L&A conducted a market study to determine what types of grants were used by the Company's peers, as well as the type of grants the employees of the Company were accustomed to receiving during their employment with National Oilwell Varco before the spin-off.

In January 2015, the Compensation Committee agreed that equity grants to be made to the Company's executives under the Company's long-term incentive plan would consist of, in equal portions by value, stock options, time-based restricted stock and performance-based share awards. The Compensation Committee, the Company and L&A believed it was important that a portion of the equity grants included a grant based on the satisfaction of a specified performance condition to determine vesting of that particular grant. After consultation with Company management and L&A, the Compensation Committee established three separate performance metrics to be used for vesting of the performance share awards for executives. The Compensation Committee believed that the performance measures they established would serve to motivate the Company's executives to deliver results aligned with the interests of Company stockholders.

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 three equal, independent parts that are subject to these three separate performance metrics: 33 1/3% with a TSR (total shareholder return) goal, 33 1/3% with an EBITDA goal and 33 1/3% with a working capital as a percentage of revenue goal (working capital).

Performance against the TSR goal is determined by comparing the performance of the Company's TSR with the TSR performance of the members of the Company's designated peer group for the three year performance period of the performance share awards. The Compensation Committee believes that the members of the Company's designated peer group are an appropriate benchmark against which to compare the Company's TSR performance. The following table summarizes the relationship between the Company's TSR performance when compared with the TSR performance of the members of its designated peer group and the associated payout levels for the performance achieved for the TSR portion of the award:

Level	**Payout %**	**Percentile Rank vs. Designated Peer Group**
Maximum	200%	200% earned when the Company is at the 75th percentile or greater
Target	100%	100% earned when the Company is at the 50th percentile
Minimum	50%	50% earned when the Company is at the 25th percentile
No Payout	0%	0% earned when the Company is below the 25th percentile

Results falling between the stated thresholds of minimum, target and maximum will result in an interpolated, or sliding scale payout.

Performance against the EBITDA percentage goal is determined by comparing the performance of the Company's actual EBITDA percentage performance average for each of the three years of the performance period against the EBITDA goal set by the Compensation Committee. The following table summarizes the payout levels on the EBITDA portion of the award based on the Company's EBITDA percentage performance against the EBITDA percentage goal:

Level	**Payout %**	**Actual EBITDA Performance**
Maximum	200%	200% earned when EBITDA achievement is 7% or higher
Target	100%	100% earned when EBITDA achievement is 5%
Minimum	50%	50% earned when EBITDA achievement is 3%
No Payout	0%	0% earned when EBITDA achievement is less than 3%

Results falling between the stated thresholds of minimum, target and maximum will result in an interpolated, or sliding scale payout.

Performance against the working capital as a percentage of revenue goal is determined by comparing the performance of the Company's actual working capital as a percentage of revenue performance average for each of the three years of the performance period against the working capital as a percentage of revenue goal set by the Compensation Committee. The following table summarizes the payout levels on the working capital as a percentage of revenue portion of the award based on the Company's working capital as a percentage of revenue performance against the working capital goal (WC):

Level	Payout %	Actual Working Capital Performance
Maximum	200%	200% earned when WC achievement is 25% or lower
Target	100%	100% earned when WC achievement is 30%
Minimum	50%	50% earned when WC achievement is 35%
No Payout	0%	0% earned when WC achievement is greater than 35%

Results falling between the stated thresholds of minimum, target and maximum will result in an interpolated, or sliding scale payout. Working capital for purposes of this calculation will exclude cash.

The Compensation Committee implemented this performance award structure to provide for long-term incentives comparable to those awards used by the Company's peers, such as:

- Making award payouts based on multiple measures/metrics; and
- Providing an earn-out structure with a threshold and maximum payout with varying levels of performance to incentivize performance

The Company grants stock options, time-based restricted stock and performance-based share awards to the Company'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, restricted stock 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.

Options are granted with an exercise price per share equal to the fair market value of the Company's common stock on the date of grant and generally vest in equal annual installments over a three-year period, and have a seven-year term subject to earlier termination. Option grants, restricted stock award grants and performance award grants must be reviewed and approved by the Compensation Committee.

The Company's long-term incentive compensation program is focused on employees who will have a greater impact on the direction and long-term results of the Company by virtue of their roles and responsibilities.

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

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

This at-risk component of compensation focuses executives on achieving strong financial performance for the Company over the long-term.

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

The Company 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 the Company's stock and achievement of positive financial results, both in absolute terms and relative to its peers. The Company believes that stock option, restricted stock and performance award grants at a competitive level, with certain vesting requirements, are an effective way of promoting the long-term nature of its business.

Spin-Off Equity Grant

In light of the Company's recent spin off from National Oilwell Varco, the Compensation Committee engaged L&A to conduct a market analysis of equity awards granted in connection with initial public offerings and spin-offs. The market data strongly supported the grant of equity awards to the Company's executives in recognition of their contributions to the successful spin-off from National Oilwell Varco and their assumption of larger, more significant leadership roles of the Company after the spin-off. L&A then reviewed relevant market data in order to determine the form and value in which awards were generally provided to the CEO and executive officers. After reviewing the market data, and consulting with the Company's management and L&A, the Compensation Committee determined that the Company's executive team should be granted time-vested restricted stock awards, which would vest 100% on the sixth anniversary of the date of grant. The Compensation Committee implemented a longer than normal vesting period (six years) for these one-time grants to ensure executive retention, given that the normal vesting period for annual grants would be three years.

Based on the foregoing, on November 17, 2014, the Compensation Committee approved a special grant of restricted stock awards to the Company's executive officers, as follows:

Name	Shares of Restricted Stock (6 Years) (#)
Merrill Miller Jr.	385,830
Robert Workman	220,976
Daniel Molinaro	84,181
Raymond Chang	66,644
David Cherechinsky	47,352

Compensation of the Chief Executive Officer

The Compensation Committee determines the compensation of the chief executive officer based on competitive peer group data, leadership, meeting operational goals, executing the Company's business plan, and achieving certain financial results. Components of Mr. Workman's compensation for 2015 are consistent with those for executive officers as described above and included base salary, participation in the annual incentive plan and the grant of stock options, restricted stock and performance awards.

In considering Mr. Workman's base salary level, the Compensation Committee, generally on an annual basis, reviews the compensation level of chief executive officers of each of the 16 companies in the designated peer group and considers Mr. Workman's individual performance and success in achieving the Company's strategic objectives.

The Compensation Committee establishes goals and objectives for Mr. Workman for each fiscal year. For 2015, Mr. Workman's performance will be measured in four key areas of the Company: (1) financial performance, (2) formulation and implementation of Company strategy, (3) operational performance, and (4) management and employee development. The specific goals within these four areas were set based on a determination of prioritizing Mr. Workman's efforts on those specific areas and responsibilities that would have the greatest impact on the Company, and included the following:

- grow market share, manage EBITDA margins and improve working capital as a percentage of revenue;
- utilize in an efficient manner Board approved capital expenditures;
- identify and execute on strategic growth opportunities;
- manage the size of operations based upon analysis of business and market conditions; and
- training throughout the Company to ensure best in class management development processes.

Retirement, Health and Welfare Benefits

The Company offers retirement, health and welfare programs to all eligible employees. The Company's executive officers generally are eligible for the same benefit programs on the same basis as the rest of the Company's employees. The health and welfare programs cover medical, pharmacy, dental, vision, life, business travel accident, accidental death and dismemberment and disability insurance.

The Company offers retirement programs that are intended to supplement the employee's personal savings. The programs include the NOW Inc. 401(k) and Retirement Savings Plan ("401k Plan") and NOW Inc. Supplemental Savings Plan ("Supplemental Plan"). The Company's U.S. employees, including its executives, are generally eligible to participate in the 401k Plan. Employees of the Company who are eligible based on guidelines established by the Company's benefits plan administrative committee may participate in the Supplemental Plan. Participation in the 401k Plan and Supplemental Plan are voluntary.

The Company established the 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 401k Plan allows eligible employees to elect to contribute a portion of their eligible compensation into the 401k Plan. Wages and salaries from the Company are generally considered eligible compensation. After one year of service, employee contributions are matched in cash by the Company at the rate of $1.00 per $1.00 employee contribution for the first 4% of the employee's salary. In addition, the Company 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 the Company. Such contributions vest immediately. The 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 401k Plan provides the Company's employees the option to invest directly in the Company's stock. The 401k Plan offers in-service withdrawals, loans and hardship distributions.

The Company established the Supplemental Plan, a non-qualified plan, to

- allow 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 401k Plan; and

- provide Company contributions that cannot be contributed to the 401k Plan due to compensation and contribution ceilings established under the Internal Revenue Code.

Compensation which may be deferred into the Supplemental Plan includes wages and salaries from the Company and bonus payments made under the Company's incentive plan. Supplemental Plan participants may elect to defer a percentage of their base pay and bonus payments received under the Company's incentive plan into the Supplemental Plan. Contributions in the Supplemental Plan vest immediately. The investment options offered in the Supplemental Plan are similar to the investment options offered in the 401k Plan (except Company stock is not offered).

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 our chief executive officer and the next four highest paid 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 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 our covered employees that does not qualify as "performance based compensation" and thus is not deductible by us for federal income tax purposes.

Option Grant Practices

The Company plans to grant stock options to its key employees, including executives, in the first quarter of the year, similar to the timing of the Company's grants made in 2015 and similar to the timing of grants made by its former parent company National Oilwell Varco. The Company 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. The Company 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 Compensation Committee has the responsibility of approving any Company stock option grants. The Compensation Committee does not delegate material aspects of long-term incentive plan administration to any other person. The Company's senior executives in coordination with the 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 the Company finalizing its stock option grant proposal. If approved by the 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 the Company's closing stock price on the date of grant.

Recoupment Policy

The Company's Long-Term Incentive Plan allows the Compensation Committee, at its sole discretion, to terminate any award 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 the Company's financial condition or results of operations, or conduct which constitutes fraud or theft of Company assets, any of which require the Company 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 award and the effect of such error is to increase the payment amount pursuant to such award, the Compensation Committee may also require the recipient to reimburse the Company 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 the Company's financial statements that affects the financial information used to determine the compensation paid to the recipient of an award, then the Compensation Committee may take whatever action it deems appropriate to adjust such compensation.

Compensation Consultant Independence

In furtherance of maintaining the independence of the Compensation Committee's compensation consultant, the Compensation Committee has the sole authority to retain or terminate L&A.

In connection with its engagement of L&A, the Compensation Committee considered various factors bearing upon L&A's independence including, but not limited to, the amount of fees received by L&A from the Company as a percentage of L&A's total revenue, L&A's policies and procedures designed to prevent conflicts of interest, and the existence of any business or personal relationship that could impact L&A's independence. After reviewing these and other factors, the Compensation Committee determined that L&A was independent and that its engagement did not present any conflicts of interest. L&A also determined that it was independent from management and confirmed this to the Compensation Committee.

Recent Developments

On January 28, 2015, the Compensation Committee approved the terms and structure of the 2015 NOW Inc. Incentive Plan (the "2015 Incentive Plan"). The terms of the 2015 Incentive Plan are consistent with those described under "Annual Incentive Award" above.

On February 24, 2015, the Compensation Committee approved the terms and structure of the 2015 Long-Term Incentive grants to the Company's employees ("LTIP"), with the inclusion of performance based awards for the Company's executives. The terms of the 2015 LTIP are consistent with those described under "Long-Term Incentive Compensation" above.

Further to the above, the Compensation Committee approved the following specific grants to the Company's executive officers:

On February 24, 2015, the Compensation Committee approved the grant of stock options to its executive officers pursuant to the NOW Inc. Long-Term Incentive Plan, as follows:

Name	Securities Underlying Options (#)
Robert Workman	104,158
Daniel Molinaro	31,247
Raymond Chang	23,808
David Cherechinsky	14,384

The exercise price of the stock options is $22.44 per share, which was the closing stock price of NOW Inc. common stock on the date of grant. The stock options have a term of seven years from the date of grant and vest in three equal annual installments beginning on the first anniversary of the date of the grant.

On February 24, 2015, the Compensation Committee approved the grant of time-based restricted stock to its executive officers pursuant to the NOW Inc. Long-Term Incentive Plan, as follows:

Name	**Shares of Restricted Stock (3 Years) (#)**
Robert Workman	34,719
Daniel Molinaro	10,416
Raymond Chang	7,936
David Cherechinsky	4,795

The restricted stock awards granted by the Company to its executive officers vest 100% on the third anniversary of the date of grant.

On February 24, 2015, the Compensation Committee approved the grant of performance share awards to its executive officers pursuant to the NOW Inc. Long-Term Incentive Plan, as follows:

Name	**Performance Awards (Target # of Shares)**
Robert Workman	34,719
Daniel Molinaro	10,416
Raymond Chang	7,936
David Cherechinsky	4,795

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 three equal, independent parts that are subject to three separate performance metrics: 33 1/3% with a TSR (total shareholder return) goal, 33 1/3% with an EBITDA percentage goal and 33 1/3% with a working capital as a percentage of revenue goal (working capital).

The Compensation Committee also designated an annual 2015 equity grant for Mr. Miller, the Company's Executive Chairman, in the form of stock options, time-based restricted stock and performance share awards. Mr. Miller voluntarily requested that he be allowed to decline receiving such grant and waive his right to it. While the size of his grant was fully supported by market data, as confirmed by L&A, the Compensation Committee respected Mr. Miller's wishes and allowed him to decline receiving such proposed grant.

Compensation Committee Report

The responsibilities of the Compensation Committee, which are set forth in the Compensation Committee Charter adopted by the Board of Directors, include approving and evaluating all compensation of directors and executive officers, including salaries, bonuses, and compensation plans, policies and programs of the Company.

We have reviewed and discussed with senior management the Compensation Discussion & Analysis section included in this proxy statement. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion & Analysis be included in the Company's 2015 Proxy Statement.

Members of the Compensation Committee
Richard Alario, Committee Chairman
James Crandell
Michael Frazier

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Miller

The Company entered into an employment agreement on May 30, 2014 with Mr. Miller. Under the employment agreement, Mr. Miller is provided a base salary, currently set at one dollar ($1.00), as Mr. Miller has voluntarily waived his right to receive a base salary from the Company. The employment agreement also entitles him to receive an annual bonus and to participate in the Company'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 the Company 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 three times the amount of his current base salary, 3 times the amount equal to the total of the employer matching contributions under the Company's 401k Plan and Supplemental Plan, and continual participation in the Company'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 the Company that results in a diminution in his position, authority, duties or responsibilities;
- a failure by the Company 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.

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 the Company'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.

Workman

The Company entered into an employment agreement on May 30, 2014 with Mr. Workman. Under the employment agreement, Mr. Workman is provided a base salary, currently set at $600,000. The employment agreement also entitles him to receive an annual bonus and to participate in the Company's incentive, savings and retirement plans. The agreement has a term of one year 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 the Company 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. Workman is entitled to receive three times the amount of his current base salary, an amount equal to the total of the employer matching contributions under the Company's 401k Plan and Supplemental Plan, and continual participation in the Company's welfare and medical benefit plans. Further, any restricted stock held by Mr. Workman, not already vested, will be 100% vested.

Under the agreement, termination by Mr. Workman for "Good Reason" means

- the assignment to him of any duties inconsistent with his current position or any action by the Company that results in a diminution in his position, authority, duties or responsibilities;
- a failure by the Company to comply with the terms of the agreement; or
- requiring Mr. Workman to relocate or to travel to a substantially greater extent than required at the date of the 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, Mr. Workman will also have the option to participate in the Company'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.

Molinaro, Chang, and Cherechinsky

The Company entered into employment agreements on May 30, 2014 with Messrs. Molinaro, Chang and Cherechinsky. Under the employment agreements, Messrs. Molinaro, Chang, and Cherechinsky are provided base salary. The agreements have a one-year term and are automatically extended on an annual basis. The agreements also provide for participation in employee incentive plans, and employee benefits as generally provided to all employees. If the employment relationship is terminated by the Company 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 2.5 times his current base salary (with the exception of Mr. Cherechinsky who would be entitled to receive 1.5 times his current base salary) and an amount equal to the total of the employer matching contributions under the Company's 401k Plan and Supplemental Plan, and continual participation in the Company's welfare and medical benefit plans. Further, any restricted stock held by the executive, not already vested, will be 100% vested.

Under the agreements, termination by Messrs. Molinaro, Chang, and/or Cherechinsky for "Good Reason" means:

- the assignment to him of any duties inconsistent with his current position or any action by the Company that results in a diminution in his position, authority, duties or responsibilities;
- a failure by the Company to comply with the terms of the agreement; or
- requiring the executive to relocate or to travel to a substantially greater extent than required at the date of the agreement.

The agreements also contain 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 the Company'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, the Company's stock option agreements, restricted stock agreements, and performance award agreements provide for full vesting of unvested outstanding options, restricted stock and performance awards, respectively, in the event of a change of control of the Company and a change in the holder's responsibilities following a change in control of the Company (a "double trigger").

The Company's employment agreements with its executives do not contain any "gross up" provisions for excise tax that could be imposed under Section 4999 of the Internal Revenue Code as a result of any payment or benefits provided to an executive under his employment agreement.

Potential Payments Upon Termination or Change in Control

The Company has entered into certain agreements and maintains certain plans that will require the Company to provide compensation to the named executive officers in the event of a termination of employment or change in control of the Company.

The Company's Compensation Committee believes the payment and benefit levels provided to its named 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 the named executive officer. Thus, the payment and benefit levels for Mr. Miller, Mr. Workman, Mr. Molinaro, Mr. Chang and Mr. Cherechinsky are based on their levels of responsibility and market considerations at the time the Company entered into the relevant agreements. The Compensation Committee recognizes that it is not likely that the Company's named executive officers would be retained by an acquirer in the event of a change of control. As a result, the 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 the named executive officers to remain employed with the Company, even if a change of control were imminent. It is believed that these benefit levels should provide the Company's named executive officers with reasonable financial security so that they could continue to make strategic decisions that impact the future of the Company.

The amount of compensation payable to each named executive officer in each situation is listed in the tables below.

The following table describes the potential payments upon termination or change in control of the Company as of December 31, 2014 for Merrill Miller, Jr., the Company's Executive Chairman.

Executive Benefits and Payments Upon Termination (1)	**Involuntary Not for Cause Termination (2)**
Base Salary (3 times)	$3
Continuing medical benefits	$320,967
Retirement Contribution and Matching	$0
Value of Unvested Stock Options	$0
Value of Unvested Restricted Stock	$20,801,804
Outplacement Services (3)	$0
Total:	$21,122,774

(1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2014 of $1.00. Unvested stock options include 102,764 options from 2012 grant at $35.529/share, 313,449 options from 2013 grant at $29.123/share, and 470,015 options from 2014 grant at $31.433/share. Unvested restricted stock includes 107,127 shares from 2012 grant, 167,404 shares from 2013 grants, and 533,934 shares from 2014 grants. Value of unvested stock options and restricted stock based on a share price of $25.73, the Company's closing stock price on December 31, 2014.
(2) Assumes the employment relationship is terminated by the Company 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, 2014. 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 the Company that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by the Company 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 Company termination of Mr. Miller's employment for cause;
- Mr. Miller's voluntary termination of his employment with the Company (not for "Good Reason"); or
- Mr. Miller's employment with the Company is terminated due to his death or disability,

no extra benefits are payable by the Company to Mr. Miller as a result of any such events, other than accrued obligations and benefits owed by the Company to Mr. Miller (such as base salary through the date of termination and his outstanding balance in the Company's 401k Plan and Supplemental 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 the Company as of December 31, 2014 for Robert Workman, the Company's President and Chief Executive Officer.

Executive Benefits and Payments Upon Termination (1)	**Involuntary Not for Cause Termination (2)**
Base Salary (3 times)	$1,500,000
Continuing medical benefits	$501,245
Retirement Contribution and Matching	$42,500
Value of Unvested Stock Options	$0
Value of Unvested Restricted Stock	$9,242,756
Outplacement Services (3)	$75,000
Total:	$11,361,501

(1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2014 of $500,000. Unvested stock options include 23,013 options from 2012 grant at $35.529/share, 50,816 options from 2013 grant at $29.123/share, and 76,225 options from 2014 grant at $31.433/share. Unvested restricted stock includes 24,044 shares from 2012 grant, 57,696 shares from 2013 grants, and 277,481 shares from 2014 grants. Value of unvested stock options and restricted stock based on a share price of $25.73, the Company's closing stock price on December 31, 2014.

(2) Assumes the employment relationship is terminated by the Company 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, 2014. 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 the Company that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by the Company 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 Company termination of Mr. Workman's employment for cause;
- Mr. Workman's voluntary termination of his employment with the Company (not for "Good Reason"); or
- Mr. Workman's employment with the Company is terminated due to his death or disability,

no extra benefits are payable by the Company to Mr. Workman as a result of any such events, other than accrued obligations and benefits owed by the Company to Mr. Workman (such as base salary through the date of termination and his outstanding balance in the Company's 401k Plan and Supplemental 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 the Company as of December 31, 2014 for Daniel Molinaro, the Company's Senior Vice President and Chief Financial Officer.

Executive Benefits and Payments Upon Termination (1)	**Involuntary Not for Cause Termination (2)**
Base Salary (2.5 times)	$987,500
Continuing medical benefits	$245,140
Retirement Contribution and Matching	$37,525
Value of Unvested Stock Options	$0
Value of Unvested Restricted Stock	$3,093,930
Outplacement Services (3)	$59,250
Total:	$4,423,345

(1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2014 of $395,000. Unvested stock options include 9,110 options from 2012 grant at $35.529/share, 20,125 options from 2013 grant at $29.123/share, and 30,188 options from 2014 grant at $31.433/share. Unvested restricted stock includes 4,761 shares from 2012 grant, 5,237 shares from 2013 grant, and 110,248 shares from 2014 grants. Value of unvested stock options and restricted stock based on a share price of $25.73, the Company's closing stock price on December 31, 2014.

(2) Assumes the employment relationship is terminated by the Company 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, 2014. 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 the Company that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by the Company 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 Company termination of Mr. Molinaro's employment for cause;
- Mr. Molinaro's voluntary termination of his employment with the Company (not for "Good Reason"); or
- Mr. Molinaro's employment with the Company is terminated due to his death or disability,

no extra benefits are payable by the Company to Mr. Molinaro as a result of any such events, other than accrued obligations and benefits owed by the Company to Mr. Molinaro (such as base salary through the date of termination and his outstanding balance in the Company's 401k Plan and Supplemental Plan). In the event termination is not for cause, Mr. Molinaro 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 the Company as of December 31, 2014 for Raymond Chang, the Company's Vice President and General Counsel.

Executive Benefits and Payments Upon Termination (1)	**Involuntary Not for Cause Termination (2)**
Base Salary (2.5 times)	$800,000
Continuing medical benefits	$941,317
Retirement Contribution and Matching	$24,000
Value of Unvested Stock Options	$0
Value of Unvested Restricted Stock	$2,408,096
Outplacement Services (3)	$48,000
Total:	$4,221,413

(1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2014 of $320,000. Unvested stock options include 3,190 options from 2012 grant at $35.529/share, 7,044 options from 2013 grant at $29.123/share, and 15,093 options from 2014 grant at $31.433/share. Unvested restricted stock includes 1,666 shares from 2012 grant, 1,833 shares from 2013 grant, and 90,092 shares from 2014 grants. Value of unvested stock options and restricted stock based on a share price of $25.73, the Company's closing stock price on December 31, 2014.
(2) Assumes the employment relationship is terminated by the Company 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, 2014. 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 the Company that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by the Company 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 Company termination of Mr. Chang's employment for cause;
- Mr. Chang's voluntary termination of his employment with the Company (not for "Good Reason"); or
- Mr. Chang's employment with the Company is terminated due to his death or disability,

no extra benefits are payable by the Company to Mr. Chang as a result of any such events, other than accrued obligations and benefits owed by the Company to Mr. Chang (such as base salary through the date of termination and his outstanding balance in the Company's 401k Plan and Supplemental Plan). In the event termination is not for cause, Mr. Chang 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 the Company as of December 31, 2014 for David Cherechinsky, the Company's Vice President and Chief Accounting Officer:

Executive Benefits and Payments Upon Termination (1)	**Involuntary Not for Cause Termination (2)**
Base Salary (1.5 times)	$330,000
Continuing medical benefits	$812,308
Retirement Contribution and Matching	$24,750
Value of Unvested Stock Options	$0
Value of Unvested Restricted Stock	$1,814,943
Outplacement Services (3)	$33,000
Total:	$3,015,001

(1) For purposes of this analysis, we assumed the Executive's compensation is as follows: base salary as of December 31, 2014 of $220,000. Unvested stock options include 3,190 options from 2012 grant at $35.529/share, 7,044 options from 2013 grant at $29.123/share, and 10,565 options from 2014 grant at $31.433/share. Unvested restricted stock includes 1,666 shares from 2012 grant, 1,833 shares from 2013 grant, and 67,039 shares from 2014 grants. Value of unvested stock options and restricted stock based on a share price of $25.73, the Company's closing stock price on December 31, 2014.

(2) Assumes the employment relationship is terminated by the Company 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, 2014. 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 the Company that results in a diminution in the executive's position, authority, duties or responsibilities; a failure by the Company 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 Company termination of Mr. Cherechinsky's employment for cause;
- Mr. Cherechinsky's voluntary termination of his employment with the Company (not for "Good Reason"); or
- Mr. Cherechinsky's employment with the Company is terminated due to his death or disability,

no extra benefits are payable by the Company to Mr. Cherechinsky as a result of any such events, other than accrued obligations and benefits owed by the Company to Mr. Cherechinsky (such as base salary through the date of termination and his outstanding balance in the Company's 401k Plan and Supplemental Plan). In the event termination is not for cause, Mr. Cherechinsky would also be entitled to receive an amount equal to 50% of his base salary.

EXECUTIVE COMPENSATION

The following table sets forth for the year ended December 31, 2014 the compensation paid by the Company to its Chief Executive Officer and Chief Financial Officer and three other most highly compensated executive officers (the "Named Executive Officers") serving in such capacity at December 31, 2014.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)(4)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(5)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(3)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Merrill Miller, Jr. *Executive Chairman*	2014	$1	-	$11,000,013	-	-	-	-	$11,000,014
Robert Workman *President & Chief Executive Officer*	2014	$291,667	-	$6,300,026	-	$250,000	-	$12,981	$6,854,674
Daniel Molinaro *Senior VP & Chief Financial Officer*	2014	$230,417	-	$2,400,000	-	$158,000	-	$22,038	$2,810,455
Raymond Chang *VP, General Counsel, & Secretary*	2014	$186,667	-	$1,900,020	-	$128,000	-	$9,415	$2,224,102
David Cherechinsky *VP & Chief Accounting Officer*	2014	$128,333	-	$1,350,006	-	$103,125	-	$7,890	$1,589,354

(1) 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 the Company's 2014 Annual Report on Form 10-K, for all relevant valuation assumptions used to determine the grant date fair value of the stock awards included in this column. 2014 stock award reflects a one-time restricted stock grant made to the Named Executive Officers as a result of the spin-off from National Oilwell Varco. For a more detailed discussion, see the section titled "Compensation Discussion and Analysis – Spin-Off Equity Grant".

(2) 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 the Company's 2014 Annual Report on Form 10-K, for all relevant valuation assumptions used to determine the grant date fair value of option awards included in this column.

(3) The amounts include:

(a) The Company's cash contributions for 2014 under the 401k Plan, a defined contribution plan, on behalf of Mr. Miller - $0; Mr. Workman - $12,981; Mr. Molinaro - $14,264; Mr. Chang - $9,415; and Mr. Cherechinsky - $7,890.

(b) The Company's cash contributions for 2014 under the Supplemental Plan, a defined contribution plan, on behalf of Mr. Miller - $0; Mr. Workman - $0; Mr. Molinaro - $7,774; Mr. Chang - $0; and Mr. Cherechinsky - $0.

(4) Base salary for Named Executive Officers for 2014 only includes that portion of annual base salary received by the executive from the Company after its spin-off from National Oilwell Varco in 2014. The annual base salaries of the executives as of December 31, 2014 were as follows: Mr. Miller - $1; Mr. Workman - $500,000; Mr. Molinaro- $395,000; Mr. Chang - $320,000; and Mr. Cherechinsky - $220,000.

(5) The non-equity incentive plan payments to the Named Executive Officers of the Company for 2014 were made under the structure of National Oilwell Varco's annual incentive plan, under which the executives participated in prior to the spin-off from National Oilwell Varco. Starting in 2015, the Named Executive Officers will participate in the NOW Inc. Annual Incentive Plan.

Grants of Plan Based Awards

The following table provides information concerning stock options and restricted stock awards granted to Named Executive Officers during the fiscal year ended December 31, 2014. The Company has granted no stock appreciation rights.

Grants of Plan-Based Awards

Name	Grant Date	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 (#)(1)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards (2)
		Thresh-old ($)	Target ($)	Maximum ($)	Thresh-old (#)	Target (#)	Maximum (#)				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Merrill Miller, Jr.	2014	-	-	-	-	-	-	385,830	-	-	$11,000,013
Robert Workman	2014	-	-	-	-	-	-	220,976	-	-	$6,300,026
Daniel Molinaro	2014	-	-	-	-	-	-	84,181	-	-	$2,400,000
Raymond Chang	2014	-	-	-	-	-	-	66,644	-	-	$1,900,020
David Cherechinsky	2014	-	-	-	-	-	-	47,352	-	-	$1,350,006

(1) On November 17, 2014, each of the Named Executive Officers was granted an award of restricted stock. The grants vest 100% on the sixth anniversary of the date of grant. For a more detailed discussion, see the section titled "Compensation Discussion and Analysis – Spin-Off Equity Grant".

(2) 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 16, of the Company's Form 10-K for the fiscal year ended December 31, 2014. The grant date fair value of the restricted stock awards are as follows: Mr. Miller - $11,000,013; Mr. Workman - $6,300,026; Mr. Molinaro - $2,400,000; Mr. Chang - $1,900,020; and Mr. Cherechinsky - $1,350,006.

Exercises and Holdings of Previously-Awarded Equity Disclosure

The following table provides information regarding outstanding awards that have been granted to Named Executive Officers where the ultimate outcomes of such awards have not been realized, as of December 31, 2014. The table includes awards received by the Named Executive Officers while employed under National Oilwell Varco (NOV awards granted prior to the spin-off) which were converted into Company awards as a result of the spin-off from National Oilwell Varco.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Stock Awards			
Name (a)	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 Unearned 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 Miller, Jr.	264,248			$33.521	2/23/21				
	205,526	102,764 (2)		$35.529	2/22/22				
	156,723	313,449 (3)		$29.123	2/16/23				
		470,015 (4)		$31.433	2/26/24				
								107,127 (5)	$2,756,378
								167,404 (6)	$4,307,305
								148,104 (7)	$3,810,716
								385,830 (9)	$9,927,406
Robert Workman	56,182			$33.521	2/23/21				
	46,024	23,013 (2)		$35.529	2/22/22				
	25,409	50,816 (3)		$29.123	2/16/23				
		76,225 (4)		$31.433	2/26/24				
								24,044 (5)	$618,652
								57,696 (6)	$1,484,518
								26,748 (7)	$688,226
								29,757 (8)	$765,648
								220,976 (9)	$5,685,712
Daniel Molinaro	27,960			$33.521	2/23/21				
	18,219	9,110 (2)		$35.529	2/22/22				
	10,063	20,125 (3)		$29.123	2/16/23				
		30,188 (4)		$31.433	2/26/24				
								4,761 (5)	$122,501
								5,237 (6)	$134,748
								5,237 (7)	$134,748
								20,830 (8)	$535,956
								84,181 (9)	$2,165,977

Raymond Chang	11,569			$33.521	2/23/21				
	6,375	3,190 (2)		$35.529	2/22/22				
	3,521	7,044 (3)		$29.123	2/16/23				
		15,093 (4)		$31.433	2/26/24				
								1,666 (5)	$42,866
								1,833 (6)	$47,163
								2,618 (7)	$67,361
								20,830 (8)	$535,956
								66,644 (9)	$1,714,750
David Cherechinsky	3,808			$10.905	2/21/19				
	11,653			$18.512	2/17/20				
	11,569			$33.521	2/23/21				
	6,375	3,190 (2)		$35.529	2/22/22				
	3,521	7,044 (3)		$29.123	2/16/23				
		10,565 (4)		$31.433	2/26/24				
								1,666 (5)	$42,866
								1,833 (6)	$47,163
								1,833 (7)	$47,163
								17,854 (8)	$459,383
								47,352 (9)	$1,218,367

(1) Calculations based upon the closing price ($25.73) of the Company's common stock on December 31, 2014, the last trading day of the year.
(2) 2012 NOV 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.
(3) 2013 NOV 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.
(4) 2014 NOV Stock Option Grant - Stock options vest at the rate of 33 1/3%/year, with vesting dates of 2/25/15, 2/25/16 and 2/25/17.
(5) 2012 NOV Restricted Stock Award – The Grant vests 100% on the third anniversary of the date of grant.
(6) 2013 NOV Restricted Stock Award – The Grant vests 100% on the third anniversary of the date of grant.
(7) 2014 NOV Restricted Stock Award – The Grant vests 100% on the third anniversary of the date of grant.
(8) 2014 NOV Restricted Stock Award – The Grant vests 100% on the fourth anniversary of the date of grant.
(9) November 2014 Restricted Stock Award – The Grant vests 100% on the sixth anniversary of the date of grant.

The following table provides information on the amounts received by the Named Executive Officers during 2014 upon exercise of stock options or vesting of stock awards.

Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name (a)	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise ($) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting ($) (e)
Merrill Miller, Jr.	0	$0	0	$0
Robert Workman	0	$0	0	$0
Daniel Molinaro	0	$0	0	$0
Raymond Chang	0	$0	0	$0
David Cherechinsky	0	$0	0	$0

Post-Employment Compensation

The following table provides information on nonqualified deferred compensation provided under the Supplemental Plan to the Named Executive Officers during the fiscal year ended December 31, 2014. For a more detailed discussion, see the section titled “Compensation Discussion and Analysis – Retirement, Health and Welfare Benefits”.

Nonqualifed Deferred Compensation

Name (a)	Executive Contributions in Last FY ($)(1) (b)	Registrant Contributions in Last FY ($)(2) (c)	Aggregate Earnings in Last FY ($)(3) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last FYE ($) (f)
Merrill Miller, Jr.	$0	$0	$0	-	$0
Robert Workman	$0	$0	$0	-	$0
Daniel Molinaro	$41,019	$7,774	$1,581	-	$50,374
Raymond Chang	$0	$0	$0	-	$0
David Cherechinsky	$0	$0	$0	-	$0

(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.

Certain Relationships and Related Transactions

We transact business with companies with which certain of our Directors are affiliated. All transactions with these companies are on terms competitive with other third party vendors, and none of these is material either to us or any of these companies.

A “conflict of interest” occurs when a director or executive officer’s private interest interferes in any way, or appears to interfere, with the interests of the Company. Conflicts of interest can arise when a director or executive officer, or a member of his or her immediate family, have a direct or indirect material interest in a transaction with us. 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’s Code of Business Conduct and Ethics for Members of the Board of Directors and Executive Officers provides that directors and executive officers must avoid conflicts of interests 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 Company’s Audit Committee for his review and approval or ratification. This code also provides that 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.

DIRECTOR COMPENSATION

Directors who are employees of the Company do not receive compensation for serving on the Board of Directors. The following table sets forth the compensation paid by the Company to its non-employee members of the Board of Directors for the year ended December 31, 2014.

Director Compensation

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (c)(1)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (f)	All Other Compensation ($) (g)	Total ($) (h)
Richard Alario	$72,500	$120,004	-	-	-	-	$192,504
Terry Bonno	$65,125	$120,004	-	-	-	-	$185,129
Galen Cobb	$65,125	$120,004	-	-	-	-	$185,129
James Crandell	$65,000	$120,004	-	-	-	-	$185,004
Rodney Eads	$74,500	$120,004	-	-	-	-	$194,504
Michael Frazier	$72,500	$120,004	-	-	-	-	$192,504
J. Wayne Richards	$75,125	$120,004	-	-	-	-	$195,129

(1) The aggregate number of outstanding shares of restricted stock as of December 31, 2014 for each director are as follows: Mr. Alario – 3,642; Ms. Bonno – 3,642; Mr. Cobb – 3,642; Mr. Crandell – 3,642; Mr. Eads – 3,642; Mr. Frazier – 3,642; and, Mr. Richards – 3,642.

Board Compensation

Members of the Company's Board of Directors who are not full-time employees of the Company receive the following cash compensation:

- For service on the Board of Directors – an annual retainer of $70,000, 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 receives an annual retainer of $20,000, paid quarterly.

Directors of the Board who are also employees of the Company do 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.

The Board approved the grant of 3,642 shares of restricted stock awards on August 27, 2014 to each non-employee director under the NOW Inc. Long-Term Incentive Plan. The restricted stock award shares vest in full on the first anniversary of the date of the grant.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The rules of the SEC require that the Company disclose late filings of reports of stock ownership (and changes in stock ownership) by its directors, executive officers, and beneficial owners of more than ten percent of the Company's stock. The Company has undertaken responsibility for preparing and filing the stock ownership forms required under Section 16(a) of the Securities and Exchange Act of 1934, as amended, on behalf of its officers and directors. Based upon a review of forms filed and information provided by the Company's officers and directors, we believe that all Section 16(a) reporting requirements were met during 2014.

STOCKHOLDER PROPOSALS FOR THE 2016 ANNUAL MEETING

If you wish to submit a proposal to be included in our 2016 Proxy Statement, we must receive it on or before December 19, 2015. Please address your proposal to: **Raymond Chang, Vice President, General Counsel and Secretary, NOW Inc., 7402 N. Eldridge Parkway, Houston, TX 77041**.

If you wish to otherwise introduce any item of business for consideration at our 2016 annual meeting, you must comply with the procedures specified in our bylaws and the rules of the SEC, including giving written notice of such item of business no later than January 18, 2016 nor earlier than December 19, 2015 to: **Raymond Chang, Vice President, General Counsel and Secretary, NOW Inc., 7402 N. Eldridge Parkway, Houston, TX 77041**.

ANNUAL REPORT AND OTHER MATTERS

At the date this Proxy Statement went to press, we did not know of any other matters to be acted upon at the meeting other than the election of directors, ratification of the appointment of independent auditors, approval on an advisory basis of the compensation of our named executive officers, recommendation of a frequency for the advisory vote on named executive officer compensation, and approval of the NOW Inc. Annual Cash Incentive Plan for Executive Officers, as discussed in this Proxy Statement. If any other matter is presented, proxy holders will vote on the matter in accordance with their best judgment.

NOW Inc.'s 2014 Annual Report on Form 10-K filed on February 25, 2015 is included in this mailing, but is not considered part of the proxy solicitation materials.

By order of the Board of Directors,

/s/ Raymond Chang

Raymond Chang
Vice President, General Counsel and Secretary

Houston, Texas
April 17, 2015

Appendix I

NOW INC.

ANNUAL INCENTIVE PLAN

Purpose

The NOW Inc. Annual Incentive Plan (the "Plan") is intended to promote the interests of NOW Inc., a Delaware Corporation, (the "Company") and its shareholders by providing designated Executives with incentive compensation that is correlated with the achievement of specified performance goals. The Plan is intended to provide annual incentive compensation, primarily to Executives who are considered to be "covered employees" within the meaning of Section 162(m)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), that is considered "performance-based compensation" under Code Section 162(m) and thus not subject to the annual compensation deduction limit under Section 162(m).

ARTICLE I
DEFINITIONS

For purposes of the Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

1.1 "Base Salary" means the regular, annual, base salary payable by the Employer for a Performance Period to a Participant for services rendered, but excluding Incentive Compensation payable under the Plan, income derived from stock options, restricted stock awards, fringe benefits, and any bonuses, incentive compensation, special awards or other extraordinary remuneration. The Committee shall stipulate a Participant's Base Salary for purposes of computing Incentive Compensation awarded under the Plan to the Participant.

1.2 "Beneficiary" means the beneficiary or beneficiaries designated to receive any amounts payable under the Plan pursuant to Section 6.2 upon the Participant's death.

1.3 "Board" means the Board of Directors of the Company.

1.4 "Cause" when used in connection with the termination of a Participant's employment, shall mean (i) the Participant's gross negligence or willful misconduct in the performance of Participant's duties with respect to the Company or a Subsidiary or (ii) Participant's final conviction of a misdemeanor involving moral turpitude or a felony.

1.5 "Change of Control" means the occurrence of one of the following events: (a) a report is filed with the SEC on Schedule 13D or Schedule 14D-1 (or any successor schedule, form, or report), each as promulgated pursuant to the Exchange Act, disclosing that any "person" (as the term "person" is used in Section 13(d) or Section 14(d)(2) of the Exchange Act) is or has become a beneficial owner, directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities; (b) the Company is merged or consolidated with another corporation and, as a result thereof, securities representing less than 50% of the combined voting power of the surviving or resulting corporation's securities (or of the securities of a parent corporation in case of a merger in which the surviving or resulting corporation becomes a wholly-owned subsidiary of the parent corporation) are owned in the aggregate by holders of the Company's securities immediately before such merger or consolidation; (c) all or substantially all of the assets of the Company are sold in a single transaction or a series of related transactions to a single purchaser or a group of affiliated purchasers; or (d) during any period of 24 consecutive months, individuals who were directors of the Board at the beginning of the period cease to constitute at least a majority of the Board unless the election, or nomination for election by the Company's shareholders, of more than one half of any new directors was approved by a vote of at least two-thirds of the directors of the Board then still in office who were directors of the Board at the beginning of the 24 month period.

Notwithstanding the foregoing provisions of this Section 1.5, to the extent that any payment or acceleration hereunder is subject to Code Section 409A as deferred compensation, the term Change of Control shall mean an event described in the foregoing definition of Change of Control that also constitutes a change in control event as defined in Treasury regulation section 1.409A-3(i)(5).

1.6 "Code" means the Internal Revenue Code of 1986, as amended. References herein to any Section of the Code shall also refer to any successor provision thereof, and the regulations and other authority issued thereunder by the appropriate governmental authority.

1.7 "Committee" means the Compensation Committee of the Board. The Committee shall be comprised solely of two (2) or more non-employee members of the Board who qualify to administer the Plan as "disinterested directors" under Rule 16b-3 of the Exchange Act, and as "outside directors" under Code Section 162(m).

1.8 "Company" means NOW Inc., a Delaware corporation, or its successor in interest.

1.9 "Employer" means the Company and any Subsidiary.

1.10 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

1.11 "Executive" means an officer of the Company or a Subsidiary.

1.12 "Incentive Compensation" means the compensation approved by the Committee to be awarded to a Participant for any Performance Period under the Plan.

1.13 "Involuntary Termination" means a Participant's termination from employment with the Employer on or within twelve months following a Change of Control that is either (i) initiated by the Employer for reasons other than Cause, or (ii) initiated by the Participant after (a) a reduction by the Employer of the Participant's authority, duties or responsibilities as in effect immediately prior to the Change of Control (excluding for this purpose (x) an insubstantial reduction of such authorities, duties or responsibilities or an insubstantial reduction of the Participant's offices, titles and reporting requirements, or (y) an isolated, insubstantial and inadvertent action not taken in bad faith and that is remedied by the Employer promptly after receipt of notice thereof given by Participant), (b) a reduction of Participant's Base Salary or total compensation as in effect immediately prior to the Change of Control (total compensation means for this purpose: Base Salary, participation in this Plan, and participation in a long-term incentive plan), or (c) the Participant’s transfer, without the Participant’s express written consent, to a location which is outside the general metropolitan area in which the Participant’s principal place of business immediately prior to the Change of Control may be located or the Employer’s requiring the Participant to travel on Employer business to a substantially greater extent than required immediately prior to the Change of Control.

1.14 “Participant” means an Executive who is selected by the Committee to participate in the Plan pursuant to Article III for any Performance Period.

1.15 “Performance Criteria” means the business criteria that are specified by the Committee pursuant to Article VII.

1.16 “Performance Goal” means (a) the selected Performance Criteria and (b) the objective goals established relative to such Performance Criteria, as determined by the Committee for any Performance Period.

1.17 “Performance Period” means the Company's fiscal year or such other period selected by the Committee for the award of Incentive Compensation.

1.18 “Plan” means the NOW Inc. Annual Incentive Plan, as it may be amended from time to time.

1.19 “SEC” means the Securities and Exchange Commission or any successor thereto.

1.20 “Subsidiary” means any corporation (whether now or hereafter existing) which constitutes a “subsidiary” of the Company, as defined in Code Section 424(f), and any limited liability company, partnership, joint venture, or other entity in which the Company controls more than fifty percent (50%) of its voting power or equity interests.

ARTICLE II
ADMINISTRATION

Subject to the terms and conditions of this Article II, the Plan shall be administered by the Committee. The Committee shall have the power, in its discretion, to take such actions as may be necessary to carry out the provisions of the Plan and the authority to control and manage the operation and administration of the Plan. In order to effectuate the purposes of the Plan, the Committee shall have the discretionary power and authority to construe and interpret the Plan, to supply any omissions therein, to reconcile and correct any errors or inconsistencies, to decide any questions in the administration and application of the Plan, and to make equitable adjustments for any mistakes or errors made in the administration of the Plan. All such actions or determinations made by the Committee, and the application of rules and regulations to a particular case or issue by the Committee, in good faith, shall not be subject to review by anyone, but shall be final, binding and conclusive on all persons ever interested hereunder.

In construing the Plan and in exercising its power under provisions requiring the Committee's approval, the Committee shall attempt to ascertain the purpose of the provisions in question, and when the purpose is known or reasonably ascertainable, the purpose shall be given effect to the extent feasible as determined by the Committee. Likewise, the Committee is authorized to determine all questions with respect to the individual rights of all Participants under the Plan, including, but not limited to, all issues with respect to eligibility. The Committee shall have all powers necessary or appropriate to accomplish its duties under the Plan including, but not limited to, the power to:

(a) designate the Executives who are eligible to participate in the Plan as Participants;

(b) maintain records of all Plan transactions and other data in the manner necessary for proper administration of the Plan;

(c) adopt rules of procedure and regulations necessary for the proper and efficient administration of the Plan, provided the rules and regulations are not inconsistent with the terms of the Plan as set out herein;

(d) enforce the terms of the Plan and the rules and regulations it adopts;

(e) review claims and render decisions on claims for benefits under the Plan;

(f) furnish the Company or the Participants, upon request, with information that the Company or the Participants may require for tax or other purposes;

(g) employ agents, attorneys, accountants or other persons (who also may be employed by or represent the Company) for such purposes as the Committee deems necessary or desirable in connection with its duties hereunder; and

(h) perform any other acts necessary or appropriate for the proper management and administration of the Plan.

The Committee may delegate to one or more members of the Committee any of its administrative duties under the Plan pursuant to such conditions or limitations as the Committee may establish from time to time by directive or practice; provided, however, the Committee cannot delegate to such member(s) the power or authority to (i) award Incentive Compensation under the Plan or (ii) to take any action which would contravene the requirements of Code Section 162(m) or the Sarbanes-Oxley Act of 2002.

ARTICLE III
ELIGIBILITY

For each Performance Period, the Committee shall select the particular Executives to whom Incentive Compensation may be awarded under the Plan for such Performance Period. Executives who participate in the Plan may also participate in other incentive or benefit plans maintained by an Employer.

ARTICLE IV
ESTABLISHMENT OF INCENTIVE COMPENSATION TARGETS

4.1 Incentive Compensation Award Target. For each award of Incentive Compensation for a Performance Period, the Committee will establish the level or levels of targeted Incentive Compensation for each Participant within the first ninety (90) days of the Performance Period (or within such shorter deadline as may apply under Code Section 162(m) if the Performance Period is less than 12 months). The Incentive Compensation targets for each Participant that are established by the Committee will be expressed as a percentage of such Participant's Base Salary; provided, however, in no event will a Participant's Incentive Compensation exceed five million dollars ($5,000,000) for any single Performance Period.

4.2 Increase in Incentive Compensation. Under no circumstances may the amount of any Incentive Compensation awarded to any Participant for a specified Performance Period be increased by the Committee without requisite shareholder approval to the extent required by Code Section 162(m).

ARTICLE V
DETERMINATION OF GOALS FOR INCENTIVE COMPENSATION

5.1 Establishment of Performance Goals. For each Performance Period for which the Committee determines to establish potential Incentive Compensation awards for one or more Participants, the Committee, within the first ninety (90) days of such Performance Period (or within such shorter deadline as may apply under Code Section 162(m) if the Performance Period is less than 12 months), will set forth in writing all of the terms and conditions of such Incentive Compensation awards, including: (a) the Performance Goals for the Performance Period, including the Performance Criteria and the objective goals established relative to such Performance Criteria, which may include a threshold, target and maximum level of achievement, and the relative weighting of each Performance Goal in determining the Participant's actual Incentive Compensation; provided, however, the outcome of such Performance Goals must be substantially uncertain at the time they are established by the Committee; and (b) with respect to each Participant, the maximum percentage of his Incentive Compensation payable upon attaining each level of achievement of the Performance Goals.

5.2 Determination. Within a reasonable period of time after the end of each Performance Period, the Committee shall determine the extent to which the Performance Goals assigned to each Participant were achieved for the Performance Period, and based solely on such achievement, shall approve the calculation of the Participant's actual Incentive Compensation award. No Incentive Compensation is payable hereunder unless at least the designated threshold level or levels for such Performance Goals have been achieved, as determined by the Committee.

5.3 Committee Discretion. The Committee shall have no discretion to approve an amount of Incentive Compensation to be paid to a Participant under the Plan that is in excess of the amount determined pursuant to the pre-established Incentive Compensation award granted to the Participant for the applicable Performance Period but may reduce or eliminate such payments as provided for in the award agreement.

ARTICLE VI
PAYMENT OF INCENTIVE COMPENSATION

6.1 Form and Time of Payment. Subject to Section 6.2, a Participant's Incentive Compensation for each Performance Period, if any, shall be paid in a cash lump sum (net of applicable tax and other required withholdings) as soon as practicable after (a) the results for such Performance Period have been finalized and (b) the Committee has certified, in writing, that the applicable Performance Goals have been satisfied for the Performance Period. For purposes of the preceding sentence, approved minutes of the Committee meeting in which the certification is made shall be treated as written certification. The Incentive Compensation shall be paid under the Plan within two and one-half (2 1/2) months after the end of the calendar year in which the Performance Period relating to such Incentive Compensation ends.

6.2 Payment in the Event of Termination.

(a) If a Participant’s employment terminates for any reason prior to the end of a Performance Period, then such Participant shall immediately forfeit and relinquish any and all rights and claims to receive any Incentive Compensation hereunder for such Performance Period, except as otherwise provided by the Committee.

(b) If a Participant’s employment terminates for any reason after the end of a Performance Period but prior to the date of actual payment pursuant to Section 6.1, then such Participant (or Participant’s Beneficiary in the event employment is terminated due to death) shall be entitled to the Incentive Compensation payment determined by the Committee to be due and payable to such Participant; provided, however, that if (i) such Participant’s employment is terminated for Cause, or (ii) such Participant voluntarily terminates employment with the Company (excluding an Involuntary Termination) during the period after the end of a Performance Period but prior to the date of actual payment pursuant to Section 6.1, then such Participant shall immediately forfeit and relinquish any and all rights and claims to receive any Incentive Compensation hereunder for such Performance Period.

ARTICLE VII
PERFORMANCE CRITERIA

As determined by the Committee, Incentive Compensation payable under the Plan is subject to the performance objectives relating to one or more of the following Performance Criteria (with respect to the Company, any Subsidiary or any division, operating unit or product line): net earnings (either before or after interest, taxes, depreciation and/or amortization), sales, revenue, net income (either before or after taxes), operating profit, EBITDA, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on capital, return on net assets, return on stockholders’ equity, return on assets, return on capital, stockholder returns, return on sales, gross or net profit margin, customer or sales channel revenue or profitability, productivity, expense, margins, cost reductions, controls or savings, operating efficiency, customer satisfaction, corporate value measures (including, but not limited to, compliance, safety, environmental and personnel matters), working capital, strategic initiatives, economic value added, earnings per share, earnings per share from operations, price per share of stock, and market share. Performance Criteria may be stated in absolute terms or relative to comparison companies or indices to be achieved during a Performance Period.

The Committee shall establish one or more Performance Criteria for each award of Incentive Compensation to a Participant. In establishing the Performance Criteria for each award of Incentive Compensation, the Committee may provide that the effect of specified extraordinary or unusual events will be included or excluded (including, but not limited to, all items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of business or related to a change in accounting principle, all as determined in accordance with standards set by Opinion No. 30 of the Accounting Principles Board (APB Opinion 30) or other authoritative financial accounting standards). The terms of the stated Performance Criteria for each applicable award of Incentive Compensation must preclude the Committee's discretion to increase the amount payable to any Participant that would otherwise be due upon attainment of the Performance Criteria. The Performance Criteria specified need not be applicable to all awards of Incentive Compensation, and may be particular or unique to an individual Participant's function, duties or business unit.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

8.1 Non-Assignability. A Participant cannot alienate, assign, pledge, encumber, transfer, sell or otherwise dispose of any rights or benefits under the Plan prior to the actual receipt thereof; and any attempt to alienate, assign, pledge, sell, transfer or assign prior to such receipt, or any levy, attachment, execution or similar process upon any such rights or benefits, shall be null and void.

8.2 No Right to Continue in Employment. Nothing in the Plan confers upon any Participant the right to continue in the employ of the Company or any Subsidiary, or interferes with or restricts in any way the right of the Employer to discharge any Participant at any time (subject to any contract rights of such Participant).

8.3 Indemnification of Committee Members. Each person who is or was a member of the Committee shall be indemnified by the Company against and from any damage, loss, liability, cost and expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit, or proceeding to which he is or may be a party, or in which he may be involved, by reason of any action taken or failure to act under the Plan, except for any such act or omission constituting willful misconduct or gross negligence. Each such person shall be indemnified by the Company for all amounts paid by such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such action, suit, or proceeding against such person, provided he shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled from the Company, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

8.4 No Plan Funding. The Plan shall at all times be entirely unfunded and no provision shall be made with respect to segregating any assets of any Employer for payment of any amounts due hereunder. No Participant, Beneficiary, or other person or entity shall have any interest in any particular assets of an Employer by reason of the right to receive any Incentive Compensation under the Plan until such payment is actually received by such person. Participants and Beneficiaries shall have only the rights of general unsecured creditors of the Company.

8.5 Governing Law. The Plan shall be construed in accordance with the laws of the State of Texas without regard to its conflicts of law provisions.

8.6 Binding Effect. The Plan shall be binding upon and inure to the benefit of the Employer and its successors and assigns, and the Participants and their Beneficiaries, heirs, and personal representatives.

8.7 Construction of Plan. The captions used in the Plan are for convenience of reference only and shall not be construed in interpreting the Plan. Whenever the context so requires, the masculine shall include the feminine and neuter, and the singular shall also include the plural, and conversely.

8.8 Integrated Plan. The Plan constitutes the final and complete expression of agreement among the parties hereto with respect to the subject matter hereof.

8.9 Compliance with Code Section 409A. The Plan is not intended to provide for the payment of any nonqualified deferred compensation that is subject to Code Section 409A. However, to the extent that any payment under the Plan is determined by the Committee to be nonqualified deferred compensation subject to Section 409A, the Plan is intended to comply with Section 409A. If any provision herein results in the imposition of an excise tax on any Participant or Beneficiary under Section 409A, such provision will be reformed to the extent necessary to avoid such imposition as the Committee determines is appropriate to comply with Section 409A.

8.10 Forfeiture in Certain Circumstances ("Clawback"). The Committee may, at its sole discretion, terminate any Award of Incentive Compensation ("Award") if it determines that the recipient of the Award has engaged in material misconduct. For purposes of this Clawback provision, material misconduct includes conduct adversely affecting the Company's financial condition, results of operations, or conduct which constitutes fraud or theft of Company assets, any of which require the Company to make a restatement of its reported financial statements. The Committee may also specify other conduct requiring the Company to make a restatement of its publicly reported financial statements as constituting material misconduct in future Awards. If any material misconduct results in any error in financial information used in the determination of compensation paid to the recipient of an Award and the effect of such error is to increase the payment amount pursuant to an Award, the Committee may also require the recipient to reimburse the Company 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 the Company's financial statements that affects the financial information used to determine the compensation paid to the recipient of the Award, then the Committee may take whatever action it deems appropriate to adjust such compensation.

ARTICLE IX
AMENDMENT OR DISCONTINUANCE

The Committee may at any time, and from time to time, without the consent of (or liability of the Committee or Employer to) any Participant, amend, revise, suspend, or discontinue the Plan, in whole or in part, subject to any shareholder approval required by law; provided, however, the Committee may not amend the Plan to change the method for determining Incentive Compensation or the Performance Goals under Articles IV and V without the approval of the majority of votes cast by the shareholders of the Company in a separate vote to the extent required by Code Section 162(m).

ARTICLE X
EFFECT OF THE PLAN

Neither the adoption of the Plan, nor any action of the Board or the Committee hereunder, shall be deemed to give any Participant any right to be granted Incentive Compensation hereunder. In addition, nothing contained in the Plan, and no action taken pursuant to its provisions, shall be construed to (a) give any Participant any right to any compensation, except as expressly provided herein; (b) be evidence of any agreement, contract or understanding, express or implied, that any Employer will employ a Participant in any particular position or for any particular duration; (c) give any Participant any right, title, or interest whatsoever in, or to, any assets or investments which the Participant may make to aid it in meeting its obligations hereunder; (d) create a trust or fund of any kind; or (e) create any type of fiduciary relationship between an Employer and a Participant or any other person.

ARTICLE XI
TERM

The Plan shall be effective as of January 1, 2015, contingent upon its approval by the Company's shareholders in a manner consistent with the shareholder approval requirements of Code Section 162(m).

Appendix A

Annual Report to Stockholders

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

FORM 10-K

(Mark one)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE YEAR ENDED DECEMBER 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-36325

NOW INC.
(Exact name of registrant as specified in its charter)

Delaware	**46-4191184**
(State of Incorporation)	**(IRS Identification No.)**

7402 North Eldridge Parkway, Houston, Texas 77041
(Address of principal executive offices)

(281) 823-4700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $.01	**New York Stock Exchange**
(Title of Class)	**(Exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2014 was $3.8 billion. As of February 17, 2015, there were 107,067,457 shares of the Company's common stock (excluding 2,203,067 unvested restricted shares) outstanding.

Documents Incorporated by Reference

Portions of the Proxy Statement in connection with the 2015 Annual Meeting of Stockholders are incorporated in Part III of this report.

FORM 10-K

Note About Forward-Looking Statements

This report includes estimates, projections, statements relating to our business plans, objectives, and expected operating results that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including the following sections: "Business," "Management's Discussion and Analysis," and "Risk Factors." These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially in "Risk Factors" (Part I, Item 1A of this Form 10-K), "Quantitative and Qualitative Disclosures about Market Risk" (Part II, Item 7A), and "Management's Discussion and Analysis" (Part II, Item 7). We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise except to the extent required by applicable law.

PART I

ITEM 1. BUSINESS

Corporate Structure

NOW Inc. ("NOW" or the "Company"), headquartered in Houston, Texas, was incorporated in Delaware on November 22, 2013. On May 30, 2014, the spin-off from National Oilwell Varco, Inc. ("NOV") was completed and NOW became an independent, publicly traded company (the "Spin-Off" or "Separation"). In accordance with a separation and distribution agreement between NOV and NOW, the two companies were separated by NOV distributing to its stockholders 107,053,031 shares of common stock of NOW Inc. with each NOV stockholder receiving one share of NOW common stock for every four shares of NOV common stock held at the close of business on the record date of May 22, 2014 and not sold prior to close of business on May 30, 2014. We filed a registration statement on Form 10, as amended through the time of its effectiveness, describing the Spin-Off, which was declared effective by the U.S. Securities and Exchange Commission ("SEC") on May 13, 2014. On June 2, 2014, NOW stock began trading "regular-way" on the New York Stock Exchange under the ticker symbol "DNOW".

Overview

We are a global distributor to energy and industrial markets with a legacy of over one-hundred and fifty years. 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 and completion, exploration and production ("E&P"), 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, E&P operators, midstream operators, downstream energy and industrial manufacturing companies around the world.

Our global product offering includes consumable maintenance, repair and operating ("MRO") supplies, pipe, valves, fittings, flanges, 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 energy market and particularly in targeted areas of artificial lift, measurement and controls and valve actuation. We also offer warehouse and inventory management solutions as part of a comprehensive supply chain and materials management offering. Through focused effort, we have built expertise in providing application systems and parts integration, optimization solutions and after-sales support.

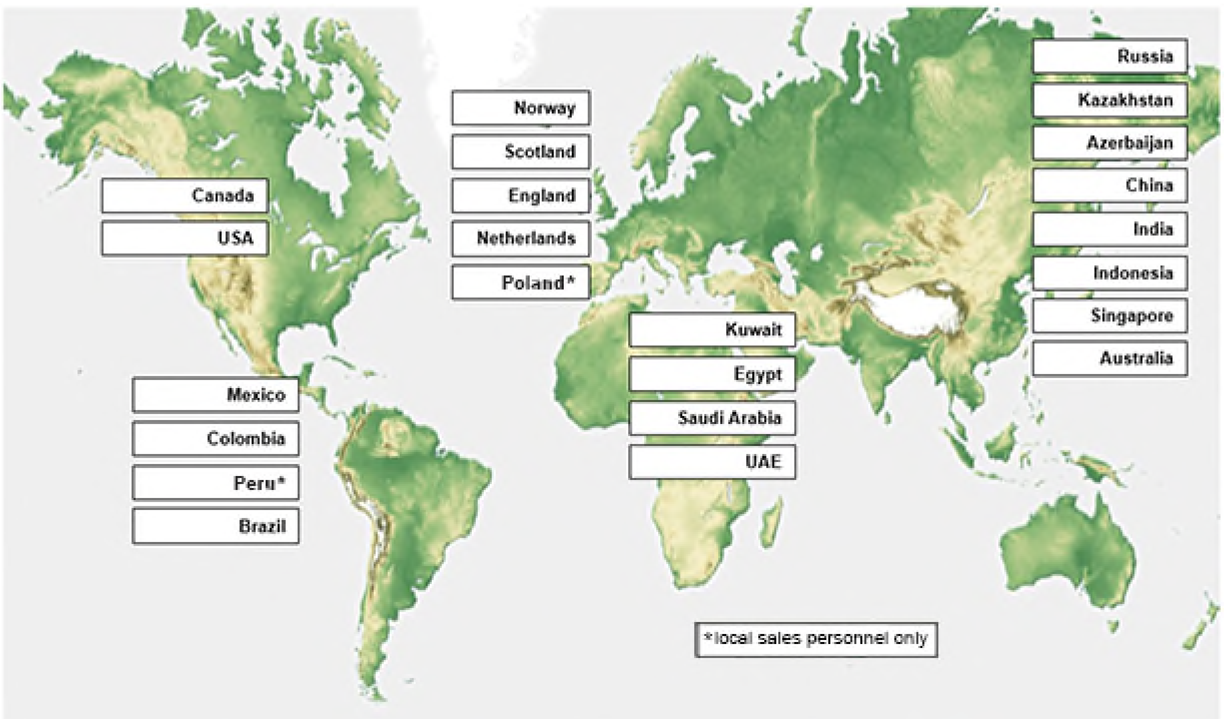
Our supply chain solutions include outsourcing the functions of procurement, inventory and warehouse management, logistics, project management, business process and performance metrics reporting. This solution allows us to leverage the infrastructure of our SAP™ Enterprise Resource Planning ("ERP") system to streamline our customers' purchasing process, from requisition to procurement to payment, by digitally managing workflow, improving approval routing and 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, Asia Pacific and the Commonwealth of Independent States. 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 300,000 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 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 the ERP initiative and we have moved essentially all of our locations onto one ERP platform.

Global Operations



Demand for our products is driven primarily by the level of oil and gas drilling, servicing and production, transmission, 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. These arrangements are generally repetitive activities that address recurring maintenance, repair, operational work, well hookups and drilling activities. Project activities, including facility maintenance (turnarounds), 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 United States, Canada, Colombia, England, Scotland, the United Arab Emirates, Russia and Kazakhstan.

Summary of Reportable Segments

We operate through three reportable segments: United States ("U.S."), Canada and International. The segment data included in our Management's Discussion and Analysis ("MD&A") are presented on a basis consistent with our internal management reporting. Segment information appearing in Note 14 – Business Segments of the Notes to Financial Statements (Part IV, Item 15 of this Form 10-K) is also presented on this basis.

The following table sets forth the contribution to our total revenues of our three reporting segments (in millions):

	Year Ended December 31,		
	2014	2013	2012
Revenue:			
United States	$2,793	$2,863	$2,257
Canada	669	773	591
International	643	660	566
Total Revenue	$4,105	$4,296	$3,414

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 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.

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, and fluid transfer 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 locations 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 expansion into several new key markets, provides a competitive advantage as few of our competitors have a presence in the U.S., Canada and International markets.

Distribution Industry Overview

The distribution industry is highly fragmented, comprised of a very small number of large companies 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 partner by managing vendor networks and carrying a wide range of product inventory from numerous vendors in locations close to the end user.

Our Distribution Channels

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 and 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. The branches serve a geographical radius providing service and delivery of products and solutions.

Our Energy Branches primarily serve the upstream and midstream sectors of the energy industry with locations in major land and offshore areas. 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, original equipment manufacturer ("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.

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 technology to enable efficiencies and key performance indicators to be measured and reported specifically to each customer.

Our Supply Chain locations serve the upstream and downstream energy and industrial end markets at our customers' 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, which allows 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 and guided by a strategic framework.

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, midstream operators, refineries, petrochemical, chemical and other 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 an operational history to deliver high quality and reliable products that meet their requirements in a timely manner.

As customers, particularly in the energy industry, increasingly aggregate purchases to improve efficiency and reduce costs, they in turn 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.

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 both a small number of large distributors, each with many locations, as well as numerous smaller regional and local companies, many of which operate from a single location or focus on a single product line. While some large distributors compete in both markets, most companies focus on either the energy or industrial end market. In the energy market, some of the larger companies against whom we compete include Ferguson Enterprises, Inc. (a subsidiary of Wolseley, plc), MRC Global, Inc., Russell Metals, Inc. and Shale-Inland Holdings LLC. In the industrial 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, 2014 we had more than 5,000 employees in total, of which approximately 500 were temporary employees. Some of our employees in various foreign locations are subject to collective bargaining agreements. Less than one percent of our employees in the U.S. 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.

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.

Available Information

Our website address is *www.distributionnow.com*. The information found on our website is not part of this or any other report we file with, or furnish to, the SEC and is expressly not incorporated by reference into this document. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available on our website, free of charge, as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. Alternatively, you may access these reports at the SEC's website at *www.sec.gov*.

ITEM 1A. RISK FACTORS

You should carefully consider each of the following risks in addition to all other information contained or incorporated herein. Some of these risks relate principally to the Spin-Off, 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. This information should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7A, Quantitative and Qualitative Disclosures about Market Risks and the consolidated financial statements and related notes included in this Form 10-K.

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;
- 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 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 companies 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 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 could significantly lower our gross profit or cash flow.

We distribute many products manufactured from steel. As a result, the price and supply of steel can affect our business and, in particular, our tubular product category. When steel prices are lower, the prices that we charge customers for products may decline, which affects our gross profit and cash flow. At times pricing and availability of steel 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 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 prices rise, we may be unable to pass along the cost increases to our customers.

We maintain inventories of steel products to accommodate the lead time requirements of our customers. Accordingly, we purchase steel 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 customers and market conditions. Our commitments to purchase steel products are generally at prevailing market prices in effect at the time we place our orders. If steel prices increase between the time we order steel products 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 steel cost increases and surcharges to our customers, and we may be unsuccessful in doing so.

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, 2014. 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 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 of 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.

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 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.

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 local economies and disrupt 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.

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, 2014, we had $346 million of goodwill and $73 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.

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 conducting business in markets outside of the U.S. and Canada 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.

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 ourfinancial 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 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 the Spin-Off

Our historical consolidated financial information is not necessarily indicative of our future financial condition, results of operations or cash flows.

Our historical consolidated 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 consolidated financial results of operations reflect allocations of expenses for services historically provided by NOV, and those allocations may be significantly different 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 cost of capital may differ significantly from that reflected in our historical consolidated financial statements.
- Our historical consolidated 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 the Spin-Off.
- The historical consolidated financial information may not fully reflect the effects of certain assets and liabilities that we assumed.

We are subject to continuing contingent liabilities of NOV following the Spin-Off.

There are several significant areas where the liabilities of NOV may become our obligations. For example, under the U.S. Internal Revenue 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 Spin-Off 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 Spin-Off, we entered into a tax matters agreement with NOV that allocates the responsibility for prior period taxes of the NOV combined tax reporting group between us and NOV. 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.

If the Spin-Off, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, NOV and its stockholders 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 Spin-Off or certain internal restructuring transactions that were undertaken in anticipation of the Spin-Off 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. To the extent that we are required to indemnify NOV (or its subsidiaries or other affiliates) or otherwise bear tax liabilities attributable to the Spin-Off under the tax matters agreement, we may be subject to substantial liabilities that could have a material adverse effect on our company.

We might not be able to engage in desirable strategic transactions and equity issuances following the Spin-Off because of certain restrictions relating to requirements for tax-free distributions.

For a two-year period (or, in certain cases, potentially longer) we are 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. 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.

We incurred significant costs to create the corporate infrastructure necessary to operate as an independent public company, and we will continue to experience ongoing costs in connection with being an independent public company.

NOV performed many important corporate functions for us, including some treasury, tax administration, accounting, financial reporting, human resources, compensation, legal and other services. We now 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 consolidated financial statements. 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.

NOV's insurers may deny coverage to us for losses associated with occurrences prior to the Spin-Off.

In connection with the Spin-Off, we entered into agreements with NOV to address several matters associated with the Spin-Off, including insurance coverage. 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.

Risks Relating to Our Common Stock

The market price of our shares may fluctuate widely.

The market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control, including:

- our competitors' significant acquisitions or dispositions;
- 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;
- overall market fluctuations and general economic conditions; and
- the other factors described in these "Risk Factors" and elsewhere in this Form 10-K.

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.

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 pay 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.

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;
- 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 we are 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2014, 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 below 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.

Location	Approximate number of facilities	Approximate size in square feet (in thousands)
United States	230	4,500
Canada	70	1,250
International	30	400

International properties include: Australia, Azerbaijan, Brazil, China, Colombia, England, India, Indonesia, Kazakhstan, Mexico, Netherlands, Norway, Russia, Scotland, Singapore and United Arab Emirates.

ITEM 3. 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 Note 10 (Commitments and Contingencies) to the Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Quarterly Common Stock Prices and Cash Dividends Per Share

NOW Inc. common stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol "DNOW." The following table reflects the high and low sales prices of our common stock for each quarter starting June 2, 2014, the date on which our stock began trading "regular-way" on the NYSE:

	Stock Price	
2014	High	Low
Second Quarter	$37.19	$32.24
Third Quarter	$35.98	$30.11
Fourth Quarter	$30.16	$22.50
Closing Stock Price at December 31, 2014		$25.73
Closing Stock Price at February 17, 2015		$25.86

Our board of directors has not declared any dividends during 2014 and currently has no intention to declare any dividends.

As of February 17, 2015, there were 2,119 holders of record of our common stock. Many stockholders choose to own shares through brokerage accounts and other intermediaries rather than as holders of (excluding individual participants in securities positions listing) record so the actual number of stockholders is unknown but significantly higher.

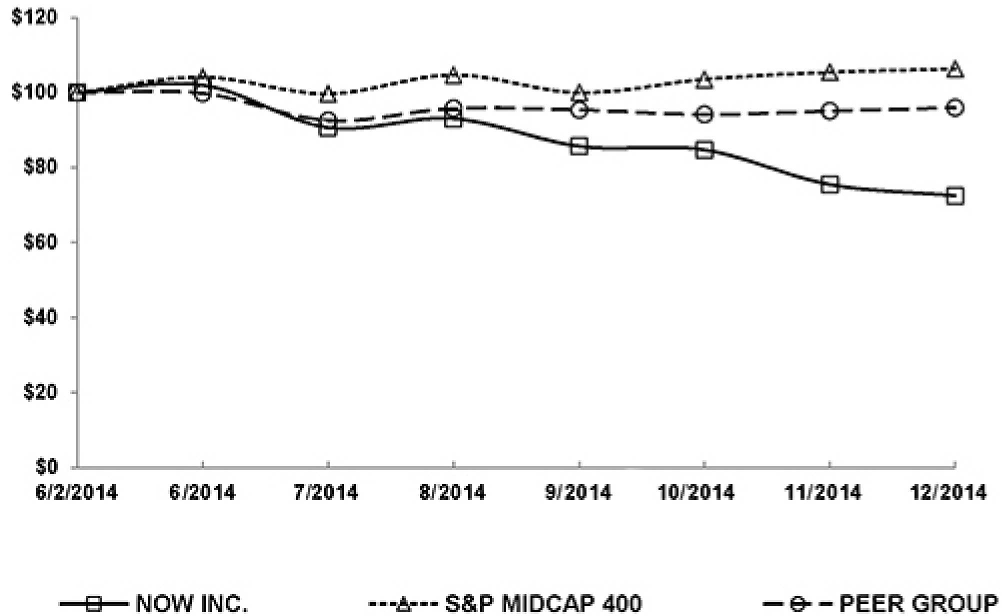
The information relating to our equity compensation plans required by Item 5. "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" is incorporated by reference to such information as set forth in Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" contained herein.

PERFORMANCE GRAPH

The graph below compares the cumulative total shareholder return on our common stock with the cumulative total shareholder return of the S&P Midcap 400 Index and an index (the “Peer Group Index”) of a group of peer companies selected by us (the “Peer Group”). The companies in the Peer Group are Airgas Inc., DXP Enterprises Inc., Fastenal Co, MRC Global Inc., W. W. Grainger, Inc., and WESCO International, Inc. The total shareholder return assumes an investment of $100 on June 2, 2014 (the first day of trading the “regular way”) in NOW Inc. In calculating the cumulative total shareholder return of the Peer Group Index, the shareholder returns of the companies included in the Peer Group are weighted according to the stock market capitalization of such companies at the beginning of each period for which a return is indicated. The results in the graph below are not necessarily indicative of future performance.

COMPARISON OF 7 MONTH CUMULATIVE TOTAL RETURN*

Among NOW Inc.,
the S&P Midcap 400 Index,
and Peer Group Index



*$100 invested on 6/2/14 in stock or 5/31/14 in index, including reinvestment of dividends.

	6/2/14	6/2014	7/2014	8/2014	9/2014	10/2014	11/2014	12/2014
NOW Inc.	100.00	102.00	90.68	93.04	85.66	84.68	75.44	72.48
S&P Midcap 400	100.00	104.14	99.69	104.75	99.99	103.55	105.47	106.34
Peer Group	100.00	99.81	92.59	95.79	95.42	94.17	95.12	96.01

This information shall not be deemed to be ‘‘soliciting material’’ or to be ‘‘filed’’ with the Commission or subject to Regulation 14A (17 CFR 240.14a-1-240.14a-104), other than as provided in Item 201(e) of Regulation S-K, or to the liabilities of section 18 of the Exchange Act (15 U.S.C. 78r).

ITEM 6. SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA

The following selected financial data reflect the consolidated operations of NOW Inc. We derived the selected consolidated income statement data for the years ended December 31, 2014, 2013 and 2012 and the selected consolidated balance sheet data as of December 31, 2014 and 2013, from the audited consolidated financial statements of NOW Inc., which are included in Item 15, of Part IV of this report. We derived the selected consolidated income statement data for the years ended December 31, 2011 and 2010 and the consolidated balance sheet data as of December 31, 2012, 2011 and 2010, from the underlying financial records of NOW Inc., which were derived from the financial records of NOV, and which are not included in this annual report.

	As of and For the Year Ended December 31,				
	2014	2013	2012	2011	2010
			(In millions)		
Operating Data:					
Revenue	$4,105	$4,296	$3,414	$1,641	$1,414
Operating profit	181	224	168	128	79
Net income	$ 116	$ 147	$ 108	$ 85	$ 50
Earnings per share amounts:					
Basic	$ 1.07	$ 1.37	$ 1.01	$ 0.80	$ 0.47
Diluted	$ 1.06	$ 1.36	$ 1.00	$ 0.79	$ 0.47
Balance Sheet Data:					
Working capital	$1,427	$1,299	$1,491	$ 534	$ 544
Total assets	$2,596	$2,183	$2,373	$ 829	$ 777
Total stockholders' equity	$1,966	$1,802	$1,971	$ 669	$ 646

To ensure a full understanding, you should read the selected consolidated financial data presented above 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 in 2012, and the audited combined financial statements and accompanying notes included in our Registration Statement on Form 10, as amended, filed May 1, 2014. The Company acquired Wilson in the second quarter of 2012 and CE Franklin in the third quarter of 2012.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview of the Separation

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

Basis of Presentation

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

- The Company's consolidated statement of income for the year ended December 31, 2014 consist of the consolidated results of NOW for the period from May 31 through December 31 and the combined results of NOW for the period from January 1, 2014 through May 30, 2014.
- The Company's consolidated balance sheet as at December 31, 2014 is presented on a consolidated basis, whereas the Company's consolidated balance sheet as at December 31, 2013 was prepared on a combined basis.
- The Company's consolidated statement of cash flows for the year ended December 31, 2014 consist of the consolidated results of NOW for the period from May 31 through December 31 and the combined results of NOW for the period from January 1, 2014 through May 30, 2014.

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

Actual costs that would have been incurred if NOW had been a stand-alone public company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. The Company's historical financial statements prior to May 31, 2014 do not reflect the debt or interest costs it might have incurred if it had been a stand-alone entity. In addition, the Company expects to incur other costs, not reflected in its historical financial statements prior to May 31, 2014, as a result of being a separate publicly traded company. As a result, the Company's historical financial statements prior to May 31, 2014 do not necessarily reflect what its financial position or results of operations would have been if it had been operated as a stand-alone public entity during the periods covered prior to May 31, 2014, and may not be indicative of the Company's future results of operations and financial position.

General Overview

We are a global distributor to energy and industrial markets with a legacy of over one-hundred and fifty years. 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 and completion, exploration and production ("E&P"), 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, E&P operators, midstream operators, downstream energy and industrial manufacturing companies around the world.

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 energy market and particularly in targeted areas of artificial lift, measurement and controls and valve actuation. We also offer warehouse and inventory management solutions as part of a comprehensive supply chain and materials management offering. 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 SAPTM Enterprise Resource Planning ("ERP") system to streamline the purchasing process for customers, from requisition to procurement to payment, by digitally managing workflow, approval routing 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 300,000 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 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 the ERP initiative and we have essentially all of our locations aligned on one ERP platform.

Our revenue 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 accounting principles generally accepted in the United States ("GAAP"). In an effort to provide investors with additional information regarding our results as determined by GAAP, we may disclose non-GAAP financial measures. The primary non-GAAP financial measure we disclose is earnings before interest, taxes, depreciation and amortization ("EBITDA"). This financial measure is not calculated in accordance with GAAP. See "Non-GAAP Financial Measures and Reconciliations" in Results of Operations for an explanation of our use of any non-GAAP financial measures and reconciliations to the corresponding measures calculated in accordance with GAAP.

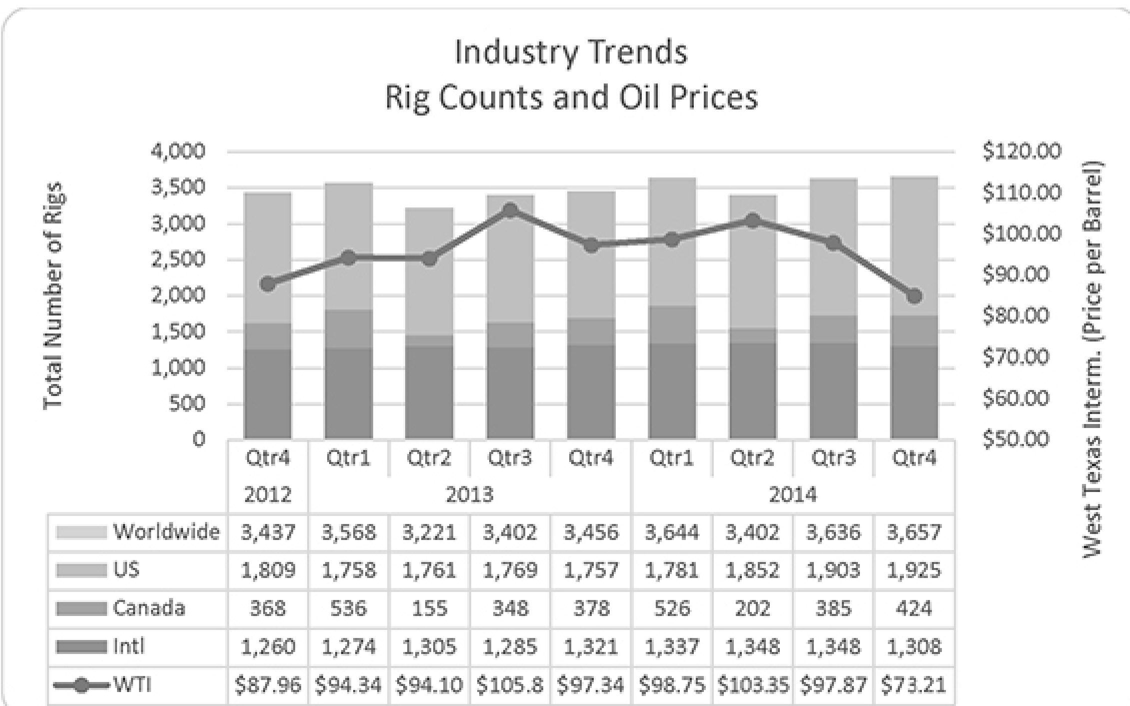
Operating Environment Overview

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, capital spending by other oilfield service companies and drilling contractors, and the worldwide oil and gas inventory levels. Key industry indicators for the past three years include the following:

	2014*	2013*	2012*	% 2014 v 2013	% 2014 v 2012
Active Drilling Rigs:					
U.S.	1,861	1,761	1,919	5.7%	(3.0%)
Canada	380	354	365	7.3%	4.1%
International	1,337	1,296	1,234	3.2%	8.3%
Worldwide	3,578	3,411	3,518	4.9%	1.7%
West Texas Intermediate Crude Prices (per barrel)	$ 93.26	$ 97.91	$ 94.11	(4.7%)	(0.9%)
Natural Gas Prices ($/MMBtu)	$ 4.38	$ 3.72	$ 2.75	17.7%	59.3%
Hot-Rolled Coil Prices (steel) ($/short ton)	$ 663.14	$ 631.56	$ 658.68	5.0%	0.7%

* Averages for the years indicated. See sources on following page.

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, 2014 on a quarterly basis:



Source: Rig count: Baker Hughes, Inc. (www.bakerhughes.com); West Texas Intermediate Crude Price: Department of Energy, Energy Information Administration (www.eia.doe.gov); Hot-Rolled Coil Prices: WSD SteelBenchmarker (www.worldsteeldynamics.com).

The worldwide average rig count increased 4.9% (from 3,411 to 3,578) and the U.S. increased 5.7% (from 1,761 to 1,861), in 2014 compared to 2013. The average price per barrel of West Texas Intermediate ("WTI") crude decreased 4.7% (from $97.91 per barrel to $93.26 per barrel) and natural gas prices increased 17.7% (from $3.72 per MMBtu to $4.38 per MMBtu) in 2014 compared to 2013. The average price per short ton of Hot-Rolled Coil increased 5.0% (from $631.56 per short ton to $663.14 per short ton) in 2014 compared to 2013.

U.S. rig count at February 6, 2015 was 1,456 rigs a decrease of 21.8% compared to the 2014 average of 1,861 rigs. The price for WTI crude was $52.99 per barrel at February 9, 2015, a decrease of 43.2% from the 2014 average. The price for natural gas was $2.88 per MMBtu at February 2, 2015 a decrease of 34.2% from the 2014 average. The price for Hot-Rolled Coil was $580.60 per short ton at January 26, 2015, a decrease of 12.4% from the 2014 average.

Executive Summary

For the year ended December 31, 2014, the Company generated $116 million in net income, or $1.06 per fully diluted share on $4,105 million in revenue. Net income decreased for the year ended December 31, 2014 $31 million, or 21.1%, when compared to the corresponding period of 2013. Revenue decreased for the year ended December 31, 2014 $191 million, or 4.4%, when compared to the corresponding period of 2013. For the year ended December 31, 2014, operating profit was $181 million, or 4.4% of revenue, compared to $224 million or 5.2% of revenue for the corresponding period of 2013.

For the fourth quarter ended December 31, 2014, the Company generated $16 million in net income, or $0.14 per fully diluted share on $1,006 million in revenue. Net income decreased for the fourth quarter ended December 31, 2014 $18 million, or 52.9%, when compared to the corresponding period of 2013. Revenue decreased for the fourth quarter ended December 31, 2014 $35 million, or 3.4%, when compared to the corresponding period of 2013. For the fourth quarter ended December 31, 2014, operating profit was $26 million or 2.6% of revenue, compared to $50 million or 4.8% of revenue for the corresponding period of 2013.

Outlook

Our outlook for the Company remains tied to global rig count, particularly in North America. The significant recent declines contribute to an uncertain environment and several factors could alter activity significantly. Analysts' projections for oil and gas prices and resulting rig counts vary considerably and we have witnessed many energy related companies taking cost reduction measures in anticipation of this uncertainty. Furthermore, political risk will remain elevated in the near future. Lower oil prices may heighten the risk of political disturbances in oil-export-dependent economies, but can also offer an incentive to maximize output and stimulate growth.

Given the lack of visibility into when this market will recover, our approach to 2015 will be to focus on what we can control. We plan to take a quarter-to-quarter approach to managing DistributionNOW based on market conditions, while also continuing to advance the long-term strategic goals. We believe current market conditions present a unique opportunity to execute strategic acquisitions, that will help position the Company to emerge as an even stronger, global distribution business as the market recovers. We also believe that our long history of managing through these cycles, paired with our healthy balance sheet, will enable us to capitalize on new opportunities.

Results of Operations

Consolidated Results

Years Ended December 31, 2014 and December 31, 2013

A summary of the Company's revenue and operating profit by operating segment in 2014 and 2013 follows (in millions):

	Year Ended December 31,		Variance	
	2014	2013	$	%
Revenue:				
United States	$ 2,793	$ 2,863	$ (70)	(2.4%)
Canada	669	773	(104)	(13.5%)
International	643	660	(17)	(2.6%)
Total Revenue	$ 4,105	$ 4,296	$(191)	(4.4%)
Operating Profit:				
United States	$ 89	$ 134	$ (45)	(33.6%)
Canada	47	47	—	0.0%
International	45	43	2	4.7%
Total Operating Profit	$ 181	$ 224	$ (43)	(19.2%)
Operating Profit %:				
United States	3.2%	4.7%		
Canada	7.0%	6.1%		
International	7.0%	6.5%		
Total Operating Profit %	4.4%	5.2%		

United States

Revenue was $2,793 million for the year ended December 31, 2014, a decrease of $70 million (2.4%) compared to the year ended December 31, 2013. We experienced approximately $105 million decline in pipe sales driven by our strategic pursuit of higher margin business, the relocation of our central pipe yard and our focus on the peripheral system enhancements and employee training associated with ERP conversion and implementation. In addition, we experienced internal demands related to Spin-Off, which negatively impacted sales across other product lines (notably, valves declined approximately $25 million). These decreases were offset by increased market activity.

Operating profit was $89 million for the year ended December 31, 2014, a decrease of $45 million (33.6%) compared to $134 million for the year ended December 31, 2013. Operating profit percentage was 3.2% for the year ended December 31, 2014, compared to 4.7% for the year ended December 31, 2013. The decrease in operating profit was attributable to lower revenues and incremental costs incurred in connection with converting our information systems and operating as an independent publicly traded company.

Canada

Revenue was $669 million for the year ended December 31, 2014, a decrease of $104 million (13.5%) compared to the year ended December 31, 2013. The strengthening of the U.S. dollar accounted for approximately half of this decline. The balance of the decrease was primarily attributable to the ERP implementation creating a disruption across the business including the Edmonton distribution center warehouse management software.

Our Canadian revenue changed from 18% of total revenue in 2013 to 16% in 2014. We are subject to fluctuations in foreign currency exchange rates relative to the U.S. dollar, as our Canadian revenue is favorably impacted as the U.S. dollar weakens relative to the Canadian dollar, and unfavorably impacted as the U.S dollar strengthens relative to the Canadian dollar. In 2014, our revenue from Canada was unfavorably impacted by approximately $48 million due to changes in foreign currency exchange rates over the prior year, as the U.S. dollar strengthened relative to the Canadian dollar.

Operating profit was $47 million for the year ended December 31, 2014, unchanged year over year. Operating profit percentage increased to 7.0% from 6.1% in 2013 due to lower operating costs realized by facility consolidations year over year.

International

Revenue was $643 million for the year ended December 31, 2014, a decrease of $17 million (2.6%) compared to the year ended December 31, 2013. This decrease was mainly attributable to large export and valve project orders occurring in 2013 that did not repeat in 2014. These declines were partially offset by strong activity in the Middle East year over year.

Our international revenue changed from 15% of total revenue in 2013 to 16% in 2014. We are subject to fluctuations in foreign currency exchange rates relative to the U.S. dollar, as our international revenue is favorably impacted as the U.S. dollar weakens relative to other foreign currencies, and unfavorably impacted as the U.S dollar strengthens relative to other foreign currencies. Our international segment revenue was unfavorably impacted by approximately $6 million due to changes in foreign currency exchange rates over the prior year, as the U.S. dollar strengthened relative to certain currencies, most notably the Australian dollar, Brazilian real, Kazakhstani Tenge, Mexican peso and the Russian ruble, and partially offset by the favorable impact of the U.S. dollar weakening against certain currencies, most notably the British pound.

Operating profit was $45 million for the year ended December 31, 2014, an increase of $2 million (4.7%) compared to $43 million for the year ended December 31, 2013. Operating profit percentage increased to 7.0% for the year ended December 31, 2014, compared to 6.5% for the year ended December 31, 2013. The increase in operating profit was mainly attributable to reduced cost of products.

Cost of products

Cost of products was $3,286 million for the year ended December 31, 2014 compared to $3,499 million for the year ended December 31, 2013, a decrease of $213 million. The decrease in cost of products was in line with changes in revenue. 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 $425 million for the year ended December 31, 2014 compared to $412 million for the year ended December 31, 2013, an increase of $13 million, mainly attributable to an increase in incremental costs associated with the ERP conversion and implementation. 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 $213 million for the year ended December 31, 2014 compared to $161 million for the year ended December 31, 2013. The increase was primarily related to the incremental costs incurred in connection with operating as an independent publicly traded company, spin activities and ERP conversion and implementation. 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, 2014 compared to expenses of $2 million for the year ended December 31, 2013. This difference was primarily due to exchange rate changes.

Provision for income taxes

The effective tax rate for the years ended December 31, 2014 and December 31, 2013 was 34.9% and 33.8%, respectively. The tax rate is affected by recurring items, such as lower tax rates on income earned in foreign jurisdictions that is permanently reinvested, offset by nondeductible expenses and state income taxes. It is also affected by discrete items that may occur in any given year, but are not consistent from year to year.

Consolidated Results

Years Ended December 31, 2013 and December 31, 2012

A summary of the Company's revenue and operating profit by operating segment in 2013 and 2012 follows (in millions):

	Year Ended December 31,		Variance	
	2013	2012	$	%
Revenue:				
United States	$ 2,863	$ 2,257	$606	26.8%
Canada	773	591	182	30.8%
International	660	566	94	16.6%
Total Revenue	$ 4,296	$ 3,414	$882	25.8%
Operating Profit:				
United States	$ 134	$ 94	$ 40	42.6%
Canada	47	37	10	27.0%
International	43	37	6	16.2%
Total Operating Profit	$ 224	$ 168	$ 56	33.3%
Operating Profit %:				
United States	4.7%	4.2%		
Canada	6.1%	6.3%		
International	6.5%	6.5%		
Total Operating Profit %	5.2%	4.9%		

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. Other costs primarily include the cost of inventory that was stepped up to fair value as a result of the acquisitions of Wilson and CE Franklin in 2012. 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.

Our Canadian revenue changed from 17% of total revenue in 2012 to 18% in 2013. We are subject to fluctuations in foreign currency exchange rates relative to the U.S. dollar, as our Canadian revenue is favorably impacted as the U.S. dollar weakens relative to the Canadian dollar, and unfavorably impacted as the U.S dollar strengthens relative to the Canadian dollar. In 2013, our revenue from Canada was unfavorably impacted by approximately $26 million due to changes in foreign currency exchange rates over the prior year, as the U.S. dollar strengthened relative to the Canadian dollar.

Operating profit was $47 million (which included $2 million in other costs related to acquisitions) for the year ended 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.

Our international revenue changed from 17% of total revenue in 2012 to 15% in 2013. We are subject to fluctuations in foreign currency exchange rates relative to the U.S. dollar. Our international revenue is favorably impacted as the U.S. dollar weakens relative to other foreign currencies, and unfavorably impacted as the U.S dollar strengthens relative to other foreign currencies. Our international segment revenue was unfavorably impacted by approximately $5 million due to changes in foreign currency exchange rates over the prior year, as the U.S. dollar strengthened relative to certain currencies, most notably the Australian dollar, Brazilian real, British pound, Kazakhstani Tenge, and the Russian ruble, and partially offset by the favorable impact of the U.S. dollar weakening against certain currencies, most notably the Mexican peso.

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 were slightly 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 expenses of $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.

Non-GAAP Financial Measures and Reconciliations

In an effort to provide investors with additional information regarding our results of operations as determined by GAAP, we may disclose non-GAAP financial measures. The primary non-GAAP financial measure we disclose is earnings before interest, taxes, depreciation and amortization ("EBITDA"). This financial measure is not calculated in accordance with GAAP. A reconciliation of any non-GAAP financial measure to its most comparable GAAP financial measure is included below.

We use EBITDA 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 further analyze the results of ongoing operations.

The following table sets forth the reconciliations of EBITDA to the most comparable GAAP financial measures (in millions):

We believe EBITDA helps investors compare our operating performance with the performance of other companies who have different financing and capital structures or tax rates.

	Year Ended December 31,		
	2014	2013	2012
Net income [1]	$116	$147	$108
Interest, net	(1)	—	—
Tax provision	62	75	57
Depreciation and amortization	21	17	12
EBITDA	$198	$239	$177
EBITDA % [2]	4.8%	5.6%	5.2%

(1) We believe that net income is the financial measure calculated and presented in accordance with U.S. generally accepted accounting principles that is most directly comparable to EBITDA.
(2) EBITDA % is defined as EBITDA divided by Revenue.

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.

As of December 31, 2014 and 2013, we had cash and cash equivalents of $195 million and $101 million, respectively. For December 31, 2014, $120 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 or subsequent to when such decision is 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):

	Year Ended December 31,		
	2014	2013	2012
Net cash provided by (used in) operating activities	$108	$317	$ (12)
Net cash used in investing activities	(67)	(54)	(1,127)
Net cash provided by (used in) financing activities	66	(299)	1,184

Fiscal year 2014 compared to fiscal year 2013

Net cash provided by operating activities served as the primary source of liquidity. Net cash flows provided by operating activities in 2014 were $108 million, down from $317 million provided by in 2013. Net income decreased to $116 million in 2014 compared to $147 million in 2013, primarily due to decrease in revenues and increase in Corporate expenses related to Spin-Off activities. Net changes in operating assets and liabilities, net of acquisitions, provided a deficit of $66 million in 2014 compared to $132 million in 2013. The decrease was primarily due to a $200 million increase in receivables, $116 million increase in inventory, partially offset by $261 million increase in accounts payables attributable to a reorganization of our legal entities and the ERP system implementation. Adjustments to reconcile net income to net cash provided by operating activities was $58 million in 2014 compared to $38 million in 2013 driven by higher depreciation and amortization, deferred income taxes, and stock-based compensation.

Net cash used in investing activities in 2014 was $67 million compared to $54 million in 2013. Cash used in 2014 was mainly due to $39 million of capital expenditures and $36 million in business acquisitions.

Net cash provided by financing activities for 2014 was $66 million, compared to $299 million used in 2013 associated with net contributions from or distributions to the parent company.

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 $132 million in 2013 compared to deficit of $138 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 $38 million in 2013 compared to $18 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.

Effect of the change in exchange rates

The effect of the change in exchange rates on cash flows was a decrease of $13 million and a decrease of $1 million for the years ended December 31, 2014 and 2013, respectively.

Capital Spending

We intend to pursue additional acquisition candidates, but the timing, size or success of any acquisition effort and the related potential capital commitments cannot be predicted. We continue to expect to fund future cash acquisitions primarily with cash flow from operations and the usage of the unborrowed portion of the revolving credit facility. We expect capital expenditures for fiscal 2015 to be approximately $15 million primarily related to warehouse and office facilities for our operations in United Arab Emirates.

Off-Balance Sheet Arrangements

We do not have any material “off-balance sheet arrangements” as such term is defined within the rules and regulations of the SEC.

Contractual Obligations

The following table summarizes our aggregate contractual fixed and variable obligations as of December 31, 2014 (in millions):

		Payment Due by Period			
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 years
Contractual Obligations:					
Operating leases	$125	$ 39	$ 45	$ 19	$ 22
Total Contractual Obligations	$125	$ 39	$ 45	$ 19	$ 22

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 energy 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, 2014 and 2013, allowance for doubtful accounts totaled $19 million and $22 million, or 2.2% and 3.2% of gross accounts receivable, respectively.

The Company's charge-offs and provisions for the allowance for doubtful accounts have been immaterial to the Company's consolidated 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, 2014 and 2013, inventory reserves totaled $39 million and $31 million, or 3.9% and 3.5% of gross inventory, respectively. Changes in our estimates could be material under weaker market conditions or outlook.

Goodwill & Impairment

The Company has approximately $346 million of goodwill as of December 31, 2014. 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 it 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, 2014, 2013 and 2012.

Purchase Price Allocation of Acquisitions

The Company allocates the fair value of the purchase price consideration of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the fair value of the acquired 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 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 determined the provision for income taxes under the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. The Company recognizes deferred tax assets to the extent that the Company believes these assets are more likely than not to be realized. If the Company determines that they would be able to realize their deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. In evaluating the Company's ability to recover deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, the Company begins with historical results adjusted for the results of discontinued operations and incorporates assumptions about the amount of future state, federal, and foreign pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates the Company is using to manage the underlying businesses.

The Company (1) records unrecognized tax benefits as liabilities in accordance with ASC 740 and (2) adjusts these liabilities when judgment changes as a result of the evaluation of new information not previously available in jurisdictions of operation. The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process whereby (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. 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.

The Company is subject to audits by federal, state and foreign jurisdictions which may result in proposed assessments. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the unrecognized tax benefit liabilities. 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.

The Company considers the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and specific plans for reinvestment of those subsidiary earnings. Should the Company decide to repatriate the foreign earnings, the Company would need to adjust the income tax provision in the period the Company determined that the earnings will no longer be indefinitely invested outside the United States. Unremitted earnings of these subsidiaries were $187 million at December 31, 2014. 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.

Recently Issued Accounting Standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-08 *Reporting Discontinued Operations and Disclosures ofDisposals of Components of an Entity,* which is an update for Accounting Standards Codification Topic No. 205 "Presentation of Financial Statements" and Topic No. 360 "Property, Plant and Equipment'. This update changes the requirements of reporting discontinued operations. Under the amended guidance, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The amendments in this update are effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years, with early adoption permitted. The adoption of this update concerns presentation and disclosure only as it relates to the Company's consolidated financial statements. The Company is currently assessing the impact of ASU No. 2014-08 on its financial position and results of operations. No material changes are expected upon adoption of this ASU.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers: Topic 606.* ASU 2014-09 affects any entity using GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition,* and most industry-specific guidance. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, *Property, Plant, and Equipment,* and intangible assets within the scope of Topic 350, *Intangibles—Goodwill and Other)* are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in this ASU. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The ASU provides two transition methods: (i) retrospectively to each prior reporting period presented (ii) retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. The Company is currently assessing the impact of ASU No. 2014-09 on its financial position and results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks that are inherent in our financial instruments and arise from changes in interest rates and foreign currency exchange rates. We may enter into derivative financial instrument transactions to manage or reduce market risk but do not enter into derivative financial instrument transactions for speculative purposes. We do not currently have any material outstanding derivative instruments. See Note 12 (Derivative Financial Instruments) to the Consolidated Financial Statements.

A discussion of our primary market risk exposure in financial instruments is presented below.

Foreign Currency Exchange Rate Risk

We have operations in foreign countries and transact business globally in multiple currencies. Our net assets as well as our revenues and costs and expenses denominated in foreign currencies, expose us to the risk of fluctuations in foreign currency exchange rates against the U.S. dollar. Because we operate globally and approximately 32% of our 2014 net sales were generated outside the United States, foreign currency exchange rates can impact our financial position, results of operations and competitive position. We are a net receiver of foreign currencies and therefore benefit from a weakening of the U.S. dollar and are adversely affected by a strengthening of the U.S. dollar relative to the foreign currency. As of December 31, 2014, our most significant foreign currency exposure was to the Canadian dollar with less significant foreign currency exposures to the Australian dollar, Brazilian real, British pound, Mexican peso, Kazakhstani tenge, and Russian ruble.

The financial statements of foreign subsidiaries are translated into their U.S. dollar equivalents at end-of-period exchange rates for assets and liabilities, while income and expenses are translated at average monthly exchange rates. Translation gains and losses are components of other comprehensive income (loss) as reported in the statements of consolidated comprehensive income. During 2014, we experienced a net foreign currency translation loss totaling $45 million, which was included in other comprehensive income (loss).

Foreign currency exchange rate fluctuations generally do not materially affect our net income since the functional currency is typically the local currency; however, our operations also have net assets not denominated in their functional currency, which exposes us to changes in foreign currency exchange rates that impact our net income as foreign currency transaction gains and losses. Foreign currency transaction gains and losses arising from fluctuations in currency exchange rates on transactions denominated in currencies other than the functional currency are recognized in the consolidated statements of income as a component of other expense (income), net. During the years ended December 31, 2014, 2013 and 2012, we reported foreign currency transaction losses of $2 million, $2 million and $3 million, 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 fair value adjustments to economically hedged positions as a result of changes in foreign currency exchange rates.

Some of our revenues for our foreign operations 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 our revenues for our foreign operations 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 those risks, we may utilize foreign currency forward contracts to better match the currency of the revenues and the associated costs. Although we may utilize foreign currency forward contracts to economically hedge certain foreign currency denominated balances or transactions, we do not currently hedge the net investments in our foreign operations. The counterparties to our forward contracts are major financial institutions. The credit ratings and concentration of risk of these financial institutions are monitored by us on a continuing basis. In the event that the counterparties fail to meet the terms of a foreign currency contract, our exposure is limited to the foreign currency rate differential.

The average foreign exchange rate for 2014 compared to the average for 2013 for the aggregate of our foreign operations compared to the U.S. dollar decreased by 5.7%. The average foreign exchange rate for 2014 compared to the average for 2013 of the Australian dollar, Brazilian real, Canadian dollar, Kazakhstani tenge, Mexican peso and the Russian ruble compared to the U.S. dollar decreased by 6.9%, 8.3%, 6.5%, 14.6%, 3.8% and 16.1%, respectively, while the average foreign exchange rate of the British pound increased in relation to the U.S. dollar by 4.8%.

We utilized a sensitivity analysis to measure the potential impact on earnings based on a hypothetical 10% change in foreign currency rates. A 10% strengthening from the levels experienced during 2014 of the U.S. dollar relative to foreign currencies that affected the Company would have resulted in an approximate $3 million decrease in net income for 2014. A 10% weakening from the levels experienced during 2014 of the U.S. dollar relative to foreign currencies that affected the Company would have resulted in an approximate $2 million increase in net income for 2014.

Commodity Steel Pricing

Our business is sensitive to steel prices, which can impact our product pricing, with steel tubular prices generally having the highest degree of sensitivity. 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Attached hereto and a part of this report are financial statements and supplementary data listed in Item 15. "Exhibits and Financial Statement Schedules".

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

(i) Evaluation of disclosure controls and procedures

As required by SEC Rule 13a-15(b), we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in reports that it files under the Exchange Act is accumulated and communicated to the Company's management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Our principal executive officer and principal financial officer have concluded that our current disclosure controls and procedures were effective as of December 31, 2014 at the reasonable assurance level.

Pursuant to section 302 of the Sarbanes-Oxley Act of 2002, our Chief Executive Officer and Chief Financial Officer have provided certain certifications to the Securities and Exchange Commission. These certifications are included herein as Exhibits 31.1 and 31.2.

(ii) Internal control over financial reporting

(a) Management's annual report on internal control over financial reporting.

The Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies. Management will be required to provide an assessment of the effectiveness of our internal control over financial reporting and our independent public registered accounting firm will report on our internal control over financial reporting as of December 31, 2015.

(b) Changes in internal control

There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to the definitive Proxy Statement for the 2015 Annual Meeting of Stockholders

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to the definitive Proxy Statement for the 2015 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference to the definitive Proxy Statement for the 2015 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference to the definitive Proxy Statement for the 2015 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to the definitive Proxy Statement for the 2015 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements and Exhibits

The following financial statements are presented in response to Part II, Item 8:

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Consolidated Balance Sheets	55
Consolidated Statements of Income	56
Consolidated Statements of Comprehensive Income	57
Consolidated Statements of Cash Flows	58
Consolidated Statements of Stockholders’ Equity	59
Notes to Consolidated Financial Statements	60

(2) Financial Statement Schedule

All schedules are omitted because they are not applicable, not required or the information is included in the financial statements or notes thereto.

(3) Exhibits

2.1	Separation and Distribution Agreement between National Oilwell Varco, Inc. and NOW Inc. dated as of May 29, 2014 (1)
3.1	NOW Inc. Amended and Restated Certificate of Incorporation (1)
3.2	NOW Inc. Amended and Restated Bylaws (1)
10.1	Transition Services Agreement between National Oilwell Varco, Inc. and NOW Inc. dated as of May 29, 2014 (1)
10.2	Tax Matters Agreement between National Oilwell Varco, Inc. and NOW Inc. dated as of May 29, 2014 (1)
10.3	Employee Matters Agreement between National Oilwell Varco, Inc. and NOW Inc. dated as of May 29, 2014 (1)
10.4	Master Distributor Agreement between National Oilwell Varco, L.P. and DNOW L.P. dated as of May 29, 2014 (1)
10.5	Master Services Agreement between National Oilwell Varco, L.P. and DNOW L.P. dated as of May 29, 2014 (1)
10.6	Employment Agreement of Merrill A. Miller, Jr. dated May 30, 2014 (1)
10.7	Form of Employment Agreement for Executive Officers (1)
10.8	NOW Inc. 2014 Incentive Compensation Plan (2)
10.9	Credit Agreement among NOW Inc., Wells Fargo Bank, National Association, as Administrative Agent, and the lenders and other financial institutions named there in, dated as of April 18, 2014 (3)
10.10	Form of Restricted Stock Award Agreement (6 year cliff vest) (4)
21.1	Subsidiaries of Registrant
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (included on signature page hereto)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14a and Rule 15d-14(a) of the Securities and Exchange Act, as amended
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from our Annual Report on Form 10-K for the period ended December 31, 2014 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Stockholders' Equity and (vi) Notes to the Consolidated Financial Statements, tagged as block text (5)

(1) Filed as an Exhibit to our Current Report on Form 8-K filed on May 30, 2014
(2) Filed as an Exhibit to our Amendment No. 1 to Form 10, as amended, Registration Statement filed on April 8, 2014
(3) Filed as an Exhibit to our Amendment No. 2 to Form 10, as amended, Registration Statement filed on April 23, 2014
(4) Filed as an Exhibit to our Current Report on Form 8-K, filed on November 19, 2014
(5) As provided in Rule 406T of Regulation S-T, this information is filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934

We hereby undertake, pursuant to Regulation S-K, Item 601(b), paragraph (4) (iii), to furnish to the U.S. Securities and Exchange Commission, upon request, all constituent instruments defining the rights of holders of our long-term debt not filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NOW Inc.

Date: February 25, 2015

By: */s/ Robert R. Workman*

Robert R. Workman
President and Chief Executive Officer

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

Each person whose signature appears below in so signing, constitutes and appoints Robert R. Workman and Daniel L. Molinaro, and each of them acting alone, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to execute and cause to be filed with the Securities and Exchange Commission any and all amendments to this report, and in each case to file the same, with all exhibits thereto and other documents in connection therewith, and hereby ratifies and confirms all that said attorney-in-fact or his substitute or substitutes may do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Robert R. Workman Robert R. Workman	President, Chief Executive Officer and Director	February 25, 2015
/s/ Daniel L. Molinaro Daniel L. Molinaro	Senior Vice President and Chief Financial Officer	February 25, 2015
/s/ David A. Cherechinsky David A. Cherechinsky	Vice President, Corporate Controller and Chief Accounting Officer	February 25, 2015
/s/ Merrill A. Miller, Jr. Merrill A. Miller, Jr.	Chairman of the Board	February 25, 2015
/s/ Richard Alario Richard Alario	Director	February 25, 2015
/s/ Terry Bonno Terry Bonno	Director	February 25, 2015
/s/ Galen Cobb Galen Cobb	Director	February 25, 2015
/s/ James Crandell James Crandell	Director	February 25, 2015
/s/ Rodney Eads Rodney Eads	Director	February 25, 2015
/s/ Michael Frazier Michael Frazier	Director	February 25, 2015

Signature	Title	Date
/s/ J. Wayne Richards J. Wayne Richards	Director	February 25, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
NOW Inc.

We have audited the accompanying consolidated balance sheets of NOW Inc. as of December 31, 2014, and 2013 and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. 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 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 consolidated financial position of NOW Inc. at December 31, 2014, and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Houston, Texas
February 25, 2015

NOW INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 195	$ 101
Receivables, net	851	661
Inventories, net	949	850
Deferred income taxes	22	21
Prepaid and other current assets	30	29
Total current assets	2,047	1,662
Property, plant and equipment, net	124	102
Deferred income taxes	2	15
Goodwill	346	333
Intangibles, net	73	68
Other assets	4	3
Total assets	$2,596	$2,183
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 490	$ 264
Accrued liabilities	125	99
Accrued income taxes	5	—
Total current liabilities	620	363
Deferred income taxes	10	16
Other liabilities	—	2
Total liabilities	630	381
Commitments and contingencies		
Stockholders' equity:		
Preferred stock—par value $0.01; 20 million shares authorized; no shares issued and outstanding	—	—
Common stock - par value $0.01; 330 million shares authorized; 107,067,457 shares issued and outstanding	1	—
Additional paid-in capital	1,952	—
National Oilwell Varco, Inc. ("NOV") net investment	—	1,802
Retained earnings	58	—
Accumulated other comprehensive income (loss)	(45)	—
Total stockholders' equity	1,966	1,802
Total liabilities and stockholders' equity	$2,596	$2,183

NOW INC.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share data)

	Year Ended December 31,		
	2014	2013	2012
Revenue	$4,105	$4,296	$3,414
Operating expenses:			
Cost of products	3,286	3,499	2,803
Operating and warehousing costs	425	412	315
Selling, general and administrative	213	161	128
Operating profit	181	224	168
Other income (expense)	(3)	(2)	(3)
Income before income taxes	178	222	165
Provision for income taxes	62	75	57
Net income	$ 116	$ 147	$ 108
Earnings per share:			
Basic earnings per common share	$ 1.07	$ 1.37	$ 1.01
Diluted earnings per common share	$ 1.06	$ 1.37	$ 1.00
Weighted-average common shares outstanding, basic	107	107	107
Weighted-average common shares outstanding, diluted	108	107	107

See notes to consolidated financial statements.

NOW INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Year Ended December 31,		
	2014	2013	2012
Net income	$116	$147	$108
Other comprehensive income (loss):			
Foreign currency translation adjustments	(45)	(18)	9
Comprehensive income	$ 71	$129	$117

See notes to consolidated financial statements.

NOW INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net income	$ 116	$ 147	$ 108
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	21	17	12
Deferred income taxes	7	3	(7)
Stock-based compensation	18	6	6
Gain on disposal of property, plant and equipment	(6)	—	—
Other, net	18	12	7
Change in operating assets and liabilities:			
Receivables	(200)	23	(25)
Inventories	(116)	158	(87)
Prepaid and other current assets	(1)	(11)	(3)
Accounts payable and accrued liabilities	261	(9)	(59)
Accrued or prepaid income taxes	(6)	(6)	(1)
Other assets / liabilities, net	(4)	(23)	37
Net cash provided by (used in) operating activities	108	317	(12)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(39)	(55)	(14)
Business acquisitions, net of cash acquired	(36)	—	(1,113)
Other, net	8	1	—
Net cash used in investing activities	(67)	(54)	(1,127)
Cash flows from financing activities:			
Net contributions from (distributions to) NOV	67	(298)	1,185
Other	(1)	(1)	(1)
Net cash provided by (used in) financing activities	66	(299)	1,184
Effect of exchange rates on cash and cash equivalents	(13)	(1)	2
Net change in cash and cash equivalents	94	(37)	47
Cash and cash equivalents, beginning of period	101	138	91
Cash and cash equivalents, end of period	$ 195	$ 101	$ 138
Supplemental disclosures of cash flow information:			
Cash payments during the period for:			
Income taxes paid	$ 65	$ 73	$ 65
Non-cash investing and financing activities:			
Contributed property, plant and equipment	$ 4	$ —	$ —
Accrued purchases of property, plant and equipment	$ 1	$ —	$ —

See notes to consolidated financial statements.

NOW INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except share data)

	Common Stock: Par Value	Common Stock: Additional Paid-In Capital	Retained Earnings	NOV Net Investment	Accum. Other Comprehensive Income (Loss)	Total Stockholders' Equity
January 1, 2012	$ —	$ —	$ —	$ 660	$ 9	$ 669
Net income	—	—	—	108	—	108
Other comprehensive income	—	—	—	—	9	9
Contributions from (distributions to) NOV	—	—	—	1,185	—	1,185
December 31, 2012	—	—	—	1,953	18	1,971
Net income	—	—	—	147	—	147
Other comprehensive loss	—	—	—	—	(18)	(18)
Contributions from (distributions to) NOV	—	—	—	(298)	—	(298)
December 31, 2013	—	—	—	1,802	—	1,802
Net income	—	—	58	58	—	116
Net transfers from NOV	—	—	—	75	—	75
Stock-based compensation	—	13	—	5	—	18
Reclassification of NOV net investment to additional paid-in capital	—	1,940	—	(1,940)	—	—
Issuance of common stock at Separation	1	(1)	—	—	—	—
Other comprehensive loss	—	—	—	—	(45)	(45)
December 31, 2014	$ 1	$ 1,952	$ 58	$ —	$ (45)	$ 1,966

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

See notes to consolidated financial statements.

NOW INC.
Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

Nature of Operations

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

The Separation

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

Basis of Presentation

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

- The Company's consolidated statement of income for the year ended December 31, 2014 consists of the consolidated results of NOW for the period from May 31 through December 31 and the combined results of NOW for the period from January 1, 2014 through May 30, 2014.
- The Company's consolidated balance sheet as of December 31, 2014 is presented on a consolidated basis, whereas the Company's consolidated balance sheet as of December 31, 2013 was prepared on a combined basis.
- The Company's consolidated statement of cash flows for the year ended December 31, 2014 consist of the consolidated results of NOW for the period from May 31 through December 31 and the combined results of NOW for the period from January 1, 2014 through May 30, 2014.

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

Actual costs that would have been incurred if NOW had been a stand-alone public company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. The Company's historical financial statements prior to May 31, 2014 do not reflect the debt or interest costs it might have incurred if it had been a stand-alone entity. In addition, the Company expects to incur other costs, not reflected in its historical financial statements prior to May 31, 2014, as a result of being a separate publicly traded company. As a result, the Company's historical financial statements prior to May 31, 2014 do not necessarily reflect what its financial position or results of operations would have been if it had been operated as a stand-alone public entity during the periods covered prior to May 31, 2014, and may not be indicative of the Company's future results of operations and financial position.

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

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

Recently Issued Accounting Standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-08 *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which is an update for Accounting Standards Codification Topic No. 205 "Presentation of Financial Statements" and Topic No. 360 "Property, Plant and Equipment'. This update changes the requirements of reporting discontinued operations. Under the amended guidance, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The amendments in this update are effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years, with early adoption permitted. The adoption of this update concerns presentation and disclosure only as it relates to the Company's consolidated financial statements. The Company is currently assessing the impact of ASU No. 2014-08 on its financial position and results of operations. No material changes are expected upon adoption of this ASU.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers: Topic 606.* ASU 2014-09 affects any entity using GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition,* and most industry-specific guidance. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, *Property, Plant, and Equipment,* and intangible assets within the scope of Topic 350, *Intangibles—Goodwill and Other)* are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in this ASU. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The ASU provides two transition methods:

(i) retrospectively to each prior reporting period presented (ii) retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. The Company is currently assessing the impact of ASU No. 2014-09 on its financial position and results of operations.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables and payables approximated fair value because of the relatively short maturity of these instruments. See Note 12 for the fair value of derivative financial instruments.

Inventories

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

Property, Plant and Equipment

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

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

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

The Company reviews goodwill for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. The two-step goodwill impairment test is performed to review goodwill for impairment. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step would need to be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. For purposes of testing goodwill we have four reporting units; United States Energy branches, United States supply chain locations, Canada and International. We estimate fair value utilizing valuation techniques that include consideration of observable market earnings multiples of comparable companies and discounted cash flow analyses which incorporate management assumptions relating to future growth and profitability. Changes in business or market conditions could impact the future cash flows used in such analyses. Any excess of the goodwill carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value.

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

Foreign Currency

The functional currency for most of the Company's foreign operations is the local currency. 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 foreign operations 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 other income. Net foreign currency transaction losses were $2 million, $2 million and $3 million for the years ending December 31, 2014, 2013 and 2012, respectively, and are included in other income (expense) in the accompanying consolidated 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 consolidated statements of income.

Cost of Products

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

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

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

Stock-Based Compensation

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

Environmental Liabilities

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

Use of Estimates

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

Contingencies

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

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

3. Receivables, net

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

Allowance for Doubtful Accounts

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

	Year Ended December 31,		
	2014	2013	2012
Allowance for doubful accounts			
Beginning balance	$ 22	$ 15	$ 6
Net charge-offs	(7)	(2)	(5)
Provision	4	9	14
Ending balance	$ 19	$ 22	$ 15

4. Inventories, net

Inventories consist of *(in millions):*

	December 31, 2014	2013	2012
Finished goods	$988	$881	$1,047
Less: inventory reserves	(39)	(31)	(32)
Total	$949	$850	$1,015
Inventory reserves:			
Beginning balance	$ 31	$ 32	$ 22
Charged to costs and expenses	8	5	16
Write-offs	—	(6)	(6)
Ending balance	$ 39	$ 31	$ 32

5. Property, Plant and Equipment, net

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

	Estimated Useful Lives	December 31, 2014	2013
Information technology assets	2-7 Years	$ 49	$ 27
Operating equipment	3-15 Years	51	57
Buildings and land(1)	5-35 Years	73	60
Construction in progress		2	19
Total property, plant and equipment		175	163
Less: accumulated depreciation		(51)	(61)
Property, plant and equipment, net		$124	$102

(1) Land has indefinite life.

Depreciation expense was $16 million, $11 million and $8 million for the years ended December 31, 2014, 2013 and 2012, respectively.

6. Accrued Liabilities

Accrued liabilities consist of *(in millions):*

	December 31, 2014	2013
Compensation and other related expenses	$ 39	$ 24
Customer prepayments	24	18
Taxes (non income)	24	25
Other	38	32
Total	$125	$ 99

7. Goodwill and Intangibles

The Company performed its annual impairment analysis for its goodwill during the fourth quarter of 2014 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.

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

	United States	Canada	International	Total
Balance at December 31, 2012	$ 204	$ 117	$ 22	$343
Foreign currency translation adjustments and other	(2)	(8)	—	(10)
Balance at December 31, 2013	202	109	22	333
Additions	20	—	—	20
Foreign currency translation adjustments and other	(2)	(8)	3	(7)
Balance at December 31, 2014	$ 220	$ 101	$ 25	$346

Identified intangible assets with determinable lives consist primarily of customer relationships, tradenames, trademarks and patents, and non-compete agreements acquired in acquisitions, and are being amortized on a straight-line basis over the estimated useful lives of 2-30 years. Amortization expense of identified intangibles is expected to be approximately $5 million in each of the next five years.

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

	United States	Canada	International	Total
Balance at December 31, 2012	$ 53	$ 3	$ 18	$ 74
Amortization	(3)	(1)	(2)	(6)
Balance at December 31, 2013	50	2	16	68
Additions	10	—	—	10
Amortization	(3)	(1)	(1)	(5)
Balance at December 31, 2014	$ 57	$ 1	$ 15	$ 73

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

	Gross	Accumulated Amortization	Net Book Value
December 31, 2012:			
Tradenames, trademarks and patents	$ 63	$ (3)	$ 60
Customer relationships	13	(2)	11
Other (covenant not to compete)	4	(1)	3
Total identified intangibles	$ 80	$ (6)	$ 74
December 31, 2013:			
Tradenames, trademarks and patents	$ 63	$ (6)	$ 57
Customer relationships	13	(3)	10
Other (covenant not to compete)	4	(3)	1
Total identified intangibles	$ 80	$ (12)	$ 68
December 31, 2014:			
Tradenames, trademarks and patents	$ 61	$ (9)	$ 52
Customer relationships	24	(4)	20
Other (covenant not to compete)	5	(4)	1
Total identified intangibles	$ 90	$ (17)	$ 73

8. Income Taxes

In connection with the Separation, the Company and NOV entered into a Tax Matters Agreement, dated as of May 29, 2014 (the "Tax Matters Agreement"), which governs the Company's and NOV's respective rights, responsibilities and obligations. The Tax Matters Agreement sets forth the Company and NOV's rights and obligations related to the allocation of federal, state, local and foreign taxes for periods before and after the Spin-Off, as well as taxes attributable to the Spin-Off, and related matters such as the filing of tax returns and the conduct of IRS and other audits. Pursuant to the Tax Matters Agreement, NOV will prepare and file the consolidated federal income tax return, and any other tax returns that include both NOV and the Company for all taxable periods ending on or prior to May 30, 2014. NOV will indemnify and hold harmless the Company for any income tax liability for periods before the Separation date. The Company will prepare and file all tax returns that include solely the Company for all taxable periods ending after that date. Settlements of tax payments between NOV and the Company were generally treated as contributions from or distributions to NOV in periods prior to the Separation date. Following the Spin-Off, the Company maintains the amount legally due to the tax authorities and maintains a due to/from NOV, Inc. for taxes related to periods prior to the Spin-Off that NOV is responsible for. After NOV files the tax returns for 2014, we anticipate there will be a settlement under the Tax Matters Agreement related to income taxes for the period of 2014 prior to the Spin-Off.

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

	Year Ended December 31,		
	2014	2013	2012
United States	$101	$161	$115
Foreign	77	61	50
	$178	$222	$165

The provision for income taxes for 2014, 2013, and 2012 consisted of the following (in millions):

	2014	2013	2012
U.S. Federal:			
Current	$ 38	$ 48	$46
Deferred	3	6	(4)
	41	54	42
U.S. State:			
Current	4	4	4
Deferred	—	—	1
	4	4	5
Foreign			
Current	18	20	14
Deferred	(1)	(3)	(4)
	17	17	10
Total current income tax provision	$ 62	$ 75	$57

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

	Year Ended December 31,		
	2014	2013	2012
Income tax expense (benefit) at federal statutory rate	$ 62	$78	$ 58
Foreign income tax rate differential	(6)	(5)	(5)
State income tax, net of federal benefit	3	3	2
Nondeductible expenses	2	2	1
Foreign dividends, net of foreign tax credits	—	(1)	1
Change in contingency reserve and other	1	(2)	—
Income tax expense (benefit)	$ 62	$75	$ 57

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

	Year Ended December 31,		
	2014	2013	2012
Deferred tax assets:			
Allowances and operating liabilities	$ 2	$ 12	$ 10
Net operating loss carryforwards	1	1	—
Book over tax depreciation	—	2	1
Trade credit	4	1	—
Bad debt reserve	3	2	1
Inventory reserve	9	11	12
Stock options	12	5	4
Other	3	2	1
Total deferred tax assets	34	36	29
Deferred tax liabilities:			
Tax over book depreciation	(2)	(2)	—
Intangible assets	(18)	(14)	(9)
Total deferred tax liabilities	(20)	(16)	(9)
Net deferred tax asset	$ 14	$ 20	$ 20

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.

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

	2014	2013	2012
Unrecognized tax benefit—January 1	$—	$ 2	$ 2
Gross increases—tax positions in prior period	—	—	—
Gross decreases—tax positions in prior period	—	—	—
Gross increases—tax positions in current period	—	—	—
Settlement	—	—	—
Lapse of statute of limitations	—	(2)	—
Unrecognized tax benefit—December 31	$—	$—	$ 2

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

To the extent penalties and interest would be assessed on any underpayment of income tax, such accrued amounts are classified as a component of income tax expense in the financial statements consistent with the Company's policy. During the year ended December 31, 2014, the Company did not record any income tax expense for interest and penalties related to uncertain tax positions. At December 31, 2014, the Company has not accrued any interest and penalties relating to unrecognized tax benefits.

The Company is subject to taxation in the United States, various states and foreign jurisdictions. The Company has significant operations in the United States and Canada and to a lesser extent in various other international jurisdictions. Tax years that remain subject to examination by major tax jurisdictions vary by legal entity, but are generally open in the U.S. for the tax years ending after 2009 and outside the U.S. for the tax years ending after 2006. The Company is indemnified for any income tax expense exposures related to periods prior to the Separation.

In the United States, the Company has no net operating loss carryforwards as of December 31, 2014 and December 31, 2013.

Outside the United States, the Company has $4 million and $1 million of net operating loss carryforwards as of December 31, 2014 and December 31, 2013. The majority of net operating loss carryforwards will expire between 2023 and 2024.

Also in the United States, the Company has $0 and $3 million of excess foreign tax credits as of December 31, 2014 and December 31, 2013.

In general, it is the practice and intention of the Company to reinvest the earnings of its non-U.S. subsidiaries in those operations. As of December 31, 2014, the amount of unremitted earnings was approximately $187 million. The Company has not, nor does it anticipate the need to, repatriate funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with domestic debt service requirements. These earnings are considered to be permanently reinvested and no provision for U.S. federal and state income taxes has been made. Distribution of these earnings in the form of dividends or otherwise could result in U.S. federal taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable in various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practical; however, unrecognized foreign tax credit carryforwards would be available to reduce some portion of the U.S. liability.

Because of the number of tax jurisdictions in which the Company operates, its effective tax rate can fluctuate as operations and the local country tax rates fluctuate. The Company is also subject to audits by federal, state and foreign jurisdictions which may result in proposed assessments. The Company’s future tax provision will reflect any favorable or unfavorable adjustments to its estimated tax liabilities when resolved. The Company is unable to predict the outcome of these matters. However, the Company believes that none of these matters will have a material adverse effect on the results of operations or financial condition of the Company.

9. Credit Facility

On April 18, 2014, the Company entered into a five-year senior unsecured revolving credit facility with a syndicate of lenders, including Wells Fargo Bank, National Association, as administrative agent. The credit facility became available to the Company on June 2, 2014 as a result of the satisfaction of customary conditions, including the consummation of the Separation. The credit facility is for an aggregate principal amount of up to $750 million with sub-facilities for standby letters of credit and swingline loans, each with a sublimit of $150 million and $50 million, respectively. The Company has the right, subject to certain conditions, to increase the aggregate principal amount of commitments under the credit facility by $250 million. Borrowings under the credit facility will bear interest at a base rate (as defined in the credit agreement) plus an applicable interest margin based on the Company’s capitalization ratio. The base rate is calculated as the highest of (a) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1%, (b) the prime commercial lending rate of the administrative agent, as established from time to time at its principal U.S. office, and (c) the Daily One-Month LIBOR (as defined in the credit agreement) plus 1%. The Company also has the option for borrowings under the credit facility to bear interest based on LIBOR (as defined in the credit agreement). The credit facility is unsecured and guaranteed by the Company’s domestic subsidiaries. The credit agreement also provides for customary fees, including administrative agent fees, commitment fees, fees in respect of letters of credit and other fees. The annual commitment fee ranges from 25 to 35 basis points of the unused portion of the credit facility. The line of credit expires in April 2019, unless extended.

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 3:1. As of December 31, 2014, the Company was in compliance with all covenants.

As of December 31, 2014, the Company had no borrowings against its revolving credit facility and a $2 million letter of credit was issued under its revolving credit facility. The letter of credit was issued in conjunction with casualty insurance expiring May 30, 2015.

10. Commitments and Contingencies

The Company is involved in various claims, regulatory agency audits and pending or threatened legal actions involving a variety of matters. At December 31, 2014, the Company recorded an immaterial amount for contingent liabilities representing all contingencies believed to be probable. The Company has also assessed the potential for additional losses above the amounts accrued as well as potential losses for matters that are not probable but are reasonably possible. The total potential loss on these matters cannot be determined; however, in the Company’s opinion, any ultimate liability, to the extent not otherwise recorded or accrued for, will not materially affect the Company’s financial position, cash flow or results of operations. These estimated liabilities are based on the Company’s assessment of the nature of these matters, their progress toward resolution, the advice of legal counsel and outside experts as well as management’s intention and experience.

The Company’s business is affected both directly and indirectly by governmental laws and regulations relating to the oilfield service industry in general, as well as by environmental and safety regulations that specifically apply to the Company’s business. Although the Company has not incurred material costs in connection with its compliance with such laws, there can be no assurance that other developments, such as new environmental laws, regulations and enforcement policies hereunder may not result in additional, presently unquantifiable, costs or liabilities to the Company.

The Company leases certain facilities and equipment under operating leases that expire at various dates through 2024. 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 $61 million, $70 million and $50 million in 2014, 2013 and 2012, respectively.

Future minimum lease commitments under noncancellable operating leases with initial or remaining terms of one year or more at December 31, 2014, are payable as follows (*in millions):*

2015	$ 39
2016	27
2017	18
2018	12
2019	7
Thereafter	22
Total future lease commitments	$125

11. Related Party Transactions and Net Parent Company Investment

Related Party Transactions

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

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

The Tax Matters Agreement (See Note 8) governs the respective rights, responsibilities and obligations of each party with respect to taxes and tax benefits, the filing of tax returns, the control of audits, restrictions to preserve the tax-free status of the Spin-Off and other tax matters.

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

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

Allocation of General Corporate Expenses

For the periods prior to the Spin-Off, the consolidated financial statements include expense allocations for certain functions provided by NOV as well as other NOV employees not solely dedicated to NOW, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, communications, ethics and compliance, shared services, employee benefits and incentives, and stock-based compensation. These expenses were allocated to NOW on the basis of direct usage when identifiable, with the remainder allocated on the basis of operating profit, headcount or other measures. During 2014, 2013 and 2012, NOW Inc. was allocated $6 million, $9 million and $7 million, respectively, of general corporate expenses incurred by NOV which is included within selling, general and administrative expenses in the consolidated statements of income. Allocations from NOV discontinued as of May 30, 2014.

NOV Net Investment

Prior to the Spin-Off, net contributions from NOV invested equity were included within NOV net investment on the consolidated balance sheets and statements of cash flows. The components of the change in NOV net investment are as follows *(in millions):*

	Year Ended December 31,		
	2014	2013	2012
Net contribution from (distributions to) NOV per the consolidated statements of stockholders' equity	$138	$(151)	$1,293
Non-cash adjustments:			
Stock-based compensation	(5)	—	
Net transfer of assets and liabilities from NOV	(8)	—	
Less: Net income attributable to NOV net investment prior to the Spin-Off	(58)	(147)	(108)
Net contributions from (distributions to) NOV per the consolidated statements of cash flows	$ 67	$(298)	$1,185

As a result of the separation and distribution, certain adjustments were made to true-up the differences between the book basis and the tax basis of certain assets and liabilities, the loss of certain tax credits that were no longer eligible for use, and liabilities assumed by NOV, which resulted in a net $5 million adjustment to current and deferred tax balances with an offsetting reduction to additional paid-in capital.

12. Derivative Financial Instruments

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is foreign currency exchange rate risk. Forward contracts against foreign currencies may be entered into to manage (i) foreign currency exchange rate risk on forecasted revenues and expenses denominated in currencies other than the functional currency of the operating unit, (ii) foreign currency exchange rate risk on recognized nonfunctional currency monetary accounts, or (iii) foreign-currency exchange rate risk on unrecognized firm commitments.

The Company records all derivative financial instruments at their fair value in its consolidated balance sheets. None of the derivative financial instruments that the Company holds are designated as either a fair value hedge or cash flow hedge. For derivative instruments that are non-designated, the gain or loss on the derivative instrument subject to the economically-hedged risk (i.e. unrecognized firm commitments) is recognized in other income in current earnings.

The Company has entered into forward exchange contracts which have terms of less than a year to economically hedge foreign currency exchange rate risk on recognized nonfunctional currency monetary accounts denominated in pounds sterling and foreign-currency exchange rate risk on unrecognized firm commitments denominated in U.S. Dollars. The purpose of the Company's foreign currency economic hedging activities are to economically-hedge the Company's risk from (i) forecasted cash flows associated with nonfunctional currency monetary accounts and (ii) changes in the fair value of a non-functional currency denominated unrecognized firm commitment attributable to changes in the rates between the non-functional currency and the functional currency.

The Company has determined that the fair value of its derivative financial instruments are determined using level 2 inputs (inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability) in the fair value hierarchy as the fair value is based on publicly available foreign exchange rates at each financial reporting date. At December 31, 2014, the net fair value of the Company's foreign currency forward contracts totaled a net asset of less than $1 million and is included in prepaid and other current assets in the consolidated balance sheets.

At December 31, 2014, the Company's financial instruments do not contain any credit-risk-related or other contingent features that could cause accelerated payments when the Company's financial instruments are in net liability positions. The Company does not use derivative financial instruments for trading or speculative purposes.

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is foreign currency exchange rate risk. Forward contracts against various foreign currencies are entered into to manage the foreign currency exchange rate risk on forecasted revenues and expenses denominated in currencies other than the functional currency of the operating unit (cash flow hedge). Other forward exchange contracts against various foreign currencies are entered into to manage the foreign currency exchange rate risk associated with certain firm commitments denominated in currencies other than the functional currency of the operating unit (fair value hedge). In addition, the Company will enter into non-designated forward contracts against various foreign currencies to manage the foreign currency exchange rate risk on recognized nonfunctional currency monetary accounts (non-designated hedge).

13. Accumulated Other Comprehensive Income (Loss)

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

	Currency Translation Adjustments
Balance at December 31, 2013	$ —
Accumulated other comprehensive income (loss) before reclassifications	(45)
Amounts reclassified from accumulated other comprehensive income (loss)	—
Balance at December 31, 2014	$ (45)

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

14. Business Segments

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

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

United States

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

Canada

The Company has a network of over 70 locations in the Canadian oilfield, predominantly in the oil rich provinces of Alberta and Saskatchewan in Western Canada. The Company's Canadian segment primarily serves the energy exploration, production, drilling and midstream business.

International

The Company operates in over 20 countries and serves the needs of its international customers from more than 30 locations outside of the U.S. and Canada, all of which are strategically located in major oil and gas development areas. The Company's International segment primarily serves the energy exploration, production and drilling business.

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

	United States	Canada	International	Total
2014				
Revenue	$ 2,793	$ 669	$ 643	$4,105
Operating profit	89	47	45	181
Depreciation and amortization	16	3	2	21
Long-lived assets:				
Property, plant and equipment, net	101	20	3	124
Goodwill	220	101	25	346
Intangibles, net	58	1	14	73
Total assets	1,733	500	363	2,596
2013				
Revenue	$ 2,863	$ 773	$ 660	$4,296
Operating profit	134	47	43	224
Depreciation and amortization	11	3	3	17
Long-lived assets:				
Property, plant and equipment, net	86	13	3	102
Goodwill	202	109	22	333
Intangibles, net	50	2	16	68
Total assets	1,582	411	190	2,183
2012				
Revenue	$ 2,257	$ 591	$ 566	$3,414
Operating profit	94	37	37	168
Depreciation and amortization	7	2	3	12
Long-lived assets:				
Property, plant and equipment, net	40	16	5	61
Goodwill	204	117	22	343
Intangibles, net	53	3	18	74
Total assets	1,603	549	221	2,373

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

	Year Ended December 31,		
	2014	2013	2012
Product Category			
Drilling and production	$ 991	$ 987	$ 860
Pipe	723	845	621
Valves	801	839	569
Fittings and flanges	667	664	522
Mill tool, MRO, safety and other	923	961	842
Total	$4,105	$4,296	$3,414

15. Earnings Per Share

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

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

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

For the year ended December 31, 2014, 2,552,292 stock options, RSAs and RSUs were excluded from the computation of diluted earnings per share due to their antidilutive effect.

(In millions, except share data)	Year Ended December 31, 2014	2013	2012
Numerator for basic and diluted net income per share attributable to the Company's stockholders:			
Net income attributable to the Company	$ 116	$ 147	$ 108
Less: net income attributable to nonvested shares	(1)	—	—
Net income attributable to the Company's stockholders	$ 115	$ 147	$ 108
Denominator for basic net income per share attributable to the Company's stockholders:			
Weighted average common shares outstanding	107,058,843	107,053,031	107,053,031
Effect of dilutive securities: Dilutive effect of stock based compensation	497,301	415,837	415,837
Denominator for diluted net income per share attributable to the Company's stockholders:	107,556,144	107,468,868	107,468,868
Earnings per share attributable to the Company's stockholders:			
Basic	$ 1.07	$ 1.37	$ 1.01
Diluted	$ 1.06	$ 1.37	$ 1.00

ASC Topic 260, "Earnings Per Share" ("ASC Topic 260") requires companies with unvested participating securities to utilize a two-class method for the computation of net income attributable to the Company per share. The two-class method requires a portion of net income attributable to the Company to be allocated to participating securities, which are unvested awards of share-based payments with non-forfeitable rights to receive dividends or dividend equivalents, if declared. Net income attributable to the Company allocated to these participating securities was approximately $1 million, $0 million, and $0 million for the years ended December 31, 2014, 2013 and 2012, respectively, and therefore excluded from net income attributable to the Company per share calculation.

16. Stock-based Compensation and Outstanding Awards

Prior to the Spin-Off, the Company participated in NOV's stock-based compensation plan known as the National Oilwell Varco, Inc. Long-Term Incentive Plan (the "NOV Plan") and the Company's employees were issued NOV equity awards. Under the NOV Plan, the Company's employees were granted stock options, restricted stock units (RSUs), performance share awards (PSAs) and/or restricted stock awards (RSAs).

In connection with the Spin-Off, the Company established the NOW Inc. Long-Term Incentive Plan (the "Plan"). The Plan was adopted by the Company's board of directors and approved by NOV, as the Company's sole stockholder, on May 1, 2014. Under the terms of the Plan, 16 million shares of Company common stock were authorized for grant under the Plan. In connection with the Spin-Off, stock-based compensation awards granted under the NOV Plan and held by Company employees as of May 30, 2014, were adjusted or substituted as follows. These adjustments were intended to preserve the intrinsic value of the awards on May 30, 2014.

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

Stock based compensation expense recognized in the years ended December 31, 2014, 2013 and 2012 totaled $18 million, $6 million and $6 million, respectively. Adjustment and substitution of the awards did not result in additional compensation expense.

A summary of stock option activity under the Plan as of December 31, 2014, and changes from May 30, 2014 through December 31, 2014 are presented below:

Options	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)
Outstanding as of May 30, 2014	3,599,654	$ 30.85	
Granted	—	—	
Forfeited	(39,855)	31.36	
Exercised or settled	(14,280)	27.49	
Expired or canceled			
Outstanding as of December 31, 2014	3,545,519	$ 30.86	$ 2
Exercisable at December 31, 2014	1,589,126	$ 30.61	$ 2

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

The weighted-average remaining contractual terms of outstanding options and exercisable options at December 31, 2014, were 7.6 years and 6.4 years, respectively. The total intrinsic value of options exercised for the period from May 30, 2014 through December 31, 2014 was less than $1 million.

A summary of the status of the Company's nonvested shares as of December 31, 2014, and changes for the period from May 30, 2014 through December 31, 2014 are presented below:

RSAs / RSUs	Shares	Weighted-Average Grant-Date Fair Value
Nonvested as of May 30, 2014	1,034,055	$ 31.94
Granted	1,422,708	29.02
Vested	—	—
Forfeited	(9,825)	31.59
Expired or canceled	—	—
Nonvested as of December 31, 2014	2,446,938	$ 30.24

All RSUs and RSAs presented in this table are for NOW stock only.

Awards granted in connection with the adjustment and substitution of awards originally issued under the NOV Plan were deducted from the number of NOW shares of common stock available for grant under the Plan. As of December 31, 2014, unrecognized compensation cost related to stock option awards was $12 million, which is expected to be recognized over a weighted average period of 1.8 years. Unrecognized compensation cost related to RSU and RSA awards was $57 million, which is expected to be recognized over a weighted average period of 4.6 years.

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

Though NOW Inc. did not grant any new options in 2014 after the Spin-Off, the following table provides the significant assumptions used to calculate the grant date fair market values of options granted prior to the Spin-Off over the years shown below, as calculated using the Black-Scholes options-pricing model.

	Year Ended December 31,		
	2014	2013	2012
Valuation Assumptions:			
Expected volatility	50.0%	50.1%	51.7%
Risk-free interest rate	0.9%	0.9%	0.9%
Expected dividends	$0.75	$0.75	$0.57
Expected term (in years)	3.4	3.4	3.2

Expected volatility was based on NOV's actual volatility for traded options for the past 10 years prior to grant date. The risk-free interest rate assumption was based on observed interest rates appropriate for the term of the employee stock options. The expected dividend assumption was based on NOV's history and expectation of dividend payouts. The estimated expected term was based on NOV's actual employee exercise activity for the past ten years. As stock-based compensation expense recognized in the consolidated statements of income for 2014 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.

17. Quarterly Financial Data (Unaudited)

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended December 31, 2014				
Revenue	$1,077	$ 952	$1,070	$1,006
Operating expenses				
Cost of products	869	759	857	801
Operating and warehousing costs	102	105	108	110
Selling, general and administrative	44	45	55	69
Operating profit	62	43	50	26
Other income	—	—	(1)	(2)
Income before income taxes	62	43	49	24
Provision for income taxes	21	16	17	8
Net income	$ 41	$ 27	$ 32	$ 16
Earnings per share				
Basic earnings per common share	$ 0.38	$ 0.25	$ 0.30	$ 0.15
Diluted earnings per common share	$ 0.38	$ 0.25	$ 0.30	$ 0.14
Weighted-average common shares outstanding, basic	107	107	107	107
Weighted-average common shares outstanding, diluted	107	108	108	108
Year ended December 31, 2013				
Revenue	$1,072	$1,070	$1,113	$1,041
Operating expenses				
Cost of products	874	874	907	844
Operating and warehousing costs	101	103	104	104
Selling, general and administrative	39	40	39	43
Operating profit	58	53	63	50
Other income	2	2	(4)	(2)
Income before income taxes	60	55	59	48
Provision for income taxes	19	22	20	14
Net income	$ 41	$ 33	$ 39	$ 34
Earnings per share				
Basic earnings per common share	$ 0.37	$ 0.31	$ 0.37	$ 0.32
Diluted earnings per common share	$ 0.37	$ 0.31	$ 0.36	$ 0.32
Weighted-average common shares outstanding, basic	107	107	107	107
Weighted-average common shares outstanding, diluted	107	107	107	107

18. Employee Bargaining Agreements and Benefit Plans

Collective bargaining agreements

At December 31, 2014 the company had more than 5,000 employees in total, of which approximately 500 were temporary employees. Less than one percent of the Company's employees in the U.S. are subject to collective bargaining agreements. Some of the Company's employees in various foreign locations are subject to collective bargaining agreements.

Benefit plans

The Company has benefit plans covering substantially all of its employees. Defined-contribution benefit plans cover most of the U.S. and Canadian employees, and benefits are based on years of service, a percentage of current earnings and matching of employee contributions. For the years ended December 31, 2014, 2013 and 2012, expenses for defined-contribution plans were $13 million, $14 million, and $6 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, 2014 has a projected benefit obligation of $4 million and plan assets of $5 million. The net asset is presented within other assets on the consolidated balance sheets.

19. Acquisitions

In 2014, the Company completed three acquisitions for an aggregate purchase price consideration of approximately $36 million. These acquisitions expand NOW's market in the United States. The Company completed its preliminarily valuations as of the acquisition date of the acquired net assets and recognized goodwill of $20 million and intangible assets of $10 million. The purchase price consideration is subject to customary post-closing working capital adjustments that could ultimately affect the amount of purchase price consideration and goodwill recognized. We have not presented supplementary pro forma financial information for 2013 because these acquisitions were immaterial to the results of the Company.

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