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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 22, 2014

Baker Hughes Incorporated
(Exact name of registrant as specified in charter)

Delaware
(State
of Incorporation)

1-9397
(Commission
File No.)

76-0207995
(I.R.S. Employer
Identification No.)

2929 Allen Parkway, Houston, Texas
(Address of Principal Executive Offices)

77019
(Zip Code)

Registrant's telephone number, including area code: (713) 439-8600
(former name or former address, if changed since last report)

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e). On January 22, 2014, the Compensation Committee of the Board of Directors of Baker Hughes Incorporated (the “Company”) adopted written performance goals, attached hereto as Exhibits 10.1 and 10.2, for the performance units payable in cash and performance units payable in shares granted by the Compensation Committee on January 22, 2014 under the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan (the “2002 D&O LTIP”). The Form of Baker Hughes Incorporated Performance Unit Award Agreement and Terms and Conditions for certain officers payable in cash is attached hereto as Exhibit 10.3, and the Form of Baker Hughes Incorporated Performance Unit Award Agreement and Terms and Conditions for certain officers payable in shares is attached hereto as Exhibit 10.4, both as approved by the Compensation Committee on January 22, 2014.

In addition, on January 22, 2014, the Compensation Committee approved (a) the amended and restated Baker Hughes Incorporated Annual Incentive Compensation Plan for officers (the “Incentive Plan”), (b) the form of Baker Hughes Incorporated Nonqualified Stock Option Award Agreement and Terms and Conditions pursuant to the 2002 D&O LTIP, (c) the form of Baker Hughes Incorporated Incentive Stock Option Award Agreement and Terms and Conditions for officers pursuant to the 2002 D&O LTIP, (d) the form of Baker Hughes Incorporated Restricted Stock Award Agreement and Terms and Conditions for officers pursuant to the 2002 D&O LTIP and (e) the form of Baker Hughes Incorporated Restricted Stock Unit Award Agreement and Terms and Conditions for officers pursuant to the 2002 D&O LTIP.

On January 22, 2014, the Compensation Committee also approved a policy (attached hereto as Exhibit 10.10) providing that, if the Company is required to prepare an accounting restatement during a prior three year period, then under certain circumstances, executive officers or former executive officers of the Company shall forfeit and repay to the Company incentive compensation awarded to such officers for performance periods on or after January 1, 2014 (the “Recoupment Policy”).

On January 23, 2014, the Board of Directors of the Company approved the Incentive Plan and the Recoupment Policy.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the complete text of the aforementioned documents, copies of which are filed as exhibits to this Current Report on Form 8-K and are incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits . (Information furnished in this Item 9.01 is furnished pursuant to Item 9.01.)

(d) Exhibits.

- | | |
|--------|---|
| 10.1* | Performance Goals adopted January 22, 2014 for the Performance Unit Awards payable in cash granted in 2014 under the 2002 D&O LTIP. |
| 10.2* | Performance Goals adopted January 22, 2014 for the Performance Unit Awards payable in shares granted in 2014 under the 2002 D&O LTIP. |
| 10.3* | Form of Baker Hughes Incorporated Performance Unit Award Agreement and Terms and Conditions for certain officers payable in cash. |
| 10.4* | Form of Baker Hughes Incorporated Performance Unit Award Agreement and Terms and Conditions for certain officers payable in shares. |
| 10.5* | Baker Hughes Incorporated Annual Incentive Compensation Plan for officers, as amended and restated on January 23, 2014. |
| 10.6* | Form of Baker Hughes Incorporated Nonqualified Stock Option Award Agreement and Terms and Conditions pursuant to the 2002 D&O LTIP. |
| 10.7* | Form of Baker Hughes Incorporated Incentive Stock Option Award Agreement and Terms and Conditions for officers pursuant to the 2002 D&O LTIP. |
| 10.8* | Form of Baker Hughes Incorporated Restricted Stock Award Agreement and Terms and Conditions for officers pursuant to the 2002 D&O LTIP. |
| 10.9* | Form of Baker Hughes Incorporated Restricted Stock Unit Award Agreement and Terms and Conditions for officers pursuant to the 2002 D&O LTIP. |
| 10.10* | Baker Hughes Incorporated Compensation Recoupment Policy, effective January 1, 2014. |

* Filed herewith.

Signature

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

BAKER HUGHES INCORPORATED

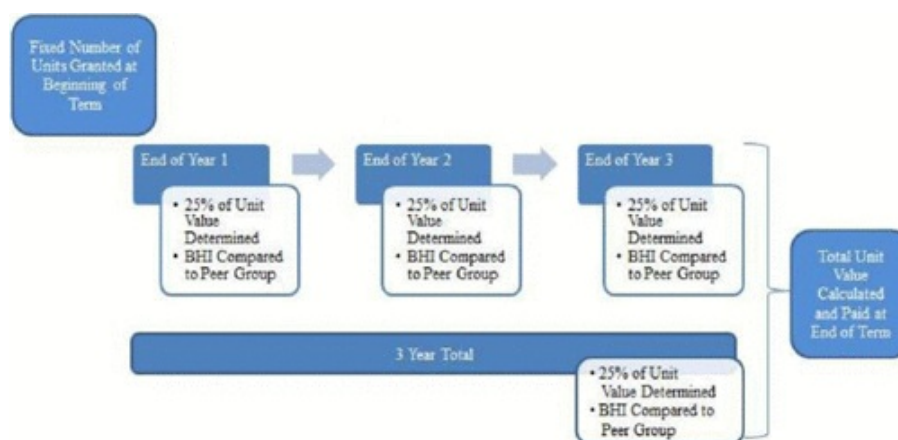
Dated: January 28, 2014

By: _____ /s/ Lee Whitley
Lee Whitley
Corporate Secretary and Senior Corporate Counsel

**PERFORMANCE GOALS
FOR PERFORMANCE UNIT AWARDS GRANTED IN 2014 UNDER
THE BAKER HUGHES INCORPORATED 2002 DIRECTOR & OFFICER
LONG-TERM INCENTIVE PLAN AND
THE BAKER HUGHES INCORPORATED 2002 EMPLOYEE
LONG-TERM INCENTIVE PLAN**

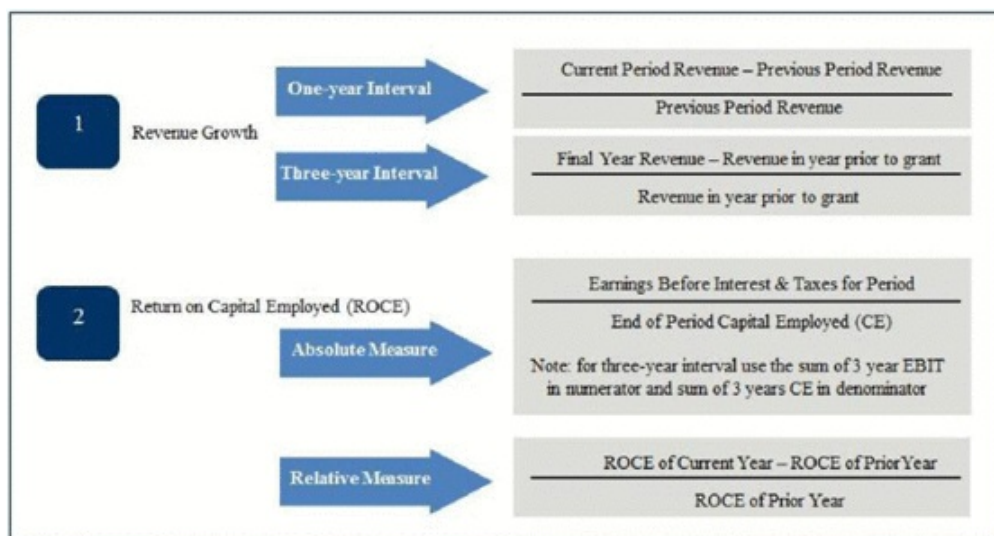
1. 2014 Performance Unit Program

The Performance Unit Program, a component compensation program established under each of the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan and the Baker Hughes Incorporated 2002 Employee Long-Term Incentive Plan (the “PUP”), provides for cash awards for participants if performance goals are met during the term of the PUP. The performance goals are related to the Company’s achievement as compared to a peer group of companies. Achievement is measured over multiple performance periods from the beginning of 2014 to the end of 2016. Twenty-five percent of the Total Unit Value is determined based upon one year performance relative to certain specified performance criteria during each of 2014, 2015, and 2016. The final twenty-five percent of the Total Unit Value is calculated at the end of 2016 based upon the cumulative performance of the Company over the three-year performance period 2014 through 2016.



2. Performance Goals for the Performance Period

For Performance Unit Awards granted by BHI in 2014 under the Plan, the performance goals are based upon the Company’s (1) change in Revenue as compared to the Peer Group, and (2) Return on Capital Employed or ROCE as compared to the Peer Group measured in absolute terms as well as the percentage growth in ROCE as compared to the Peer Group. For each performance goal, if the Company’s performance as compared to the Peer Group is the highest, the Company’s performance rank shall be first.



(a) One Year Performance Periods

Revenue Growth. For the 2014 Performance Period, the 2015 Performance Period and the 2016 Performance Period, the Company's One Year Interval Percentage Increase in Revenue for its 2014, 2015 and 2016 fiscal years, respectively, shall be compared against the One Year Interval Percentage Increase in Revenue for all members of the Peer Group.

Return on Capital Employed. For the 2014 Performance Period, the 2015 Performance Period and the 2016 Performance Period, the Company's ROCE for its 2014, 2015 and 2016 fiscal years, respectively, shall be compared against the ROCE for all members of the Peer Group during the applicable Current Period, as an absolute measure. In addition, as a relative measure, for the 2014 Performance Period, the 2015 Performance Period and the 2016 Performance Period, the Company's One Year Interval Percentage Increase in ROCE for its 2014, 2015 and 2016 fiscal years, respectively, shall be compared against the One Year Interval Percentage Increase in ROCE for all members of the Peer Group.

(b) Three-Year Performance Period

Revenue Growth. For the Three-Year Performance Period, the Three-Year Percentage Increase in Revenue of the Company shall be compared against the Three-Year Percentage Increase in Revenue for all members of the Peer Group as of December 31, 2016.

Return on Capital Employed. For the Three-Year Performance Period, the sum of the ROCE of the Company for the 2014 Performance Period, the 2015 Performance Period and the 2016 Performance Period shall be compared against the sum of the ROCE for each member of the Peer Group for the 2014 Performance Period, the 2015 Performance Period and the 2016 Performance Period, as an absolute measure. For the relative measure in the Three-Year Performance Period, the Three-Year Percentage Increase in ROCE of the Company shall be compared against the Three-Year Percentage Increase in ROCE for all members of the Peer Group as of December 31, 2016.

3. Payout Percentage Based on Peer Group Ranking

For the Revenue Growth metric and ROCE metrics, the Unit Value earned during an applicable performance period (the 2014 Performance Period, the 2015 Performance Period, the 2016 Performance Period or the Three-Year Performance Period) for each of the three performance goals is \$25.00 times the payout percentage listed in the applicable chart below. The average of the \$25.00 Unit Value Amounts earned during a performance period is used to determine the Period Unit Value for the performance period. The payout under each Performance Unit will be based on 12 measures (three Peer Group Ranking results achieved during four discrete performance periods.)

2014, 2015, 2016, and Three-Year Performance Period

<u>Peer Group Rank in Revenue Growth</u>	<u>5th</u>	<u>4th</u>	<u>3rd</u>	<u>2nd</u>	<u>1st</u>
Payout Percentage	0%	45%	90%	135%	200%

The payout percentage for ROCE will be based on a combination of the company's rank in absolute ROCE as well as the company rank in percentage growth in ROCE.

Goal Payout Matrix						
ROCE % Change	1st	130%	150%	165%	180%	200%
	2nd	100%	115%	125%	135%	165%
	3th	65%	80%	90%	115%	135%
	4th	30%	45%	50%	80%	90%
	5th	0%	20%	35%	50%	70%
		5th	4th	3rd	2nd	1st
ROCE						

In the example below, for illustrative purposes, Year 1 Revenue growth rank was 5th and 0 percent of \$25.00 is \$0. ROCE absolute rank was 2nd and the ROCE rank in Growth was 2nd, so the matrix above indicates a payout percentage of 135%, and 135% percent of \$25.00 is \$33.75. The Period Unit Value based upon the performance in Year 1 is \$16.88. For each Performance Unit awarded, the sum of the Period Unit Values for each of the performance periods equals the Total Unit Value.

Relative Rank of Performance				Periodic Unit Value Added			
Period	Revenue Growth Rank	ROCE Rank (Absolute)	ROCE Rank (Growth)	Revenue Growth Value	ROCE Value	Period Unit Value	
Year 1	5 th	2 nd	2 nd	\$0	\$33.75	\$16.88	<div>Total Unit Value</div> <div>\$111.26</div>
Year 2	2 nd	3 rd	2 nd	\$33.75	\$31.25	\$32.50	
Year 3	1 st	4 th	3 rd	\$50.00	\$20.00	\$35.00	
3 Year Total	3 rd	3 rd	2 nd	\$22.50	\$31.25	\$26.88	
Refer to ROCE Matrix							

Note that levels of achievement contained in the foregoing example are not forecasts by the Company of its expected levels of achievement. Rather, the levels of achievement for purposes of the illustrative example were selected at random.

If the Peer Group is reduced by merger(s) or otherwise during the term of the Three-Year Performance Period the Committee shall make such adjustments to the Unit Value Amount chart as it deems appropriate in its sole discretion. Such adjustments shall not increase the amounts that would have been payable under the Unit Value Amount chart absent such adjustments.

4. Peer Group

The Peer Group is as follows for the performance periods ending in 2014, 2015, and 2016, and for the Three-Year Performance Period.

Peer Group
(5 Companies)

Baker Hughes Incorporated

Halliburton Company

National Oilwell Varco Incorporated

Schlumberger Limited

Weatherford International Ltd.

5. General Performance Unit Formula

Except as otherwise specified in the Terms and Conditions, the aggregate amount payable to a Participant for a Performance Unit Award granted in 2014 under the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan and the Baker Hughes Incorporated 2002 Employee Long-Term Incentive Plan shall be equal to the number of Performance Units granted to the Participant multiplied by the Final Performance Unit Award Value.

The Compensation Committee shall determine in writing the extent to which the Performance Goals applicable to the Performance Unit Awards have been satisfied before the Company makes any payments under the Performance Unit Awards.

Subject to the terms of the Plan, the Performance Unit Award and the Terms and Conditions, unless prior to the Scheduled Payment Date a Change in Control (as defined in the Terms and Conditions) occurs or the Participant forfeits his Performance Unit Award, on the Scheduled Payment Date the Company shall pay the Participant an amount equal to the Final Performance Agreement Award Value (prorated in accordance with the Terms and Conditions in the event of the Retirement, death or permanent disability of the Participant within the meaning of the Terms and Conditions).

The Compensation Committee may not increase the Final Performance Unit Award Value for, or otherwise increase the aggregate amount payable to a Participant for the performance period under, a Performance Unit Award Agreement issued by BHI in 2014 under the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan or the Baker Hughes Incorporated 2002 Employee Long-Term Incentive Plan.

Capitalized terms that are not defined herein shall have the meaning ascribed to such terms in the Plan or the Terms and Conditions.

6. Adjustments

Revenue Growth and Return on Capital Employed may be determined by including or excluding, in the Compensation Committee's discretion, items that are determined to be extraordinary, unusual in nature, infrequent in occurrence, related to the disposal or acquisition of a segment of a business, or related to a change in accounting principal, in each case, based on Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 225-20, *Income Statement, Extraordinary and Unusual Items*, and FASB ASC 830-10, *Foreign Currency Matters, Overall*, or other applicable accounting rules, or consistent with Company accounting policies and practices in effect on the date these Performance Goal are established.

7. Definitions

For Performance Unit Award Agreements issued by Baker Hughes Incorporated ("BHI") in 2014 under the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan and the Baker Hughes Incorporated 2002 Employee Long-Term Incentive Plan, the terms set forth below shall have the following meanings:

"*Capital Employed*" means an amount equal to the Relevant Company's total shareholders' equity at the close of the Current Period plus the Relevant Company's long-term debt, short-term borrowing and the current portion of long-term debt at the close of the Current Period.

"*Company*" means BHI and all of its Affiliates in which BHI directly or indirectly has a capital investment.

"*Compensation Committee*" means the Compensation Committee of the Board of Directors of the Company.

"*Current Period*" means the fiscal year of the Relevant Company that coincides with or ends within the fiscal year of the Company to which the applicable Performance Goal applies.

"*EBIT*" means earnings before deduction of interest and taxes.

"*Final Performance Unit Award Value*" or "*Total Unit Value*" means the sum of the Unit Values for the 2014 Performance Period, the 2015 Performance Period, the 2016 Performance Period and the Three-Year Performance Period.

"*One Year Interval Percentage Increase in Revenue*" means the result of (a) minus (b), divided by (c), where (a) is the Revenue of the Relevant Company for the Current Period, (b) is the Revenue of the Relevant Company for the Prior Period, and (c) is the Revenue of the Relevant Company for the Prior Period.

“*One Year Interval Percentage Increase in ROCE*” means the result of (a) minus (b), divided by (c), where (a) is the ROCE of the Relevant Company for the Current Period, (b) is the ROCE of the Relevant Company for the Prior Period, and (c) is the ROCE of the Relevant Company for the Prior Period.

“*Participant*” means the person to whom a Performance Unit Award is granted.

“*Peer Group*” means the group identified in Section 4.

“*Performance Units*” means the number of performance units listed in the Participant’s agreement evidencing his or her Performance Unit Award.

“*Performance Unit Award*” means a Performance Unit Award granted under the Plan in 2014.

“*Plan*” means the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan or the Baker Hughes Incorporated 2002 Employee Long-Term Incentive Plan, as applicable.

“*Prior Period*” means the fiscal year of the Relevant Company that coincides with or ends within the fiscal year of the Company immediately preceding the fiscal year of the Company to which the applicable Performance Goal applies.

“*Relevant Company*” means the Company or a member of the Peer Group.

“*Return on Capital Employed*” or “*ROCE*” means the Relevant Company’s EBIT for the Current Period, divided by the Relevant Company’s Capital Employed.

“*Revenue*” means the revenue of the Company or the revenue of a particular member of the Peer Group, as applicable.

“*Scheduled Payment Date*” means March 15, 2017.

“*Three-Year Interval Percentage Increase in Revenue*” means the result of (a) minus (b), divided by (c), where (a) is the Revenue for the Relevant Company for the Current Period corresponding to the final fiscal year of the Company ending during the Three-Year Performance Period, (b) is the Revenue of the Relevant Company for the Prior Period corresponding to the fiscal year of the Company immediately prior to the first fiscal year of the Company beginning during the Three-Year Performance Period and (c) is the Revenue of the Relevant Company for the Prior Period corresponding to the fiscal year of the Company immediately prior to the first fiscal year of the Company beginning during the Three-Year Performance Period.

“*Three-Year Interval Percentage Increase in ROCE*” means the result of (a) minus (b), divided by (c), where (a) is the ROCE for the Relevant Company for the Current Period corresponding to the final fiscal year of the Company ending during the Three-Year Performance Period, (b) is the ROCE of the Relevant Company for the Prior Period corresponding to the fiscal year of the Company immediately prior to the first fiscal year of the Company beginning during the Three-Year Performance Period and (c) is the ROCE of the Relevant Company for the Prior Period corresponding to the fiscal year of the Company immediately prior to the first fiscal year of the Company beginning during the Three-Year Performance Period.

“Three-Year Performance Period” means the three-year period beginning January 1, 2014, and ending December 31, 2016.

“2014 Performance Period” means the one-year period beginning January 1, 2014, and ending December 31, 2014.

“2015 Performance Period” means the one-year period beginning January 1, 2015, and ending December 31, 2015.

“2016 Performance Period” means the one-year period beginning January 1, 2016, and ending December 31, 2016.

“Terms and Conditions” means the Terms and Conditions of Performance Unit Award Agreements adopted by the Compensation Committee with respect to Performance Unit Awards.

“Unit Value” or *“Period Unit Value”* means the averages of the Unit Value Amounts per Performance Unit earned with respect to a performance period as specified in Section 3.

“Unit Value Amount” means the applicable dollar amount specified in the first chart in Section 3.

**PERFORMANCE GOALS
FOR PERFORMANCE SHARE UNIT AWARDS GRANTED IN 2014 UNDER
THE BAKER HUGHES INCORPORATED 2002 DIRECTOR & OFFICER
LONG-TERM INCENTIVE PLAN**

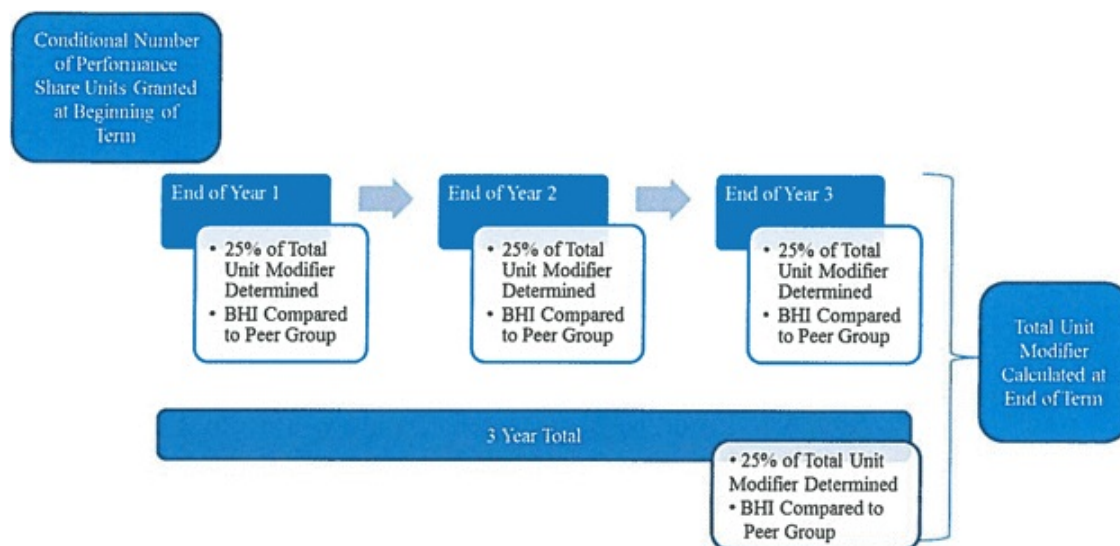
1. 2014 Performance Share Unit Program Overview

The Performance Share Unit Program, a component compensation program established under the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan (the “2014 PSUP”), provides for equity awards for participants if certain performance goals are met during the term of the 2014 PSUP.

The amount that may be paid to a Participant under a Performance Share Unit Award will be determined under a two-step calculation. Under the first step, the number of Initial Performance Share Units awarded to a Participant under a Performance Share Unit Award will be preliminarily adjusted as specified herein based upon the achievement of Return on Capital Employed and Revenue growth operational performance goals that are consistent with the goals established for non-officer employees under the 2014 cash-based performance unit programs under the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan and the Baker Hughes Incorporated Employee Long-Term Incentive Plan. The resulting preliminarily adjusted units are referred to as “*Preliminarily Adjusted Units*.” Under the second step, the Preliminarily Adjusted Units will be further adjusted as specified herein based upon relative Total Shareholder Return performance. The final amount of the adjusted units is referred to as the “*Final Adjusted Units*.” A Participant will be entitled to be awarded one share of the Company’s Common Stock for each of the Participant’s Final Adjusted Units.

Operational Performance for Purposes of Determining Preliminarily Adjusted Units

Certain adjustments to a Participant’s Initial Performance Share Units are made based upon operational performance goals for purposes of determining the amount of a Participant’s Preliminarily Adjusted Units. The operational performance goals are related to the Company’s achievement as compared to a peer group of companies. Achievement of the operational performance goals is measured over multiple performance periods from the beginning of 2014 to the end of 2016. The amount of a Participant’s Preliminarily Adjusted Units is determined by multiplying the number of Initial Performance Share Units awarded to the Participant under a Performance Share Award by an aggregate preliminary payout percentage referred to as the “*Total Unit Modifier*.” Twenty-five percent of the Total Unit Modifier is determined based upon one-year performance relative to certain specified performance criteria during each of 2014, 2015, and 2016. The final twenty-five percent of the Total Unit Modifier is calculated at the end of 2016 based upon the cumulative performance of the Company over the three-year performance period 2014 through 2016.



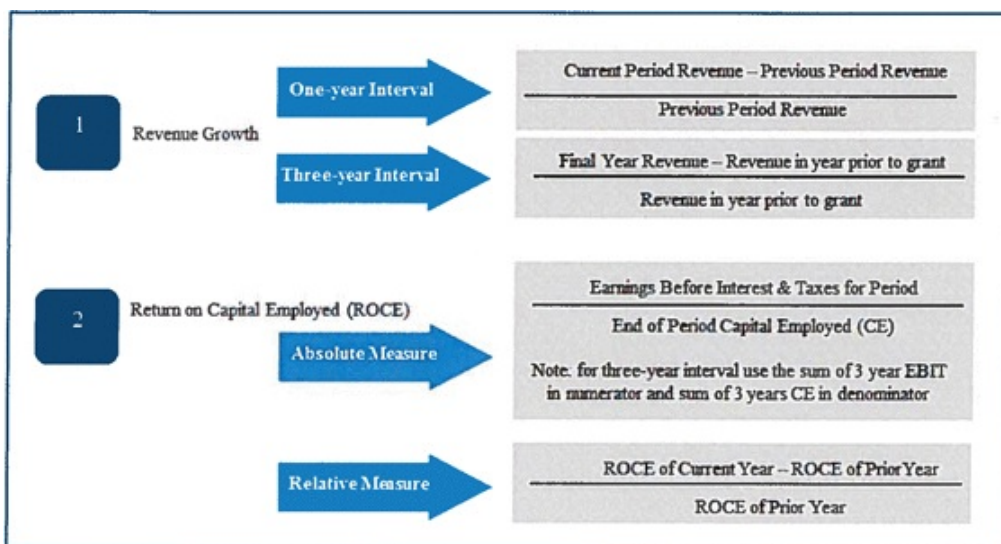
Relative Total Shareholder Return (TSR) Performance

Certain final adjustments to a Participant's Preliminarily Adjusted Units are made based on relative TSR performance goals. The relative TSR performance goals are related to the Company's TSR performance compared to the Philadelphia Stock Exchange Oil Service Sector Index (or OSX), over the Three-Year Performance Period.

2. Performance Goals for the Performance Period

Operational Performance

For purposes of determining the amount of a Participant's Preliminarily Adjusted Units under the 2014 PSUP, the performance goals are based upon the Company's (1) change in Revenue as compared to the Peer Group, and (2) Return on Capital Employed or ROCE as compared to the Peer Group measured in absolute terms as well as the percentage growth in ROCE as compared to the Peer Group. For each performance goal, if the Company's performance as compared to the Peer Group is the highest, the Company's performance rank shall be first.



(a) One Year Performance Periods

Revenue Growth. For the 2014 Performance Period, the 2015 Performance Period and the 2016 Performance Period, the Company's One Year Interval Percentage Increase in Revenue for its 2014, 2015 and 2016 fiscal years, respectively, shall be compared against the One Year Interval Percentage Increase in Revenue for all members of the Peer Group.

Return on Capital Employed. For the 2014 Performance Period, the 2015 Performance Period and the 2016 Performance Period, the Company's ROCE for its 2014, 2015 and 2016 fiscal years, respectively, shall be compared against the ROCE for all members of the Peer Group during the applicable Current Period, as an absolute measure. In addition, as a relative measure, for the 2014 Performance Period, the 2015 Performance Period and the 2016 Performance Period, the Company's One Year Interval Percentage Increase in ROCE for its 2014, 2015 and 2016 fiscal years, respectively, shall be compared against the One Year Interval Percentage Increase in ROCE for all members of the Peer Group.

(b) Three-Year Performance Period

Revenue Growth. For the Three-Year Performance Period, the Three-Year Percentage Increase in Revenue of the Company shall be compared against the Three-Year Percentage Increase in Revenue for all members of the Peer Group as of December 31, 2016.

Return on Capital Employed. For the Three-Year Performance Period, the sum of the ROCE of the Company for the 2014 Performance Period, the 2015 Performance Period and the 2016 Performance Period shall be compared against the sum of the ROCE for each member of the Peer Group for the 2014 Performance Period, the 2015 Performance Period and the 2016 Performance Period, as an absolute measure. For the relative measure in the Three-Year Performance Period, the Three-Year Percentage Increase in ROCE of the Company shall be compared against the Three-Year Percentage Increase in ROCE for all members of the Peer Group as of December 31, 2016.

Relative Total Shareholder Return (TSR) Performance

Three-Year Performance Period

For the Three-Year Performance Period, the Three-Year Total Shareholder Return of the Company shall be compared against the Three-Year Total Shareholder Return (TSR) for all members of the OSX Index as of December 31, 2016. TSR will be determined using the average share price during the 20-business day period ending on the first and last business day of Performance Period, assuming that any dividends paid are reinvested as of the ex-dividend date.

3. Payout Percentage Adjustments Based on Peer Group Ranking

Operational Performance

For the Revenue Growth metric, the Preliminary Payout Percentage for an applicable performance period (the 2014 Performance Period, the 2015 Performance Period, the 2016 Performance Period or the Three-Year Performance Period) for each of the three performance goals is 25% times the payout percentage listed below.

2014, 2015, 2016, and Three-Year Performance Period

<u>Peer Group Rank in Revenue Growth</u>	<u>5th</u>	<u>4th</u>	<u>3rd</u>	<u>2nd</u>	<u>1st</u>
Payout Percentage	0%	45%	90%	135%	200%

The Preliminary Payout Percentage for ROCE will be based on a combination of the Company's rank in absolute ROCE as well as the Company's rank in percentage growth in ROCE.

Goal Payout Matrix						
ROCE % Change	1st	130%	150%	165%	180%	200%
	2nd	100%	115%	125%	135%	165%
	3th	65%	80%	90%	115%	135%
	4th	30%	45%	50%	80%	90%
	5th	0%	20%	35%	50%	70%
		5th	4th	3rd	2nd	1st
ROCE						

The average of the Preliminary Payout Percentages for the Revenue Growth and ROCE performance for a performance period is used to determine the Average Preliminary Payout Percentage for the performance period.

The sum of the Average Preliminary Payout Percentages is the "Total Unit Modifier."

The Participant's Initial Performance Share Units multiplied by the Total Unit Modifier equals the Participant's Preliminarily Adjusted Units.

In the example below, for illustrative purposes, Year 1 Revenue growth rank was 5th and 0% of 25% is 0%. ROCE absolute rank was 2nd and the ROCE rank in Growth was 2nd, so the matrix above indicates a payout percentage of 135%, and 135% percent of 25% is 33.75%. The Average Preliminary Payout Percentage based upon the performance in Year 1 is 16.88%. The sum of the Average Preliminary Payout Percentages for each of the performance periods equals the Total Unit Modifier.

Relative Performance Rank				Unit Modifier			Total Unit Modifier
Period	Rev. Growth Rank	ROCE Rank (Absolute)	ROCE Rank (Improvement)	Rev. Growth Preliminary Payout %	ROCE Preliminary Payout %	Average Preliminary Payout %	
Year 1	5th	2nd	2nd	0.00%	33.75%	16.88%	111.26%
Year 2	2nd	3rd	2nd	33.75%	31.25%	32.50%	
Year 3	1st	4th	3rd	50.00%	20.00%	35.00%	
3 Year Total	3rd	3rd	2nd	22.50%	31.25%	26.88%	

Based on ROCE Matrix

Note that levels of achievement contained in the foregoing example are not forecasts by the Company of its expected levels of achievement. Rather, the levels of achievement for purposes of the illustrative example were selected at random.

If the Peer Group is reduced by merger(s) or otherwise during the term of the Three-Year Performance Period the Committee shall make such adjustments to the above unit modifier chart as it deems appropriate in its sole discretion. Such adjustments shall not increase the amounts that would have been payable under the above unit modifier chart absent such adjustments.

Relative Total Shareholder Return (TSR) Performance

The final number of shares of the Company's Common Stock to be paid under a Performance Share Unit Award granted in 2014 earned will be calculated by adjusting the Participant's Preliminary Adjusted Units upwards or downwards based on the Company's relative TSR performance compared to the OSX Index. The adjustment will be based on the table below.

TSR Percentile Rank	TSR Modifier
Less than 25th Percentile	-30%
25th Percentile	-15%
50th Percentile	0%
75th Percentile or Greater	30%

For Example:

The total award earned is calculated by first multiplying the number of Initial Performance Share Units granted by the Total Unit Modifier. The resulting product, the Preliminarily Adjusted Units, is then multiplied by the TSR Modifier. The sum of (1) the Preliminarily Adjusted Units and (2) the product of the Preliminarily Adjusted Units and the TSR Multiplier is the Final Adjusted Units. Each Final Adjusted Unit represents a right to receive one share of the Company's Common Stock.

Assume the following:

- A participant was granted 10,000 Initial Performance Share Units
- The Company's operational performance resulted in a Total Unit Modifier of 111.26%
- The Company's relative TSR was at the 75th percentile of the OSX Index resulting in 30% TSR Modifier

The total award earned = 10,000 x 111.26% x 1.30% = 14,464 Performance Share Units

4. Performance Comparison Groups

Operational Performance Peer Group

The Peer Group is as follows for the performance periods ending in 2014, 2015, and 2016, and for the Three-Year Performance Period.

Peer Group
(5 Companies)
Baker Hughes Incorporated
Halliburton Company
National Oilwell Varco Incorporated
Schlumberger Limited
Weatherford International Ltd.

Relative TSR Performance Peer Group

Relative TSR Performance for the Three-Year Performance Period will consist of the companies in the OSX Index at the end of Three-Year Performance Period. The following is a list of the companies currently in the OSX Index:

Baker Hughes Incorporated
Cameron International Corporation
Diamond Offshore Drilling, Inc.
Halliburton Company
Helmerich & Payne, Inc.
Nabors Industries Ltd.
Noble Corp.
National Oilwell Varco.
Oceaneering International, Inc.
Oil States International Inc.
Rowan Companies, plc
Transocean Ltd
Schlumberger Limited
Tidewater Inc.
Weatherford International Ltd.

5. General Performance Share Unit Formula

Except as otherwise specified in the Terms and Conditions, the aggregate amount payable to a Participant for a Performance Share Unit Award granted in 2014 under the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan shall be equal to the number of Initial Performance Share Units granted to the Participant multiplied by the Total Unit Modifier, as further increased or decreased by the TSR Modifier.

The Compensation Committee shall determine in writing the extent to which the Performance Goals applicable to the Performance Share Unit Awards have been satisfied before the Company makes any payments under the Performance Share Unit Awards.

Subject to the terms of the Plan, the Performance Share Unit Award and the Terms and Conditions, unless prior to the Scheduled Payment Date a Change in Control (as defined in the Terms and Conditions) occurs or the Participant forfeits his Performance Share Unit Award, on the Scheduled Payment Date the Company shall pay the Participant a number of shares of the Company's Common Stock in an amount equal to the Final Adjusted Units (prorated in accordance with the Terms and Conditions in the event of the Retirement, death or permanent disability of the Participant within the meaning of the Terms and Conditions).

The Compensation Committee may not increase the Final Performance Share Unit Award Modifier for, or otherwise increase the aggregate amount payable to a Participant for the performance period under, a Performance Share Unit Award Agreement issued by BHI in 2014 under the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan.

Capitalized terms that are not defined herein shall have the meaning ascribed to such terms in the Plan or the Terms and Conditions.

6. Adjustments

Revenue Growth and Return on Capital Employed may be determined by including or excluding, in the Compensation Committee's discretion, items that are determined to be extraordinary, unusual in nature, infrequent in occurrence, related to the disposal or acquisition of a segment of a business, or related to a change in accounting principal, in each case, based on Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 225-20, *Income Statement, Extraordinary and Unusual Items*, and FASB ASC 830-10, *Foreign Currency Matters, Overall*, or other applicable accounting rules, or consistent with Company accounting policies and practices in effect on the date these Performance Goal are established.

7. Definitions

For Performance Share Unit Award Agreements issued by Baker Hughes Incorporated ("*BHI*") in 2014 under the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan, the terms set forth below shall have the following meanings:

"*Average Preliminary Payout Percentage*" means, for a particular performance period, the average of the 25% Preliminary Payout Percentages for the Revenue Growth and ROCE performance for the performance period.

"*Capital Employed*" means an amount equal to the Relevant Company's total shareholders' equity at the close of the Current Period plus the Relevant Company's long-term debt, short-term borrowing and the current portion of long-term debt at the close of the Current Period.

"*Company*" means BHI and all of its Affiliates in which BHI directly or indirectly has a capital investment.

“*Compensation Committee*” means the Compensation Committee of the Board of Directors of the Company.

“*Current Period*” means the fiscal year of the Relevant Company that coincides with or ends within the fiscal year of the Company to which the applicable Performance Goal applies.

“*EBIT*” means earnings before deduction of interest and taxes.

“*Final Adjusted Units*” means the final amount of a Participant’s adjusted units determined after the adjustments provided herein.

“*Initial Performance Share Units*” means the number of Performance Share Units awarded to a Participant under a Performance Share Unit Award, determined prior to any adjustments hereunder.

“*One Year Interval Percentage Increase in Revenue*” means the result of (a) minus (b), divided by (c), where (a) is the Revenue of the Relevant Company for the Current Period, (b) is the Revenue of the Relevant Company for the Prior Period, and (c) is the Revenue of the Relevant Company for the Prior Period.

“*One Year Interval Percentage Increase in ROCE*” means the result of (a) minus (b), divided by (c), where (a) is the ROCE of the Relevant Company for the Current Period, (b) is the ROCE of the Relevant Company for the Prior Period, and (c) is the ROCE of the Relevant Company for the Prior Period.

“*Participant*” means the person to whom a Performance Share Unit Award is granted.

“*Peer Group*” means the group identified in Section 4.

“*Performance Share Units*” means the number of performance units listed in the Participant’s agreement evidencing his or her Performance Share Unit Award.

“*Performance Share Unit Award*” means a Performance Share Unit Award granted under the Plan in 2014.

“*Plan*” means the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan.

“*Preliminarily Adjusted Units*” means the product of the Participant’s Initial Performance Share Units multiplied by the Total Unit Modifier.

“*Preliminary Payout Percentage*” means the preliminary payout percentages identified herein for the increase in Revenue and ROCE metrics.

“*Prior Period*” means the fiscal year of the Relevant Company that coincides with or ends within the fiscal year of the Company immediately preceding the fiscal year of the Company to which the applicable Performance Goal applies.

“Relevant Company” means the Company or a member of the Peer Group.

“Return on Capital Employed” or *“ROCE”* means the Relevant Company’s EBIT for the Current Period, divided by the Relevant Company’s Capital Employed.

“Revenue” means the revenue of the Company or the revenue of a particular member of the Peer Group, as applicable.

“Scheduled Payment Date” means March 15, 2017.

“Three-Year Interval Percentage Increase in Revenue” means the result of (a) minus (b), divided by (c), where (a) is the Revenue for the Relevant Company for the Current Period corresponding to the final fiscal year of the Company ending during the Three-Year Performance Period, (b) is the Revenue of the Relevant Company for the Prior Period corresponding to the fiscal year of the Company immediately prior to the first fiscal year of the Company beginning during the Three-Year Performance Period and (c) is the Revenue of the Relevant Company for the Prior Period corresponding to the fiscal year of the Company immediately prior to the first fiscal year of the Company beginning during the Three-Year Performance Period.

“Three-Year Interval Percentage Increase in ROCE” means the result of (a) minus (b), divided by (c), where (a) is the ROCE for the Relevant Company for the Current Period corresponding to the final fiscal year of the Company ending during the Three-Year Performance Period, (b) is the ROCE of the Relevant Company for the Prior Period corresponding to the fiscal year of the Company immediately prior to the first fiscal year of the Company beginning during the Three-Year Performance Period and (c) is the ROCE of the Relevant Company for the Prior Period corresponding to the fiscal year of the Company immediately prior to the first fiscal year of the Company beginning during the Three-Year Performance Period.

“Three-Year Performance Period” means the three-year period beginning January 1, 2014, and ending December 31, 2016.

“Three-Year Total Shareholder Return” means the TSR over the Three-Year Performance Period.

“Terms and Conditions” means the Terms and Conditions of Performance Unit Award Agreements adopted by the Compensation Committee with respect to Performance Unit Awards.

“Total Shareholder Return” or *“TSR”* means the total return to the shareholder.

“TSR Modifier” means the applicable percentage amount listed in the TSR modifier chart.

“TOTAL Unit Modifier” means the sum of the Average Preliminary Payout Percentages for the 2014 Performance Period, the 2015 Performance Period, the 2016 Performance Period and the Three-Year Performance Period.

“2014 Performance Period” means the one-year period beginning January 1, 2014, and ending December 31, 2014.

“*2015 Performance Period*” means the one-year period beginning January 1, 2015, and ending December 31, 2015.

“*2016 Performance Period*” means the one-year period beginning January 1, 2016, and ending December 31, 2016.

BAKER HUGHES INCORPORATED
PERFORMANCE UNIT AWARD AGREEMENT
AWARD OF PERFORMANCE UNITS
PAYABLE IN CASH

The Compensation Committee (the "*Committee*") of the Board of Directors of Baker Hughes Incorporated, a Delaware corporation (the "*Company*"), pursuant to the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan (the "*Plan*"), hereby awards to you, the above named Participant, effective as of the Grant Date set forth above (the "*Grant Date*"), that number of Performance Units set forth above (each, a "*Performance Unit*", and collectively, the "*Performance Units*"), on the terms and conditions set forth in this Performance Unit Award Agreement (this "*Agreement*").

Each Performance Unit provides you an opportunity to earn a cash payment based upon the achievement of certain performance goals established by the Committee (the "*Performance Goals*") for the three-year period beginning January 1 of the year of the Grant Date and ending December 31 of the year containing the third anniversary of the Grant Date (the "*Performance Period*"). The Performance Goals and the formulas for determining the amounts payable under this Agreement established by the Compensation Committee are available for your review on the Baker Hughes Direct website at www.bakerhughesdirect.com. The Committee may not increase the amount payable under this Agreement.

If the Performance Goals are not achieved at a minimum level of performance and a Change in Control of the Company has not occurred on or before the last day of the Performance Period, then the award pursuant to this Agreement shall lapse and be forfeited as of the end of the Performance Period.

The Committee's determination of whether the Performance Goals applicable to this Agreement are achieved shall be binding upon all persons.

Any amount payable to you pursuant to this Agreement will be paid to you by the Employer by March 15, after the end of the Performance Period (the "*Scheduled Payment Date*"), unless otherwise provided under the attached Terms and Conditions of Performance Unit Award Agreements (the "*Terms and Conditions*"). Such payment will be made to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or this Agreement.

If a Change in Control of the Company occurs or your employment with the Company and Affiliates terminates on or before the last day of the Performance Period, your rights to the Performance Units and a payment under this Agreement will be determined as provided in the Terms and Conditions.

The Performance Units that are awarded hereby to you shall be subject to the prohibitions and restrictions set forth herein with respect to the sale or other disposition of such Performance Units and the obligation to forfeit and surrender such Performance Units.

The Performance Units and your rights under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

Capitalized terms that are not defined herein shall have the meaning ascribed to such terms in the Plan or the Terms and Conditions.

In accepting the award of Performance Units set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan, this Agreement and the Terms and Conditions. The shares of Common Stock (the "shares") that may be issued under this Plan are registered with the Securities and Exchange Commission ("SEC") under a Registration Statement on Form S-8. A Prospectus describing the Plan and the shares and the Terms and Conditions can be found on the Baker Hughes Direct website at www.bakerhughesdirect.com. You may obtain a copy of the Plan Prospectus by requesting it from the Company.

BAKER HUGHES INCORPORATED

Martin S. Craighead
Chairman and Chief Executive Officer

BAKER HUGHES INCORPORATED
TERMS AND CONDITIONS
OF
PERFORMANCE UNIT AWARD AGREEMENTS

These Terms and Conditions are applicable to a performance unit granted pursuant to the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan (the “*Plan*”) and are incorporated as part of the Performance Unit Agreement setting forth the terms of such performance unit (the “*Agreement*”).

1. CHANGE IN CONTROL/TERMINATION OF EMPLOYMENT. The following provisions will apply in the event a Change in Control of the Company occurs, or your employment with the Company and all Affiliates (collectively, the “*Company Group*”) terminates, before the last day of the Performance Period (as that term is defined in the Performance Unit Agreement awarded to you (the “*Agreement*”).

1.1 Termination Generally. If your employment with the Company Group terminates on or before the last day of the Performance Period for any reason other than one of the reasons described in Sections 1.2 through 1.5 below, all of your rights in the Agreement, including all rights to the Performance Units granted to you, will lapse and be completely forfeited on the date your employment terminates.

1.2 Change in Control. If a Change in Control of the Company occurs on or before the last day of the Performance Period and your employment with the Company Group does not terminate before the date the Change in Control of the Company occurs, then the Company will pay to you in cash an amount determined under the following formula in lieu of any other amounts under the Agreement:

(1) multiplied by (2) multiplied by (3) divided by (4)

where (1) is \$100, (2) is the number of Performance Units that were awarded to you under the Agreement, (3) is the number of days from (and including) the first day of the Performance Period to (and including) the date the Change in Control of the Company occurs, and (4) is the number of days during the Performance Period. Any amount payable to you pursuant to this Section 1.2 will be paid by the Company to you (a) ten (10) business days after the date the Change in Control of the Company occurs if the Change in Control of the Company qualifies as a change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended and the Department of Treasury rules and regulations issued thereunder, or (b) on the Scheduled Payment Date if the Change in Control of the Company does not so qualify. Such payment will be made to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations to you pursuant to the Performance Units or the Agreement.

1.3 Disability. Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if you become permanently disabled before the last day of the Performance Period and while in the active employ of one or more members of the Company Group, then the number of Performance Units issued to you under the Agreement shall automatically be reduced (without action by you and/or the Company) on the date your employment relationship with the Company terminates to that number of Performance Units determined under the following formula (the “ *Disability Adjusted Performance Units*”):

(1) multiplied by (2) multiplied divided by (3)

where (1) is the number of Performance Units that were awarded to you under the Agreement, (2) is the number of days from (and including) the first day of the Performance Period to (and including) the day you become permanently disabled, and (3) is the number of days during the Performance Period. The excess of the Performance Units that were originally awarded to you under the Agreement over the Disability Adjusted Performance Units shall be immediately forfeited on the date of the termination of your employment relationship with the Company Group due to your becoming permanently disabled. Any amount payable to you pursuant to this Section 1.3 will be paid on the Scheduled Payment Date.

For purposes of this Section 1.3, you will be “ *permanently disabled*” if you (a) are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) are, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company Group.

1.4 Death. Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if you die before the last day of the Performance Period and while in the active employ of one or more members of the Company Group, then the number of Performance Units issued to you under the Agreement shall automatically be reduced (without action by you and/or the Company) on the date your employment relationship with the Company terminates to that number of Performance Units determined under the following formula (the “ *Deceased Adjusted Performance Units*”):

(1) multiplied by (2) divided by (3)

where (1) is the number of Performance Units that were awarded to you under the Agreement, (2) is the number of days from (and including) the first day of the Performance Period to (and including) the date of your death, and (3) is the number of days during the Performance Period. The excess of the Performance Units that were originally awarded to you under the Agreement over the Deceased Adjusted Performance Units shall be immediately forfeited on the date of the termination of your employment relationship with the Company Group due to death. Any amount payable to you pursuant to this Section 1.4 will be paid on the Scheduled Payment Date. Such payment will be

made in exchange for the Performance Units and thereafter your estate and heirs, executors, administrators shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations pursuant to the Performance Units or the Agreement.

1.5 Retirement. Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if your employment with the Company Group terminates as a result of your Retirement before the last day of the Performance Period, then the number of Performance Units issued to you under the Agreement shall automatically be reduced (without further action by you and/or the Company) on the date your employment relationship with the Company Group terminates to that number of Performance Units determined under the following formula (the “*Retirement Adjusted Performance Units*”):

(1) multiplied by (2) divided by (3)

where (1) is the number of Performance Units that were originally awarded to you under the Agreement, (2) is the number of days from (and including) the first day of the Performance Period to (and including) the date your employment relationship with the Company Group terminates due to Retirement, and (3) is the number of days during the Performance Period. The excess of the Performance Units that were originally awarded to you under the Agreement over the Retirement Adjusted Performance Units shall be immediately forfeited on the date of the termination of your employment relationship with the Company Group due to Retirement. Any amount payable to you pursuant to this Section 1.5 will be paid on the Scheduled Payment Date. For purposes of this Section 1.5, the term “*Retirement*” means the voluntary termination of your employment relationship with the Company Group on or after the date on which you are at least 55 years of age (not rounded up) and you have completed at least ten whole years of service with the Company Group (not rounded up).

- 2. PROHIBITED ACTIVITY.** Notwithstanding any other provision of these Terms and Conditions or the Agreement, if you engage in a “Prohibited Activity,” as described below, while employed by one or more members of the Company Group, during the Performance Period or within two years after the date your employment with the Company Group terminates, then your right to receive payment under the Agreement, to the extent still outstanding at that time, shall be completely forfeited. A “*Prohibited Activity*” shall be deemed to have occurred, as determined by the Committee in its sole and absolute discretion, if you (i) divulge any non-public, confidential or proprietary information of the Company or of its past, present or future affiliates (collectively, the “*Baker Hughes Group*”), but excluding information that (a) becomes generally available to the public other than as a result of your public use, disclosure, or fault, or (b) becomes available to you on a non-confidential basis after your employment termination date from a source other than a member of the Baker Hughes Group prior to the public use or disclosure by you, *provided* that such source is not bound by a confidentiality agreement or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation, or (ii) directly or indirectly, consult with or become affiliated with, conducts, participate or engage in, or becomes employed by, any business that is competitive with the business of any member of the Baker Hughes Group, wherever from time to time conducted throughout the world, including situations where you solicit or participate in or assist in any way in the solicitation or recruitment, directly or indirectly, of any employees of any member of the Baker Hughes Group.

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3. **TAX WITHHOLDING.** To the extent that the receipt of the Performance Units or any payment pursuant to the Agreement results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company has a withholding obligation, you shall deliver to the Company at the time of such receipt or payment, as the case may be, such amount of money as the Company may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company is authorized to withhold from any payment under the Agreement or from any cash or stock remuneration or other payment then or thereafter payable to you any tax required to be withheld by reason of such taxable income, wages or compensation.
 4. **NONTRANSFERABILITY.** The Agreement is not transferable by you otherwise than by will or by the laws of descent and distribution.
 5. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Performance Units shall not affect in any way the right or power of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
 6. **PERFORMANCE UNITS DO NOT AWARD ANY RIGHTS OF A SHAREHOLDER.** You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the stock of the Company with respect to the Performance Units that are awarded hereby.
 7. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.
 8. **NOT AN EMPLOYMENT AGREEMENT.** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.
 9. **LIMIT OF LIABILITY.** Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
 10. **EMPLOYER LIABLE FOR PAYMENT.** Except as specified in Section 1.2, the legal entity that is a member of the Company Group and that is classified by the Company Group as your employer (the "*Employer*") is liable for the payment of any amounts that become due under the Agreement.

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- 11. DATA PRIVACY.** The Company's Human Resources Department in Houston, Texas (U.S.A.) administers and maintains the data regarding the Plan, the awardees and the performance units granted to awardees for all employees in the Company Group worldwide.

The data administered and maintained by the Company includes information that may be considered personal data, including the name of the awardee, the award granted and the number of performance units included in any award ("*Employee Personal Data*"). From time to time during the course of your employment in the Company Group, the Company may transfer certain of your Employee Personal Data to Affiliates as necessary for the purpose of implementation, administration and management of your participation in the Plan (the "*Purposes*"), and the Company and its Affiliates may each further transfer your Employee Personal Data to any third parties assisting the Company in the implementation, administration and management of the Plan (collectively, "*Data Recipients*"). The countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

In accepting the award of the Performance Units set forth in the Agreement, you hereby expressly acknowledge that you understand that from time to time during the course of your employment in the Company Group the Company may transfer your Employee Personal Data to Data Recipients for the Purposes. You further acknowledge that you understand that the countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

Further, in accepting the award of the Performance Units set forth in the Agreement, you hereby expressly affirm that you do not object, and you hereby expressly consent, to the transfer of your Employee Personal Data by the Company to Data Recipients for the Purposes from time to time during the course of your employment in the Company Group.

- 12. RECOUPMENTS.** If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under applicable securities laws, if you are then a current or former executive officer of the Company you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent specified in any of the Company's compensation recoupment policies established or amended (now or in the future) in compliance with the rules and standards of the Securities and Exchange Commission Committee under or in connection with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Further, if the Company is required to prepare an accounting restatement due in whole or in part to your misconduct, you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent required by the Board of Directors of the Company in accordance with the terms of the Company's compensation recoupment policy as in effect on January 23, 2014.
- 13. MISCELLANEOUS.** The Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between these Terms and Conditions and the Plan provisions, the Plan provisions will control. The terms "*you*" and "*your*" refer to the Participant named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan or the Agreement

BAKER HUGHES INCORPORATED

PERFORMANCE UNIT AWARD AGREEMENT

AWARD OF PERFORMANCE UNITS

PAYABLE IN SHARES

The Compensation Committee (the "*Committee*") of the Board of Directors of Baker Hughes Incorporated, a Delaware corporation (the "*Company*"), pursuant to the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan (the "*Plan*"), hereby awards to you, the above named Participant, effective as of the Grant Date set forth above (the "*Grant Date*"), that number of Performance Units set forth above (each, a "*Performance Unit*", and collectively, the "*Performance Units*"), on the terms and conditions set forth in this Performance Unit Award Agreement (this "*Agreement*").

Each Performance Unit provides you an opportunity to earn a payment in shares of the Company's Common Stock, \$1.00 par value per share (the "*Common Stock*") based upon the achievement of certain performance goals established by the Committee (the "*Performance Goals*") for the three-year period beginning January 1 of the year of the Grant Date and ending December 31 of the year containing the third anniversary of the Grant Date (the "*Performance Period*"). The Performance Goals and the formulas for determining the amounts payable under this Agreement established by the Compensation Committee are available for your review on the Baker Hughes Direct website at www.bakerhughesdirect.com. The Committee may not increase the amount payable under this Agreement.

If the Performance Goals are not achieved at a minimum level of performance and a Change in Control of the Company has not occurred on or before the last day of the Performance Period, then the award pursuant to this Agreement shall lapse and be forfeited as of the end of the Performance Period.

The Committee's determination of whether the Performance Goals applicable to this Agreement are achieved shall be binding upon all persons.

If during the period you hold any Performance Units awarded hereby the Company pays a dividend in shares of the Common Stock with respect to the outstanding shares of the Common Stock, then the Company will increase the Performance Units awarded hereby that have not then been exchanged by the Company for shares of the Common Stock by an amount equal to the product of (a) the Performance Units awarded hereby that have not been forfeited to the Company or exchanged by the Company for shares of the Common Stock and (b) the number of shares of the Common Stock paid by the Company per share of the Common Stock (collectively, the "*Stock Dividend Performance Units*"). Each Stock Dividend Performance Unit will be subject to same forfeiture restrictions, performance conditions and other restrictions, limitations and conditions applicable to the Performance Unit for which such Stock Dividend Performance Unit was awarded and will be exchanged for shares of the Common Stock at the same time and on the same basis as such Performance Unit.

Any amount payable to you in shares of Common Stock pursuant to this Agreement will be transferred to you on March 15, after the end of the Performance Period (the "*Scheduled Payment Date*"), unless otherwise provided under the attached Terms and Conditions of Performance Unit Award Agreements (the "*Terms and Conditions*"). Such payment will be made to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or this Agreement.

If a Change in Control of the Company occurs or your employment with the Company and Affiliates terminates on or before the last day of the Performance Period, your rights to the Performance Units and a payment under this Agreement will be determined as provided in the Terms and Conditions.

The Performance Units that are awarded hereby to you shall be subject to the prohibitions and restrictions set forth herein with respect to the sale or other disposition of such Performance Units and the obligation to forfeit and surrender such Performance Units.

The Performance Units and your rights under this Agreement may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

Capitalized terms that are not defined herein shall have the meaning ascribed to such terms in the Plan or the Terms and Conditions.

In accepting the award of Performance Units set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan, this Agreement and the Terms and Conditions.

Any shares of the Common Stock issued to you in exchange for the Performance Units awarded hereby may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of any such shares of the Common Stock to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of such shares of the Common Stock.

The shares of Common Stock (the "shares") that may be issued under the Plan are registered with the Securities and Exchange Commission ("SEC") under a Registration Statement on Form S-8. A Prospectus describing the Plan and the shares and the Terms and Conditions can be found on the Baker Hughes Direct website at www.bakerhughesdirect.com. You may obtain a copy of the Plan Prospectus by requesting it from the Company.

Notwithstanding any other provision of this Performance Unit Award Agreement, the Forfeiture Restrictions applicable to the Restricted Stock Units shall not lapse unless, prior to the third anniversary of the Grant Date, the stockholders of the Company approve the increase in shares reserved for issuance under the Plan from 10,000,000 to 20,000,000 shares.

BAKER HUGHES INCORPORATED

Martin S. Craighead
Chairman and Chief Executive Officer

BAKER HUGHES INCORPORATED
TERMS AND CONDITIONS
OF
PERFORMANCE UNIT AWARD AGREEMENTS

These Terms and Conditions are applicable to a performance unit granted pursuant to the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan (the “*Plan*”) and are incorporated as part of the Performance Unit Agreement setting forth the terms of such performance unit (the “*Agreement*”).

1. CHANGE IN CONTROL/TERMINATION OF EMPLOYMENT. The following provisions will apply in the event a Change in Control of the Company occurs, or your employment with the Company and all Affiliates (collectively, the “*Company Group*”) terminates, before the last day of the Performance Period (as that term is defined in the Performance Unit Agreement awarded to you (the “*Agreement*”).

1.1 Termination Generally. If your employment with the Company Group terminates on or before the last day of the Performance Period for any reason other than one of the reasons described in Sections 1.2 through 1.5 below, all of your rights in the Agreement, including all rights to the Performance Units granted to you, will lapse and be completely forfeited on the date your employment terminates.

1.2 Change in Control. If a Change in Control of the Company occurs on or before the last day of the Performance Period and your employment with the Company Group does not terminate before the date the Change in Control of the Company occurs, then the Company will pay to you in shares of Common Stock such number of Shares of Common Stock determined under the following formula in lieu of any other amounts under the Agreement:

(1) multiplied by (2) divided by (3)

where (1) is the number of Performance Units that were awarded to you under the Agreement, (2) is the number of days from (and including) the first day of the Performance Period to (and including) the date the Change in Control of the Company occurs, and (3) is the number of days during the Performance Period. Any amount payable to you pursuant to this Section 1.2 will be paid by the Company to you (a) ten (10) business days after the date the Change in Control of the Company occurs if the Change in Control of the Company qualifies as a change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended and the Department of Treasury rules and regulations issued thereunder, or (b) on the Scheduled Payment Date if the Change in Control of the Company does not so qualify. Such payment will be made to you in exchange for the Performance Units and thereafter you shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations to you pursuant to the Performance Units or the Agreement.

1.3 Disability. Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if you become permanently disabled before the last day of the Performance Period and while in the active employ of one or more members of the Company Group, then the number of Performance Units issued to you under the Agreement shall automatically be reduced (without action by you and/or the Company) on the date your employment relationship with the Company terminates to that number of Performance Units determined under the following formula (the “ *Disability Adjusted Performance Units*”):

(1) multiplied by (2) multiplied divided by (3)

where (1) is the number of Performance Units that were awarded to you under the Agreement, (2) is the number of days from (and including) the first day of the Performance Period to (and including) the day you become permanently disabled, and (3) is the number of days during the Performance Period. The excess of the Performance Units that were originally awarded to you under the Agreement over the Disability Adjusted Performance Units shall be immediately forfeited on the date of the termination of your employment relationship with the Company Group due to your becoming permanently disabled. Any amount payable to you pursuant to this Section 1.3 will be paid on the Scheduled Payment Date.

For purposes of this Section 1.3, you will be “ *permanently disabled*” if you (a) are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) are, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company Group.

1.4 Death. Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if you die before the last day of the Performance Period and while in the active employ of one or more members of the Company Group, then the number of Performance Units issued to you under the Agreement shall automatically be reduced (without action by you and/or the Company) on the date your employment relationship with the Company terminates to that number of Performance Units determined under the following formula (the “ *Deceased Adjusted Performance Units*”):

(1) multiplied by (2) divided by (3)

where (1) is the number of Performance Units that were awarded to you under the Agreement, (2) is the number of days from (and including) the first day of the Performance Period to (and including) the date of your death, and (3) is the number of days during the Performance Period. The excess of the Performance Units that were originally awarded to you under the Agreement over the Deceased Adjusted Performance Units shall be immediately forfeited on the date of the termination of your employment relationship with the Company Group due to death. Any amount payable to you pursuant to this Section 1.4 will be paid on the Scheduled Payment Date. Such payment will be

made in exchange for the Performance Units and thereafter your estate and heirs, executors, administrators shall have no further rights with respect to such Performance Units or the Agreement and the Company Group will have no further obligations pursuant to the Performance Units or the Agreement.

1.5 Retirement. Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if your employment with the Company Group terminates as a result of your Retirement before the last day of the Performance Period, then the number of Performance Units issued to you under the Agreement shall automatically be reduced (without further action by you and/or the Company) on the date your employment relationship with the Company Group terminates to that number of Performance Units determined under the following formula (the “*Retirement Adjusted Performance Units*”):

(1) multiplied by (2) divided by (3)

where (1) is the number of Performance Units that were originally awarded to you under the Agreement, (2) is the number of days from (and including) the first day of the Performance Period to (and including) the date your employment relationship with the Company Group terminates due to Retirement, and (3) is the number of days during the Performance Period. The excess of the Performance Units that were originally awarded to you under the Agreement over the Retirement Adjusted Performance Units shall be immediately forfeited on the date of the termination of your employment relationship with the Company Group due to Retirement. Any amount payable to you pursuant to this Section 1.5 will be paid on the Scheduled Payment Date. For purposes of this Section 1.5, the term “*Retirement*” means the voluntary termination of your employment relationship with the Company Group on or after the date on which you are at least 55 years of age (not rounded up) and you have completed at least ten whole years of service with the Company Group (not rounded up).

- 2. PROHIBITED ACTIVITY.** Notwithstanding any other provision of these Terms and Conditions or the Agreement, if you engage in a “Prohibited Activity,” as described below, while employed by one or more members of the Company Group, during the Performance Period or within two years after the date your employment with the Company Group terminates, then your right to receive payment under the Agreement, to the extent still outstanding at that time, shall be completely forfeited. A “*Prohibited Activity*” shall be deemed to have occurred, as determined by the Committee in its sole and absolute discretion, if you (i) divulge any non-public, confidential or proprietary information of the Company or of its past, present or future affiliates (collectively, the “*Baker Hughes Group*”), but excluding information that (a) becomes generally available to the public other than as a result of your public use, disclosure, or fault, or (b) becomes available to you on a non-confidential basis after your employment termination date from a source other than a member of the Baker Hughes Group prior to the public use or disclosure by you, *provided* that such source is not bound by a confidentiality agreement or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation, or (ii) directly or indirectly, consult with or become affiliated with, conducts, participate or engage in, or becomes employed by, any business that is competitive with the business of any member of the Baker Hughes Group, wherever from time to time conducted throughout the world, including situations where you solicit or participate in or assist in any way in the solicitation or recruitment, directly or indirectly, of any employees of any member of the Baker Hughes Group.

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3. **TAX WITHHOLDING.** To the extent that the receipt of the Performance Units or any payment pursuant to the Agreement results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company has a withholding obligation, you shall deliver to the Company at the time of such receipt or payment, as the case may be, such amount of money as the Company may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company is authorized to withhold from any payment under the Agreement or from any cash or stock remuneration or other payment then or thereafter payable to you any tax required to be withheld by reason of such taxable income, wages or compensation.
 4. **NONTRANSFERABILITY.** The Agreement is not transferable by you otherwise than by will or by the laws of descent and distribution.
 5. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Performance Units shall not affect in any way the right or power of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
 6. **PERFORMANCE UNITS DO NOT AWARD ANY RIGHTS OF A SHAREHOLDER.** You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the stock of the Company with respect to the Performance Units that are awarded hereby.
 7. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.
 8. **NOT AN EMPLOYMENT AGREEMENT.** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.
 9. **LIMIT OF LIABILITY.** Under no circumstances will the Company or an Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
 10. **EMPLOYER LIABLE FOR PAYMENT.** Except as specified in Section 1.2, the legal entity that is a member of the Company Group and that is classified by the Company Group as your employer (the "*Employer*") is liable for the payment of any amounts that become due under the Agreement.

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- 11. DATA PRIVACY.** The Company's Human Resources Department in Houston, Texas (U.S.A.) administers and maintains the data regarding the Plan, the awardees and the performance units granted to awardees for all employees in the Company Group worldwide.

The data administered and maintained by the Company includes information that may be considered personal data, including the name of the awardee, the award granted and the number of performance units included in any award ("*Employee Personal Data*"). From time to time during the course of your employment in the Company Group, the Company may transfer certain of your Employee Personal Data to Affiliates as necessary for the purpose of implementation, administration and management of your participation in the Plan (the "*Purposes*"), and the Company and its Affiliates may each further transfer your Employee Personal Data to any third parties assisting the Company in the implementation, administration and management of the Plan (collectively, "*Data Recipients*"). The countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

In accepting the award of the Performance Units set forth in the Agreement, you hereby expressly acknowledge that you understand that from time to time during the course of your employment in the Company Group the Company may transfer your Employee Personal Data to Data Recipients for the Purposes. You further acknowledge that you understand that the countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

Further, in accepting the award of the Performance Units set forth in the Agreement, you hereby expressly affirm that you do not object, and you hereby expressly consent, to the transfer of your Employee Personal Data by the Company to Data Recipients for the Purposes from time to time during the course of your employment in the Company Group.

- 12. RECOUPMENTS.** If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under applicable securities laws, if you are then a current or former executive officer of the Company you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent specified in any of the Company's compensation recoupment policies established or amended (now or in the future) in compliance with the rules and standards of the Securities and Exchange Commission Committee under or in connection with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Further, if the Company is required to prepare an accounting restatement due in whole or in part to your misconduct, you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent required by the Board of Directors of the Company in accordance with the terms of the Company's compensation recoupment policy as in effect on January 23, 2014.

13. MISCELLANEOUS. The Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between these Terms and Conditions and the Plan provisions, the Plan provisions will control. The terms “*you*” and “*your*” refer to the Participant named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan or the Agreement

**BAKER HUGHES INCORPORATED
ANNUAL INCENTIVE COMPENSATION PLAN**

*(Amendment and Restatement
Adopted by the Board of
Directors on January 23, 2014)*

**BAKER HUGHES INCORPORATED
ANNUAL INCENTIVE COMPENSATION PLAN**

*(Amendment and Restatement
Adopted by the Board of
Directors on January 23, 2014)*

WITNESSETH:

WHEREAS, effective October 1, 1994, Baker Hughes Incorporated (the “*Company*”) previously adopted the Baker Hughes Incorporated 1995 Employee Annual Incentive Compensation Plan (the “*Plan*”) for the benefit of certain employees of the Company and affiliates of the Company;

WHEREAS, the Plan is a bonus program exempt from coverage under the Employee Retirement Income Security Act of 1974, as amended pursuant to Department of Labor regulation section 2510.3-2(c); and

WHEREAS, the Company desires to amend and restate the Plan on behalf of itself and on behalf of the other adopting entities;

NOW THEREFORE, the Plan is hereby amended and restated in its entirety as follows, effective as of January 1, 2014 except insofar as a later effective date is expressly specified.

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BAKER HUGHES INCORPORATED
ANNUAL INCENTIVE COMPENSATION PLAN

*(Amendment and Restatement
Adopted by the Board of Directors
on January 23, 2014)*

ARTICLE I
DEFINITIONS AND CONSTRUCTION

1.01 **Definitions.** The words and phrases defined in this Article shall have the meaning set out in the definitions below unless the context in which the word or phrase appears reasonably requires a broader, narrower or different meaning. These definitions shall apply solely for purposes of this Plan.

“Affiliate” means any entity which is a member of the same controlled group of corporations (within the meaning of section 414(b) of the Code) or which is a trade or business (whether or not incorporated) which is under common control (within the meaning of section 414(c) of the Code), or which is a member of an affiliated service group (within the meaning of section 414(m) of the Code) with Baker Hughes.

“Award Opportunity” has the meaning specified in Section 3.01 of the Plan.

“Baker Hughes” means Baker Hughes Incorporated, a Delaware corporation.

“Baker Value Added” and **“BVA”** mean, with respect to a Performance Period, the amount calculated under the following formula:

$$[(a) + (b) + (c)] \times (1 - (d)) - (e)$$

where (a) is the Profit Before Tax of the Company for the Performance Period, (b) is the interest expense of the Company for the Performance Period, (c) is the non-compete amortization expense of the Company for the Performance Period, (d) is the Tax Rate for the Performance Period and (e) is the Capital Charge determined for the Company for the Performance Period. For this purpose, **“Average Adjusted Net Capital Employed”** means the sum of the Monthly Adjusted Net Capital Employed during the Performance Period divided by 12; **“Capital Charge”** means Average Adjusted Net Capital Employed multiplied by the Cost of Capital; **“Company”** means Baker Hughes and all of its Affiliates in which Baker Hughes directly or indirectly has a capital investment, or one or more business units of Baker Hughes and its Affiliates, as specified in the written Award Opportunities; **“Cost of Capital”** means the weighted average after-tax cost of debt and cost of equity for the Company for the Performance Period; **“Cost of Revenues”** means the cost of products sold and the cost of providing services, including personnel costs, repair and maintenance costs, freight/custom, depreciation, and other costs (e.g., commission and royalty) directly relating to the sale or service provided; **“Monthly Adjusted Net Capital Employed”** means the capital employed by the Company during a month of the Performance Period plus accumulated goodwill and non-compete amortization plus the value of significant operating leases; **“Operating Expenses”** means costs incurred in non-manufacturing areas to

provide products and services to customers (*e.g.*, finance and administrative support) during the Performance Period; “ *Profit Before Tax*” means the revenues of the Company for the Performance Period minus the Cost of Revenues of the Company for the Performance Period minus the Operating Expenses of the Company for the Performance Period minus net interest expense of the Company for the Performance Period; and “ *Tax Rate*” means the effective tax rate for the Company determined in a manner consistent with Baker Hughes tax policies and practices in effect on the date hereof.

“ *Beneficial Owner*” or “ *Beneficial Ownership*” shall have the meaning ascribed to the term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

“ *Beneficiary*” means the person or persons who are eligible to receive a Participant’s benefits payable under the Plan upon his death in accordance with the procedures specified in Section 7.02.

“ *Board*” means the Board of Directors of Baker Hughes.

“ *Cause*” means (i) the willful and continued failure by the Participant to substantially perform the Participant’s duties with the Company (other than any such failure resulting from the Participant’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to the Participant by the Committee, which demand specifically identifies the manner in which the Committee believes that the Participant has not substantially performed the Participant’s duties, or (ii) the willful engaging by the Participant in conduct which is demonstrably and materially injurious to Baker Hughes or any of the Affiliates, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, (A) no act, or failure to act, on the Participant’s part shall be deemed “willful” if done, or omitted to be done, by the Participant in good faith and with reasonable belief that the act, or failure to act, was in the best interest of the Company and (B) in the event of a dispute concerning the application of this provision, no claim by the Company that Cause exists shall be given effect unless the Company establishes to the Committee by clear and convincing evidence that Cause exists. The Committee’s determination regarding the existence of Cause shall be conclusive and binding upon all parties.

“ *Change in Control*” means the occurrence of any of the following events:

(a) the individuals who are Incumbent Directors cease for any reason to constitute a majority of the members of the Board;

(b) the consummation of a Merger of Baker Hughes or an Affiliate with another Entity, unless the individuals and Entities who were the Beneficial Owners of the Voting Securities of Baker Hughes outstanding immediately prior to such Merger own, directly or indirectly, at least 50 percent of the combined voting power of the Voting Securities of any of Baker Hughes, the surviving Entity or the parent of the surviving Entity outstanding immediately after such Merger;

(c) any Person, other than a Specified Owner, becomes a Beneficial Owner, directly or indirectly, of securities of Baker Hughes representing 30 percent or more of the combined voting power of Baker Hughes’ then outstanding Voting Securities;

(d) a sale, transfer, lease or other disposition of all or substantially all of Baker Hughes' Assets is consummated (an "Asset Sale"), *unless*:

(1) the individuals and Entities who were the Beneficial Owners of the Voting Securities of Baker Hughes immediately prior to such Asset Sale own, directly or indirectly, 50 percent or more of the combined voting power of the Voting Securities of the Entity that acquires such Assets in such Asset Sale or its parent immediately after such Asset Sale in substantially the same proportions as their ownership of Baker Hughes' Voting Securities immediately prior to such Asset Sale; or

(2) the individuals who comprise the Board immediately prior to such Asset Sale constitute a majority of the board of directors or other governing body of either the Entity that acquired such Assets in such Asset Sale or its parent (or a majority plus one member where such board or other governing body is comprised of an odd number of directors); or

(e) The stockholders of Baker Hughes approve a plan of complete liquidation or dissolution of Baker Hughes.

"CIC Committee" means (i) the individuals (not fewer than three in number) who, on the date six months before a Change in Control or a Potential Change in Control, constitute the Committee, plus (ii) in the event that fewer than three individuals are available from the group specified in clause (i) above for any reason, such individuals as may be appointed by the individual or individuals so available (including for this purpose any individual or individuals previously so appointed under this clause (ii)); provided, however, that the maximum number of individuals constituting the CIC Committee shall not exceed six.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Compensation Committee of the Board.

"Company" means Baker Hughes and any Affiliate that adopts the Plan pursuant to the provisions of Article X.

"Continuous Service" means a Participant's service for the Company and Affiliates commencing on his most recent date of hire by the Company or an Affiliate and ending on the date of the complete severance of the Participant's employment relationship with the Company or an Affiliate without a contemporaneous transfer to the employ of the Company or any Affiliate. For this purpose, a Participant will not be treated as having a new date of hire if he is directly transferred from the employ of the Company or an Affiliate to the employ of an Affiliate or the Company.

"Covered Employee" has the meaning ascribed to that term in Section 162(m).

"Disability" means the inability of a Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. The Plan Administrator's determination regarding the existence of Disability shall be conclusive and binding upon all parties.

“Domestic Relations Order” has the meaning ascribed to that term in section 414(p) of the Code.

“Entity” means any corporation, partnership, association, joint-stock company, limited liability company, trust, unincorporated organization or other business entity.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor act.

“Final Award” means the actual award that may be paid for a Plan Year to a Participant, if it is not forfeited pursuant to Article VI, as determined by the Committee.

“Good Reason” for termination by the Participant of his employment means the occurrence (without the Participant’s express written consent) after any Change in Control, or prior to a Change in Control under the circumstances described in clauses (ii) and (iii) of Section 8.04 (treating all references to “ *Change in Control*” in paragraphs (a) through (f) below as references to a “ *Potential Change in Control*”), of any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described in paragraph (a), (e), (f) or (g) below, such act or failure to act is corrected prior to the effective date of the Participant’s termination for Good Reason:

(a) the assignment to the Participant of any duties or responsibilities which are substantially diminished as compared to the Participant’s duties and responsibilities immediately prior to the Change in Control;

(b) a reduction by the Company in the Participant’s annual base salary as in effect on the date hereof or as the same may be increased from time to time, except for across-the-board salary reductions similarly affecting all individuals having a similar level of authority and responsibility with the Company and all individuals having a similar level of authority and responsibility with any Person in control of the Company;

(c) the relocation of the Participant’s principal place of employment to a location outside of a 50-mile radius from the Participant’s principal place of employment immediately prior to the Change in Control or the Company’s requiring the Participant to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company’s business to an extent substantially consistent with the Participant’s business travel obligations immediately prior to the Change in Control;

(d) the failure by the Company to pay to the Participant any portion of the Participant’s current compensation except pursuant to an across-the-board compensation deferral similarly affecting all individuals having a similar level of authority and responsibility with the Company and all individuals having a similar level of authority and responsibility with any Person in control of the Company, or to pay to the Participant any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven days of the date such compensation is due;

(e) the failure by the Company to continue in effect any compensation plan in which the Participant participates immediately prior to the Change in Control which is material to the Participant's total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue the Participant's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount or timing of payment of benefits provided and the level of the Participant's participation relative to other Baker Hughes Participants, as existed immediately prior to the Change in Control;

(f) the failure by the Company to continue to provide the Participant with benefits substantially similar to those enjoyed by the Participant under any of the Company's pension, savings, life insurance, medical, health and accident, or disability plans in which the Participant was participating immediately prior to the Change in Control (except for across the board changes similarly affecting all individuals having a similar level of authority and responsibility with the Company and all individuals having a similar level of authority and responsibility with any Person in control of the Company), the taking of any other action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Participant of any material fringe benefit or perquisite enjoyed by the Participant at the time of the Change in Control, or the failure by the Company to provide the Participant with the number of paid vacation days to which the Participant is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect immediately prior to the time of the Change in Control; or

(g) if the Participant is party to an individual employment, severance or other similar agreement with the Company, any purported termination of the Participant's employment which is not effected pursuant to the notice of termination or other procedures specified therein.

The Participant shall have the right to terminate his employment for Good Reason even if he becomes incapacitated due to physical or mental illness. The Participant's continued employment shall not constitute consent to, or a waiver of any rights with respect to, any act or failure to act constituting Good Reason hereunder.

For purposes of any determination regarding the existence of Good Reason, any claim by the Participant that Good Reason exists shall be presumed to be correct unless the Company establishes to the Committee by clear and convincing evidence that Good Reason does not exist. The Committee's determination regarding the existence of Good Reason shall be conclusive and binding upon all parties.

“Incumbent Director” means –

- (a) a member of the Board on January 25, 2006 or
- (b) an individual-
 - (1) who becomes a member of the Board after January 25, 2006;
 - (2) whose appointment or election by the Board or nomination for election by Baker Hughes’ stockholders is approved or recommended by a vote of at least two-thirds of the then serving *Incumbent Directors* (as defined herein); and
 - (3) whose initial assumption of service on the Board is not in connection with an actual or threatened election contest.

“Involuntary Termination of Employment” means a Participant’s Separation From Service as a result of either the elimination of his job or a reduction in force. A Participant whose employment is terminated by the Company for Cause shall not be treated as having incurred an *“Involuntary Termination of Employment”*.

“Key Employee” means a key employee of Baker Hughes or an Affiliate who, in the opinion of the Chief Executive Officer of Baker Hughes, is in a position to significantly contribute to the growth and profitability of Baker Hughes and the Affiliates.

“Merger” means a merger, consolidation or similar transaction.

“OA Level” means the over achievement level of performance applicable to the Award.

“Participant” means an individual who is or was a Key Employee who has been granted an Award Opportunity or who has unpaid Accounts.

“Payment Date” has the meaning ascribed to that term in Section 5.01.

“Performance Goals” means one or more of the criteria described in Section 3.02 on which the performance goals applicable to an Award Opportunity are based.

“Performance Period” means the 12-month period to which the Performance Goals apply. A Performance Period shall coincide with a Plan Year.

“Person” shall have the meaning ascribed to the term in section 3(a)(9) of the Exchange Act and used in sections 13(d) and 14(d) thereof, including a “group” as defined in section 13(d) thereof, except that the term shall not include (a) Baker Hughes or any of the Affiliates, (b) a trustee or other fiduciary holding Baker Hughes securities under an employee benefit plan of Baker Hughes or any of the Affiliates, (c) an underwriter temporarily holding securities pursuant to an offering of those securities or (d) a corporation owned, directly or indirectly, by the stockholders of Baker Hughes in substantially the same proportions as their ownership of stock of Baker Hughes.

“Plan” means the Baker Hughes Incorporated Annual Incentive Compensation Plan, as amended from time to time.

“Plan Administrator” means Baker Hughes, acting through its delegates. Such delegates shall include the Administrative Committee, and any individual Plan Administrator appointed by the Board with respect to the employee benefit plans of Baker Hughes and its Affiliates, each of which shall have the duties and responsibilities assigned to it from time to time by the Board. As used in the Plan, the term *“ Plan Administrator”* shall refer to the applicable delegate of Baker Hughes as determined pursuant to the actions of the Board.

“Plan Year” means the twelve-consecutive month period commencing January 1 of each year.

“Potential Change in Control” means the occurrence of any of the following events:

- (a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;
- (b) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;
- (c) any Person becomes the Beneficial Owner, directly or indirectly, of securities of Baker Hughes representing 15 percent or more of either the then outstanding shares of common stock of Baker Hughes’ or the combined voting power of Baker Hughes’ then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from Baker Hughes or the Affiliates); or
- (d) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

“Profit After Tax” means revenues minus cost of revenues (the cost of products sold and the cost of providing services, including personnel costs, repair and maintenance costs, freight/custom, depreciation, and other costs (*e.g.*, commission and royalty) directly relating to the sale or service provided) minus operating expenses (costs incurred in non-manufacturing areas to provide products and services to customers (*e.g.*, finance and administrative support)) minus net interest expense minus income taxes.

“Retirement” means a Participant’s Separation From Service when he has attained at least 55 years of age and has at least ten Years of Service. A Participant whose employment is terminated by the Company for Cause shall not be treated as having incurred a *“ Retirement”*.

“Section 162(m)” means section 162(m) of the Code and the Department of Treasury rules and regulations issued thereunder.

“Section 409A” means section 409A of the Code and the Department of Treasury rules and regulations issued thereunder.

“Separation From Service” has the meaning ascribed to that term in Section 409A.

“Specified Employee” means a person who is, as of the date of the person’s Separation From Service, a “specified employee” within the meaning of Section 409A, taking into account the elections made and procedures established in resolutions adopted by the Administrative Committee of Baker Hughes.

“Specified Owner” means any of the following:

- (a) Baker Hughes;
- (b) an Affiliate of Baker Hughes;
- (c) an employee benefit plan (or related trust) sponsored or maintained by Baker Hughes or any Affiliate of Baker Hughes;

(d) a Person that becomes a Beneficial Owner of Baker Hughes’ outstanding Voting Securities representing 30 percent or more of the combined voting power of Baker Hughes’ then outstanding Voting Securities as a result of the acquisition of securities directly from Baker Hughes and/or its Affiliates; or

(e) a Person that becomes a Beneficial Owner of Baker Hughes’ outstanding Voting Securities representing 30 percent or more of the combined voting power of Baker Hughes’ then outstanding Voting Securities as a result of a Merger if the individuals and Entities who were the Beneficial Owners of the Voting Securities of Baker Hughes outstanding immediately prior to such Merger own, directly or indirectly, at least 50 percent of the combined voting power of the Voting Securities of any of Baker Hughes, the surviving Entity or the parent of the surviving Entity outstanding immediately after such Merger in substantially the same proportions as their ownership of the Voting Securities of Baker Hughes outstanding immediately prior to such Merger.

“Supplemental Retirement Plan” means the Baker Hughes Incorporated Supplemental Retirement Plan.

“Voting Securities” means the outstanding securities entitled to vote generally in the election of directors or other governing body.

“Year of Service” means 365 days of Continuous Service.

1.02 Number and Gender. Wherever appropriate herein, words used in the singular shall be considered to include the plural and words used in the plural shall be considered to include the singular. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender.

1.03 Headings. The headings of Articles and Sections herein are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

ARTICLE II PARTICIPATION

2.01 **Eligibility.** Eligibility for participation in the Plan shall be limited to those Key Employees who, by the nature and scope of their position, contribute to the overall results or success of the Companies.

2.02 **Participation.** Participation in the Plan shall be determined annually based upon the recommendation of the Chief Executive Officer of Baker Hughes and the approval of the Committee. Employees approved for participation shall be notified in writing of their selection, and of their Performance Goals and related Award Opportunities, as soon after approval as is practicable.

2.03 **Partial Plan Year Participation.** The Committee may, upon recommendation of the Chief Executive Officer of Baker Hughes, allow an individual who becomes eligible after the beginning of a Plan Year to participate in the Plan for that Plan Year. In such a case, the Participant's Final Award shall normally be reduced, in accordance with procedures established by the Committee, to reflect the fact that the Participant has not been eligible to participate in the Plan for the entire Plan Year. Until the Committee specifies otherwise, such procedures shall be as follows: Normally, the reduction shall be effected by taking into account the Participant's compensation (within the meaning of his Award Opportunity) for only the portion of the Plan Year in which he is eligible to participate in the Plan; *provided, however*, that if the Participant has an Award Opportunity that is based upon annualized compensation determined as of a particular date, his Final Award shall be prorated based upon the number of full months of participation. Notwithstanding the foregoing, the Committee may, based upon the recommendation of the Chief Executive Officer of Baker Hughes, authorize an unreduced Final Award. Unless the Chief Executive Officer of Baker Hughes or the Committee specifically determines otherwise, an individual who becomes a Key Employee on or after October 1 of a Plan Year shall not be eligible to participate in the Plan for such Plan Year.

2.04 **Termination of Approval.** The Committee may withdraw its approval for participation in the Plan for a Participant at any time. In the event of such withdrawal, the individual concerned shall cease to be a Participant as of the date designated by the Committee and he shall be notified of such withdrawal as soon as practicable following such action. Further, such individual shall cease to have any right to a Final Award for the Plan Year in which such withdrawal is effective; provided, however, that the Committee may, in its sole discretion, authorize a prorated award based on the number of full months of participation prior to the effective date of such withdrawal. Notwithstanding the foregoing, the Committee may not withdraw its approval for participation in the Plan during the pendency of a Potential Change in Control and for a period of six months after the cessation thereof.

ARTICLE III
AWARD OPPORTUNITIES AND
PERFORMANCE GOALS

3.01 Award Opportunities. The Committee shall establish, in writing, over achievement, expected value, and entry value incentive award levels (the “*Award Opportunities*”) for each Participant who is eligible to participate in the Plan for the Performance Period. The established Award Opportunities may vary in relation to the responsibility level of the Participant. Except in the case of a Covered Employee, if a Participant changes job levels or salary grades during the Plan Year, the Award Opportunities may be adjusted by the Committee, in its sole discretion, to reflect the amount of time at each job level and/or in each salary grade.

3.02 Performance Goals. The Committee shall establish, in writing, Performance Goals for each Participant for a Plan Year. A Performance Goal may be based on one or more business criteria that apply to the Participant, one or more business units of Baker Hughes and the Affiliates, or Baker Hughes and the Affiliates as a whole, with reference to one or more of the following: earnings per share, total shareholder return, cash return on capitalization, increased revenue, revenue ratios, net income, stock price, market share, return on equity, return on assets, return on capital, return on capital compared to cost of capital, return on capital employed, return on invested capital, shareholder value, net cash flow, operating income, earnings before interest and taxes, cash flow, cash flow from operations, cost reductions, cost ratios, Profit After Tax and Baker Value Added. Performance Goals may also be based on performance relative to a peer group of companies. Unless otherwise stated, a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). All items of gain, loss, or expense for the Performance Period, and such other items utilized in measuring the achievement of Performance Goals for the Performance Period, determined to be extraordinary, unusual in nature, infrequent in occurrence, related to the acquisition or disposal of a business, or related to a change in accounting principle, all as determined in accordance with standards established by Opinion No. 30 of the Accounting Principles Board (APB Opinion No. 30), other applicable accounting rules, or consistent with Baker Hughes policies and practices for measuring the achievement of Performance Goals on the date the Committee establishes the Performance Goals may be included or excluded in calculating whether a Performance Goal has been achieved. In the case of a Participant other than a Participant who is or during the Performance Period may become a Covered Employee, nonfinancial objectives may also be included in a Participant’s Performance Goals but may not represent more than 25 percent of the Participant’s expected value Award Opportunity. No Participant who is a Covered Employee, or who the Committee expects may become a Covered Employee during the next three Plan Years, may have any portion of his Final Award based on nonfinancial, subjective Performance Goals.

3.03 Time of Establishment of Award Opportunities and Performance Goals. Performance Goals and Award Opportunities for a Participant for a Plan Year must be established by the Committee prior to the earlier to occur of (a) 90 days after the commencement of the period of service to which the Performance Goal relates or (b) the lapse of 25 percent of the period of service, and in any event while the outcome is substantially uncertain.

3.04 **Adjustment of Performance Goals.** The Committee shall have the right to adjust the Performance Goals (either up or down) during the Plan Year if it determines that external changes or other unanticipated business conditions have materially affected the fairness of the goals and unduly influenced the ability to meet them. Notwithstanding the foregoing, no such adjustment shall be made with respect to an individual who is a Covered Employee to the extent the same is considered an upward discretionary increase in the amount of the Final Award for such individual (within the meaning of Section 162(m)).

3.05 **Individual Award Cap.** Effective for Final Awards earned for Performance Periods commencing on and after January 1, 2006, the maximum annual Final Award any individual may receive under the Plan is \$4,000,000.

ARTICLE IV FINAL AWARD DETERMINATIONS

4.01 **Final Award Determinations.** As soon as practicable after the end of each Plan Year, Final Awards shall be computed for each Participant as determined by the Committee. The Committee shall certify in writing the extent to which the Performance Goals established pursuant to Section 3.02 and any other material terms of an award were in fact satisfied.

In determining the Final Award, the Committee, in its sole discretion, may increase or decrease calculated amounts to reflect factors regarding performance during the Plan Year which were not, in the sole opinion of the Committee, appropriately reflected in the Final Award calculation. Notwithstanding the foregoing, the Final Award to an individual who is a Covered Employee will not be subject to upward discretionary adjustment by the Committee. Downward discretionary adjustment for Covered Employees will be permitted.

4.02 **Separation From Service Due to Death, Disability, or Retirement or Involuntary Termination of Employment.** If a Participant incurs a Separation From Service by reason of death, Disability or Retirement, or he incurs an Involuntary Termination of Employment, the Final Award, determined in accordance with Section 4.01, shall be reduced so that it reflects only participation prior to the Separation From Service. This reduction shall be determined in a manner consistent with Section 2.03.

4.03 **Employment Transfers.** If a Participant transfers from one division to another division within Baker Hughes and the Affiliates, the Final Award for the Participant's services performed for each division will be reduced in accordance with procedures established by the Committee. Normally, the reduction shall be effected by taking into account the Participant's compensation (within the meaning of his Award Opportunity) for only the portion of the Plan Year in which he performed services for the applicable division. However, if the Participant has an Award Opportunity that is based upon annualized compensation determined as of a particular date, his Final Award shall normally be prorated based upon the number of full months of participation during which he performed services for the applicable division. The Final Award will be determined as soon as practicable after the end of the Plan Year and will be based upon the financial results at the close of the Plan Year. The Final Award will be paid at the same time the other Final Awards for the applicable division are paid. If a Participant is eligible for a Final Award in his new position with a different division, the Final Award for services performed for the new division will be based upon the Award Opportunities established by the Committee based upon the recommendation of the Chief Executive Officer of Baker Hughes.

4.04 Disposition of Business. If the Participant's employer or division is disposed of during the Plan Year and such disposition does not qualify as a Change in Control, payment of the Participant's Final Award shall be determined in accordance with the following alternatives:

(a) If the acquirer offers employment to the Participant and assumes the obligations under the Plan, either directly or indirectly, and the Participant accepts such offer of employment, the Participant's Final Award will not be forfeited but the Company shall not be obligated to pay the Final Award and such obligation shall be that of the acquiring party in accordance with the Final Award parameters.

(b) If the acquirer does not assume the obligations under the Plan, whether or not the Participant is offered and accepts employment, then the Participant's Final Award will not be forfeited and the Participant will receive a prorated Final Award for the portion of the Plan Year that the Participant was employed by the Company prior to the date of the consummation of the sale of the Company or division, to be paid at the same time other Final Awards are paid under the Plan. The computation shall be made on the basis of the number of whole months rounded to the nearest whole month of the Plan Year that the Participant was in active service with the Company.

(c) If the acquirer offers employment to the Participant and assumes the obligations under the Plan, either directly or indirectly, and the Participant rejects such employment, the Participant shall forfeit his Final Award for the Performance Period then in progress pursuant to Section 4.05.

4.05 Separation From Service for Other Reasons. Except as specified in Article X or Section 4.04, if a Participant incurs a Separation From Service for any reason other than Retirement, Disability, Involuntary Termination of Employment or death, all of the Participant's rights to any unpaid Final Award shall be forfeited.

ARTICLE V PAYMENT OF BENEFITS

5.01 Time of Payment of Final Award. Except as specified in Article VIII, a Participant's Final Award, to the extent not forfeited pursuant to Article VI, shall be paid to him on March 15 following the Performance Period (the "*Payment Date*"). Notwithstanding the foregoing, to the extent that a Participant has elected to defer payment of his Final Award under the Supplemental Retirement Plan, such portion of his Final Award shall not be paid earlier than the deferral date selected under the Supplemental Retirement Plan.

5.02 Form of Payment of Benefits. All benefit payments shall be made in cash.

5.03 Unclaimed Benefits. In the case of a benefit payable on behalf of a Participant or former Participant, if the Plan Administrator is unable, after reasonable efforts, to locate the Participant, the former Participant or the beneficiary to whom such benefit is payable, upon the Plan Administrator's determination thereof, such benefit shall be forfeited to the Company.

Notwithstanding the foregoing, if subsequent to any such forfeiture the Participant, the former Participant or beneficiary to whom such benefit is payable makes a valid claim for such benefit, such forfeited benefit (without any adjustment for earnings or loss) shall be restored to the Plan by the Company and paid in accordance with the Plan.

5.04 Statutory Benefits. If any benefit obligations are required to be paid under the Plan to a Participant or former Participant in conjunction with severance of employment under the laws of the country where the Participant or former Participant is employed or under federal, state or local law, the benefits paid to a Participant or former Participant pursuant to the provisions of the Plan will be deemed to be in satisfaction of any statutorily required benefit obligations.

5.05 Payment to Alternate Payee Under Domestic Relations Order . Plan benefits that are awarded to an Alternate Payee in a Domestic Relations Order shall be paid to the Alternate Payee at the time and in the form directed in the Domestic Relations Order. The Domestic Relations Order may provide for an immediate lump sum payment to an Alternate Payee. A Domestic Relations Order may not otherwise provide for a time or form of payment that is not permitted under the Plan. A Domestic Relations Order will be disregarded to the extent it awards an Alternate Payee benefits in excess of the applicable Participant's or former Participant's Account balance under the Plan.

ARTICLE VI FORFEITURE OF BENEFITS

Except as specified in Section 4.04 or Article VIII, if a Participant incurs a Separation From Service for any reason other than Retirement, death, Disability or Involuntary Termination of Employment before the time a payment to him is to be made under Article V, he shall forfeit the payment and all amounts then deemed credited to his Accounts.

ARTICLE VII DEATH

7.01 Payment of Amounts. In the event of a death of a Participant prior to the Payment Date of a Final Award, the Participant's Final Award will be paid to the Participant's Beneficiary on the Payment Date.

7.02 Designation of Beneficiaries .

The beneficiary or beneficiaries who shall receive payment of a Participant's benefit in the event of his death shall be as follows:

- (i) If a Participant or former Participant leaves a surviving spouse, his benefit shall be paid to such surviving spouse; or
- (ii) If a Participant or former Participant leaves no surviving spouse, his benefit shall be paid to such Participant's or former Participant's executor or administrator, or to his heirs at law if there is no administration of such Participant's or former Participant's estate.

ARTICLE VIII
CHANGE IN CONTROL

8.01 **General.** The provisions of this Article VIII shall apply and supersede any contrary provisions of the Plan in the event of a Change in Control.

8.02 **CIC Committee.** If a Change in Control or Potential Change in Control occurs, all references in the Plan to “ *Committee*” shall at that point be deemed to be references to the CIC Committee.

8.03 **Change in Control During a Performance Period .** Notwithstanding any provision of the Plan to the contrary, upon the occurrence of a Change in Control during a Performance Period, (i) Final Awards for the Performance Period shall be computed for each Participant pursuant to Section 4.01 (assuming for this purpose that the Performance Goals established pursuant to Section 3.02 herein have been achieved to the extent required to earn the expected value Award Opportunity), and (ii) the Company shall pay to each Participant an amount equal to the Final Award so determined multiplied by a fraction, the numerator of which is the number of the Participant’s months of participation during the Performance Period through the date of Change of Control (rounded up to the nearest whole month), and the denominator of which is twelve.

8.04 **Termination of Employment Prior to Change in Control or Following Certain Changes in Control .** Notwithstanding any provision of the Plan to the contrary (other than the last sentence of this Section 8.04), a Participant shall be entitled to receive the payment described in Section 8.03 for a Performance Period if (i) such Participant’s employment is terminated by Baker Hughes or an Affiliate during the Performance Period without Cause prior to a Change in Control (whether or not a Change in Control ever occurs) and such termination was at the request or direction of a Person who has entered into an agreement with Baker Hughes or an Affiliate the consummation of which would constitute a Change in Control, (ii) such Participant resigns during the Performance Period for Good Reason prior to a Change in Control (whether or not a Change in Control ever occurs) and the circumstance or event which constitutes Good Reason occurs at the request or direction of the Person described in clause (i), or (iii) such Participant’s employment is terminated by Baker Hughes or an Affiliate during the Performance Period without Cause or by the Participant for Good Reason and such termination or the circumstance or event which constitutes Good Reason is otherwise in connection with or in anticipation of a Change in Control (whether or not a Change in Control ever occurs). Notwithstanding the foregoing, if a Participant has an individual change of control agreement with the Company, he shall be entitled to receive no payments pursuant to this Section 8.04 unless a Change in Control actually occurs during the Performance Period.

8.05 **Payment of Expected Value Awards and Tax-Gross Up for Delayed Payment.** If a Participant is entitled to a Final Award payment pursuant to Section 8.03, the Company shall pay the Participant such Final Award within five days following the date of the Change in Control. If a Participant is entitled to a Final Award payment pursuant to Section 8.04, the Company shall pay the Participant such Final Award within ten days following the date of the Participant’s termination of employment. If for any reason the Company fails to timely pay a Participant the amounts due him pursuant to this Article VIII, the Company shall pay the

Participant additional compensation in such amount as is necessary to put the Participant in the same federal income tax position he would have been in had the payment not been subject to Section 409A. Such additional compensation shall be paid to the Participant at the same time as the delinquent Final Award payment is paid to the Participant but in any event no later than the last day of the Participant's taxable year following the taxable year in which the Participant remits his federal income taxes to the Internal Revenue Service with respect to the Final Award.

8.06 Forfeiture Restrictions. Notwithstanding any other provision of the Plan, upon the occurrence of a Change in Control during a Performance Period or upon a Participant's termination of employment during a Performance Period in a circumstance described in Section 8.04, the amount of the Participant's Final Award for the Performance Period, calculated in accordance with Section 8.03, shall not be forfeited, and any amounts then credited to the Participant's Accounts shall not be forfeited.

ARTICLE IX ADMINISTRATION OF THE PLAN

9.01 Resignation and Removal. The members of a Committee serving as Plan Administrator shall serve at the pleasure of the Board; they may be officers, directors, or employees or any other individuals. At any time during his term of office, any member of a Committee or any individual serving as Plan Administrator may resign by giving written notice to the Board, such resignation to become effective upon the appointment of a substitute or, if earlier, the lapse of thirty days after such notice is given as herein provided. At any time during its term of office, and for any reason, any member of a Committee or any individual serving as Plan Administrator may be removed by the Board.

9.02 Records and Procedures. The Plan Administrator shall keep appropriate records of its proceedings and the administration of the Plan and shall make available for examination during business hours to any Participant, former Participant or the beneficiary of any Participant or former Participant such records as pertain to that individual's interest in the Plan. If a Committee is performing duties as the Plan Administrator, the Committee shall designate the individual or individuals who shall be authorized to sign for the Plan Administrator and, upon such designation, the signature of such individual or individuals shall bind the Plan Administrator.

9.03 Self-Interest of Plan Administrator. Neither the members of a Committee nor any individual Plan Administrator shall have any right to vote or decide upon any matter relating solely to himself under the Plan or to vote in any case in which his individual right to claim any benefit under the Plan is particularly involved. In any case in which any Committee member or individual Plan Administrator is so disqualified to act, the other members of the Committee shall decide the matter in which the Committee member or individual Plan Administrator is disqualified.

9.04 Compensation and Bonding. Neither the members of a Committee nor any individual Plan Administrator shall receive compensation with respect to their services on the Committee or as Plan Administrator. To the extent permitted by applicable law, neither the members of a Committee nor any individual Plan Administrator shall furnish bond or security for the performance of their duties hereunder.

9.05 Plan Administrator Powers and Duties. The Plan Administrator shall supervise the administration and enforcement of the Plan according to the terms and provisions hereof and shall have all powers necessary to accomplish these purposes, including, but not by way of limitation, the right, power, and authority:

- (a) to make rules, regulations, and bylaws for the administration of the Plan that are not inconsistent with the terms and provisions hereof, and to enforce the terms of the Plan and the rules and regulations promulgated thereunder by the Plan Administrator;
- (b) to construe in its discretion all terms, provisions, conditions, and limitations of the Plan;
- (c) to correct any defect or to supply any omission or to reconcile any inconsistency that may appear in the Plan in such manner and to such extent as it shall deem in its discretion expedient to effectuate the purposes of the Plan;
- (d) to employ and compensate such accountants, attorneys, investment advisors, and other agents, employees, and independent contractors as the Plan Administrator may deem necessary or advisable for the proper and efficient administration of the Plan;
- (e) to determine in its discretion all questions relating to eligibility;
- (f) to determine whether and when a Participant has incurred a Separation From Service, and the reason for such termination; and
- (g) to make a determination in its discretion as to the right of any individual to a benefit under the Plan and to prescribe procedures to be followed by distributees in obtaining benefits hereunder.

9.06 Reliance on Documents, Instruments, etc . The Plan Administrator may rely on any certificate, statement or other representation made on behalf of the Company or any Participant, which the Plan Administrator in good faith believes to be genuine, and on any certificate, statement, report or other representation made to it by any agent or any attorney, accountant or other expert retained by it or Baker Hughes in connection with the operation and administration of the Plan.

9.07 Claims Review Procedures; Claims Appeals Procedures .

(a) Claims Review Procedures. When a benefit is due, the Participant, or the person entitled to benefits under the Plan, should submit a claim to the office designated by the Plan Administrator to receive claims. Under normal circumstances, the Plan Administrator will make a final decision as to a claim within 90 days after receipt of the claim. If the Plan Administrator notifies the claimant in writing during the initial 90-day period, it may extend the period up to 180 days after the initial receipt of the claim. The

written notice must contain the circumstances necessitating the extension and the anticipated date for the final decision. If a claim is denied during the claims period, the Plan Administrator must notify the claimant in writing, and the written notice must set forth in a manner calculated to be understood by the claimant:

- (1) the specific reason or reasons for the denial;
- (2) specific reference to the Plan provisions on which the denial is based; and
- (3) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary.

If a decision is not given to the Participant within the claims review period, the claim is treated as if it were denied on the last day of the claims review period.

(b) *Claims Appeals Procedures*. For purposes of this Section 9.07 the Participant or the person entitled to benefits under the Plan is referred to as the “claimant.” If a claimant’s claim made pursuant to Section 9.07(a) is denied and he wants a review, he must apply to the Plan Administrator in writing. That application can include any arguments, written comments, documents, records, and other information relating to the claim for benefits. In addition, the claimant is entitled to receive on request and free of charge reasonable access to and copies of all information relevant to the claim. For this purpose, “relevant” means information that was relied on in making the benefit determination or that was submitted, considered or generated in the course of making the determination, without regard to whether it was relied on, and information that demonstrates compliance with the Plan’s administrative procedures and safeguards for assuring and verifying that Plan provisions are applied consistently in making benefit determinations. The Plan Administrator must take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether the information was submitted or considered in the initial benefit determination. The claimant may either represent himself or appoint a representative, either of whom has the right to inspect all documents pertaining to the claim and its denial. The Plan Administrator can schedule any meeting with the claimant or his representative that it finds necessary or appropriate to complete its review.

The request for review must be filed within 90 days after the denial. If it is not, the denial becomes final. If a timely request is made, the Plan Administrator must make its decision, under normal circumstances, within 60 days of the receipt of the request for review. However, if the Plan Administrator notifies the claimant prior to the expiration of the initial review period, it may extend the period of review up to 120 days following the initial receipt of the request for a review. All decisions of the Plan Administrator must be in writing and must include the specific reasons for its action, the Plan provisions on which its decision is based, and a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant’s claim for benefits. If a decision is not given to the claimant within the review period, the claim is treated as if it were denied on the last day of the review period.

Within 60 days of receipt by a claimant of a notice denying a claim under the preceding paragraph, the claimant or his or her duly authorized representative may request in writing a full and fair review of the claim by the Plan Administrator. The Plan Administrator may extend the 60-day period where the nature of the benefit involved or other attendant circumstances make such extension appropriate. In connection with such review, the claimant or his or her duly authorized representative may review pertinent documents and may submit issues and comments in writing. The Plan Administrator shall make a decision promptly, and not later than 60 days after the Plan's receipt of a request for review, unless special circumstances (such as the need to hold a hearing) require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than 120 days after receipt of a request for review. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

9.08 Company to Supply Information. The Company shall supply full and timely information to the Plan Administrator, including, but not limited to, information relating to each Participant's base salary, age, Retirement, death, or other cause of Separation From Service and such other pertinent facts as the Plan Administrator may require. When making a determination in connection with the Plan, the Plan Administrator shall be entitled to rely upon the aforesaid information furnished by the Company.

9.09 Indemnity. To the extent permitted by applicable law, Baker Hughes shall indemnify and save harmless the Board, each member of the Committee, each delegate of the Committee or the Board and the Plan Administrator against any and all expenses, liabilities and claims (including legal fees incurred to investigate or defend against such liabilities and claims) arising out of their discharge in good faith of responsibilities under or incident to the Plan. Expenses and liabilities arising out of willful misconduct shall not be covered under this indemnity. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by Baker Hughes or provided by Baker Hughes under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, as such indemnities are permitted under applicable law.

ARTICLE X PARTICIPATION IN THE PLAN BY AFFILIATES

10.01 Adoption Procedure.

(a) Except to the extent that an Affiliate specifically determines otherwise by appropriate action of its board of directors or noncorporate counterpart, as evidenced by a written instrument executed by an authorized officer of such entity (approved by the board of directors or noncorporate counterpart of the Affiliate), each Affiliate shall participate in the Plan and shall be bound by all the terms, conditions and limitations of the Plan. The Plan Administrator and the Affiliate may agree to incorporate specific provisions relating to the operation of the Plan that apply to the Affiliate.

(b) The provisions of the Plan may be modified so as to increase the obligations of an adopting Affiliate only with the consent of such Affiliate, which consent shall be conclusively presumed to have been given by such Affiliate unless the Affiliate gives Baker Hughes written notice of its rejection of the amendment within 30 days after the adoption of the amendment.

(c) The provisions of the Plan shall apply separately and equally to each adopting Affiliate and its employees in the same manner as is expressly provided for Baker Hughes and its employees, except that the power to appoint or otherwise affect the Plan Administrator and the power to amend or terminate the Plan shall be exercised by Baker Hughes. The Plan Administrator shall act as the agent for each Affiliate that adopts the Plan for all purposes of administration thereof.

(d) Any Affiliate may, by appropriate action of its board of directors or noncorporate counterpart, terminate its participation in the Plan. Moreover, the Plan Administrator may, in its discretion, terminate an Affiliate's participation in the Plan at any time.

(e) The Plan will terminate with respect to any Affiliate if the Affiliate ceases to be an Affiliate or revokes its adoption of the Plan by resolution of its board of directors or noncorporate counterpart evidenced by a written instrument executed by an authorized officer of the Affiliate. If the Plan terminates with respect to any Affiliate, the employees of that Affiliate will no longer be eligible to be Participants in the Plan.

(f) The Plan as maintained by the Affiliates shall constitute a single plan rather than a separate plan of each Affiliate.

10.02 No Joint Venture Implied. The document which evidences the adoption of the Plan by an Affiliate shall become a part of the Plan. However, neither the adoption of the Plan by an Affiliate nor any act performed by it in relation to the Plan shall ever create a joint venture or partnership relation between it and any other Affiliate.

ARTICLE XI MISCELLANEOUS

11.01 Plan Not Contract of Employment. The adoption and maintenance of the Plan shall not be deemed to be a contract between the Company and any individual or to be consideration for the employment of any individual. Nothing herein contained shall be deemed to (a) give any individual the right to be retained in the employ of the Company, (b) restrict the right of the Company to discharge any individual at any time, (c) give the Company the right to require any individual to remain in the employ of the Company, or (d) restrict any individual's right to terminate his employment at any time.

11.02 **Funding.** Plan benefits are a contractual obligation of the Company which shall be paid out of the Company's general assets. The Plan is unfunded and Participants are merely unsecured creditors of the Company with respect to their benefits under the Plan.

11.03 **Alienation of Interest Forbidden.** The interest of a Participant, former Participant or his beneficiary or beneficiaries hereunder may not be sold, transferred, assigned, or encumbered in any manner, either voluntarily or involuntarily, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be null and void; neither shall the benefits hereunder be liable for or subject to the debts, contracts, liabilities, engagements or torts of any individual to whom such benefits or funds are payable, nor shall they be an asset in bankruptcy or subject to garnishment, attachment or other legal or equitable proceedings. The provisions of this Section 11.03 shall not apply to a Domestic Relations Order.

11.04 **Withholding.** All credits to a Participant's or former Participant's Accounts and payments provided for hereunder shall be subject to applicable withholding and other deductions as shall be required of the Company under any applicable local, state or federal law.

11.05 **Amendment and Termination.** The Board, may from time to time, in its discretion, amend, in whole or in part, any or all of the provisions of the Plan on behalf of any Company; *provided, however*, that no amendment may be made that would impair the rights of a Participant or former Participant with respect to amounts already credited to his Accounts. The Board may terminate the Plan at any time. If the Plan is terminated, the amounts credited to a Participant's or former Participant's Account shall be paid to such Participant, or former Participant, or his designated beneficiary at the time(s) specified in Articles V, VII and VIII, as applicable.

11.06 **Severability.** If any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof; instead, each provision shall be fully severable and the Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

11.07 **Arbitration.** Any controversy arising out of or relating to the Plan, including without limitation, any and all disputes, claims (whether in tort, contract, statutory or otherwise) or disagreements concerning the interpretation or application of the provisions of the Plan, the Company's employment of the Participant, or former Participant, and the termination of that employment, shall be resolved by arbitration in accordance with the Employee Benefit Plan Claims Arbitration Rules of the American Arbitration Association (the "AAA") then in effect. No arbitration proceeding relating to the Plan may be initiated by either the Company or the Participant, or former Participant, unless the claims review and appeals procedures specified in Section 9.07 have been exhausted. Within ten business days of the initiation of an arbitration hereunder, the Company and the Participant, or former Participant, will each separately designate an arbitrator, and within 20 business days of selection, the appointed arbitrators will appoint a neutral arbitrator from the panel of AAA National Panel of Employee Benefit Plan Claims Arbitrators. The arbitrators shall issue their written decision (including a statement of finding of

facts) within 30 days from the date of the close of the arbitration hearing. The decision of the arbitrators selected hereunder will be final and binding on both parties. This arbitration provision is expressly made pursuant to and shall be governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16 (or replacement or successor statute). Pursuant to Section 9 of the Federal Arbitration Act, the Company and any Participant agrees that any judgment of the United States District Court for the District in which the headquarters of Baker Hughes is located at the time of initiation of an arbitration hereunder shall be entered upon the award made pursuant to the arbitration. Nothing in this Section 11.07 shall be construed to, in any way, limit the scope and effect of Article IX. In any arbitration proceeding full effect shall be given to the rights, powers, and authorities of the Plan Administrator under Article IX.

11.08 Compliance With Section 409A. To the extent applicable, the Plan shall be operated in compliance with Section 409A and the provisions of the Plan shall be interpreted by the Plan Administrator in a manner that is consistent with this intention.

11.09 Governing Law. All provisions of the Plan shall be construed in accordance with the laws of Texas, except to the extent preempted by applicable law and except to the extent that the conflicts of laws provisions of the State of Texas would require the application of the relevant law of another jurisdiction, in which event the relevant law of the State of Texas will nonetheless apply, with venue for litigation being in Houston, Texas.

11.10 Recoupment in Certain Situations. If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under applicable securities laws, the Participant who is then a current or former executive officer of the Company shall forfeit and must repay to the Company any compensation awarded under the Plan for Performance Periods commencing on or after January 1, 2014, to the extent specified in any of the Company's compensation recoupment policies established or amended (now or in the future) in compliance with the rules and standards of the Securities and Exchange Commission Committee under or in connection with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Further, if the Company is required to prepare an accounting restatement due in whole or in part to the Participant's misconduct, the current or former Participant shall forfeit and must repay to the Company any compensation awarded under the Plan for Performance Periods commencing on or after January 1, 2014, to the extent required by the Board in accordance with the terms of the Company's compensation recoupment policy as in effect on January 23, 2014.

BAKER HUGHES INCORPORATED STOCK OPTION AGREEMENT

GRANT OF OPTION

The Compensation Committee of the Board of Directors of Baker Hughes Incorporated, a Delaware corporation (the "*Company*"), pursuant to the **Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan** (the "*Plan*"), hereby grants to you, the above-named Participant, effective as of the Grant Date set forth above (the "*Grant Date*"), a nonqualified stock option to purchase the total number of shares of the Company's \$1.00 par value per share common stock ("*Common Stock*") at the exercise price set forth above for each share subject to the option, subject to adjustment as provided in the Plan. The option is exercisable in installments in accordance with the Vesting Schedule set forth above with the exercise price payable at the time of exercise. To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part until the option terminates. Notwithstanding any other provision of this Stock Option Agreement, the option shall not be exercisable before the date on which the stockholders of the Company approve the increase in shares reserved for issuance under the Plan from 10,000,000 to 20,000,000 shares. The option may not be exercised after the Expiration Date.

By your acceptance of the option, you agree that the option is granted under, governed by and subject to the terms of the Plan, this Stock Option Agreement and the Terms and Conditions of Option Agreements. The shares of Common Stock (the "shares") that may be issued under this Plan are registered with the Securities and Exchange Commission ("SEC") under a Registration Statement on Form S-8. A Prospectus describing the Plan and the shares and the Terms and Conditions can be found on the Baker Hughes Direct website at www.bakerhughesdirect.com. You may obtain a copy of the Plan Prospectus by requesting it from the Company.

BAKER HUGHES INCORPORATED

Martin S. Craighead
Chairman and Chief Executive Officer

BAKER HUGHES INCORPORATED

**TERMS AND CONDITIONS
OF
OPTION AGREEMENTS**

These Terms and Conditions are applicable to an option granted pursuant to the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan (the “*Plan*”) and are incorporated as part of the Stock Option Agreement setting forth the terms of such option (the “*Agreement*”).

1. **TERMINATION OF EMPLOYMENT.** The following provisions will apply in the event Participant’s employment with the Company and all Affiliates of the Company (collectively, the “*Company Group*”) terminates or a Change in Control of the Company occurs before the Expiration Date set forth in the Agreement:
 - 1.1 Termination Generally. If Participant’s employment with the Company Group terminates before the Expiration Date for any reason other than one of the reasons described in Sections 1.2 through 1.6 below, all of Participant’s rights in the option shall terminate and become null and void on the earlier of the Expiration Date or three years after the date Participant’s employment with the Company Group terminates. In the event Participant’s employment with the Company Group terminates for any reason, the option shall not continue to vest after such termination of employment.
 - 1.2 Termination for Cause. If Participant’s employment with the Company Group terminates for Cause and such termination occurs (i) prior to a Change in Control that occurs after the Grant Date or (ii) after the second anniversary of a Change in Control that occurs after the Grant Date, all of Participant’s rights in the option shall terminate and become null and void on the earlier of the Expiration Date or the date Participant’s employment with the Company Group terminates for Cause. If Participant’s employment with the Company Group terminates for Cause and such termination occurs within two years following a Change in Control that occurs after the Grant Date, all of Participant’s rights in the option shall terminate and become null and void on the earlier of the Expiration Date or the date thirty (30) days after Participant’s employment with the Company Group terminates for Cause. Termination for Cause includes (without limitation) fraud, theft, embezzlement committed against the Company Group or a customer of the Company Group or any of its affiliated companies, or for conflict of interest, unethical conduct, dishonesty affecting the assets, properties or business of the Company Group, willful misconduct, or continued material dereliction of duties.
 - 1.3 Termination Without Cause or for Good Reason in Connection With a Change in Control. Notwithstanding any other provision of the Agreement to the contrary, if a Change in Control of the Company occurs, the provisions of Article 14 of the Plan shall govern.
 - 1.4 Divestiture of Business Unit. If the Company Group divests its ownership of a business unit of the Company or one or more subsidiaries (a “*Unit*”) and Participant’s employment with the Company Group terminates in connection with such Divestiture (other than for Cause or death or due to Participant’s disability within the meaning of Section 1.5), then Participant’s rights under the option that have not then vested shall vest on the effective date of the Divestiture of the business unit. All of Participant’s rights in the option shall terminate and become null and void on the earlier of the Expiration Date or three (3) years after the date Participant’s employment with the Company Group terminates. A “*Divestiture*” includes the disposition of a Unit to an entity that the Company does not consolidate in its financial statements, whether the disposition is structured as a sale or transfer of stock, a merger, a consolidation or a sale or transfer of assets, or a combination thereof, *provided* that a “*Divestiture*” shall not include a disposition that constitutes a Change in Control.

1.5 Retirement or Disability. If Participant's employment with the Company Group terminates due to Participant's Retirement or disability, then Participant's rights under the option that have not then vested shall vest on the effective date of Participant's Retirement or termination of employment due to disability. All of Participant's rights in the option shall terminate and become null and void on the earlier of the Expiration Date or five (5) years after the date Participant's employment with the Company Group terminates as a result of Retirement or a disability. For purposes of this Section 1.5, the term "*Retirement*" means the voluntary termination of Participant's employment relationship with the Company Group on or after the date on which Participant is at least 55 years of age (not rounded up) and Participant has completed at least ten whole years of service with the Company Group (not rounded up). For purposes of this Section 1.5, Participant will not be treated as having incurred a termination due to Retirement if his or her employment is terminated by a member of the Company Group for Cause (within the meaning of Section 1.2). For purposes of this Section 1.5, Participant will incur a "*disability*" if Participant qualifies for long-term disability benefits under a long-term disability program sponsored by the Company.

1.6 Death. If Participant's employment with the Company Group terminates due to the death of Participant, then Participant's rights under the option that have not then vested shall vest on the date of Participant's death. All rights in the option shall terminate and become null and void on the earlier of the Expiration Date or one year after the date Participant's death. After Participant's death, his or her executors, administrators or any person or persons to whom Participant's option may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the option to exercise the option.

2. **PROHIBITED ACTIVITY**. Notwithstanding any other provision of these Terms and Conditions or the Agreement, if you engage in a "Prohibited Activity," as described below, while employed by one or more members of the Company Group, or within two years after the date your employment with the Company Group terminates, then your right to receive payment under the Agreement, to the extent still outstanding at that time, shall be completely forfeited. A "*Prohibited Activity*" shall be deemed to have occurred, as determined by the Committee in its sole and absolute discretion, if you (i) divulge any non-public, confidential or proprietary information of the Company or of its past, present or future affiliates (collectively, the "*Baker Hughes Group*"), but excluding information that (a) becomes generally available to the public other than as a result of your public use, disclosure, or fault, or (b) becomes available to you on a non-confidential basis after your employment termination date from a source other than a member of the Baker Hughes Group prior to the public use or disclosure by you, *provided* that such source is not bound by a confidentiality agreement or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation, or (ii) directly or indirectly, consult with or become affiliated with, conducts, participate or engage in, or becomes employed by, any business that is competitive with the business of any member of the Baker Hughes Group, wherever from time to time conducted throughout the world, including situations where you solicit or participate in or assist in any way in the solicitation or recruitment, directly or indirectly, of any employees of any member of the Baker Hughes Group.
3. **CASHLESS EXERCISE**. Cashless exercise, in accordance with the terms of the Plan, shall be available to Participant for the shares subject to the option. In addition to the cashless exercise alternatives expressly listed in the Plan, you may elect a net exercise method of exercise under which the Company will reduce the number of shares issued to you upon the exercise of all or portion of the option to satisfy your Option Price obligation for such portion of the option.
4. **AUTOMATIC EXERCISE UPON EXPIRATION DATE**. Notwithstanding any other provision of these Terms and Conditions or the Agreement (other than this Section 4 of these Terms and Conditions), on the last trading day on which all or a portion of the option may be exercised, if the then Fair Market Value of a share exceeds the per share Option Price by at least \$.01 (such expiring portion of the option that is so in-the-money, an "*Auto-Exercise Eligible Option*"), you will be deemed to have automatically exercised such Auto-Exercise Eligible Option (to the extent it has not previously been exercised or forfeited) in accordance with the provisions of this Section 4. In the event of an automatic exercise pursuant to this Section 4, the Company will reduce the number of shares issued to you upon such automatic exercise of the Auto-Exercise Eligible Option to satisfy your Option Price obligation for the Auto-Exercise Eligible Option. Further, the Company shall reduce the number of shares issued to the you to satisfy the Minimum Statutory Withholding Obligation arising upon the automatic exercise in accordance with the procedures of Article 16 of the Plan unless the Committee deems that a different method of satisfying the tax withholding obligations is practicable and advisable. You may notify the Plan record-keeper, Fidelity, in writing in

advance that you do not wish for the Auto-Exercise Eligible Option to be exercised. This Section 4 shall not apply to the option to the extent that this Section 4 may cause the option to fail to qualify for favorable tax treatment under applicable law. In its discretion, the Company may determine to cease automatically exercising options at any time.

5. **TAXES AND TAX WITHHOLDING.** You should consult with your tax advisor concerning the tax consequences of exercising your option. To the extent that the receipt of the option or the Agreement, the vesting of the option or the exercise of the option results in income to Participant for federal, state or local income, employment or other tax purposes with respect to which the Company Group has a withholding obligation, Participant shall deliver to the Company at the time of such receipt, vesting or exercise, as the case may be, such amount of money as the Company Group may require to meet its obligation under applicable tax laws or regulations, and, if Participant fail to do so, the Company Group is authorized to withhold from the shares subject to the option or from any cash or stock remuneration then or thereafter payable to Participant any tax required to be withheld by reason of such taxable income, including (without limitation) shares subject to the option sufficient to satisfy the withholding obligation based on the last per share sales price of the common stock of the Company for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.
6. **NONTRANSFERABILITY.** Except as specified in these Terms and Conditions, the option and the Agreement are not transferable or assignable by Participant other than by will or the laws of descent and distribution, and shall be exercisable during Participant's lifetime only by Participant.
7. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the option shall not affect in any way the right or power of the Company or any company the stock of which is issued pursuant to the Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
8. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, Participant shall be considered to be in the employment of the Company Group as long as Participant have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.
9. **NO RIGHTS AS A STOCKHOLDER .** Participant shall not have any rights as a stockholder of the Company with respect to any shares covered by the option until the date of the issuance of the stock certificate or certificates to Participant for such shares following exercise of the option pursuant to the Agreement and the Terms and Conditions and payment for the shares. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such certificate or certificates are issued.
10. **NOT AN EMPLOYMENT AGREEMENT .** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between Participant and the Company or any of its Affiliates or guarantee the right to remain employed by the Company or any of its Affiliates for any specified term.
11. **SECURITIES ACT LEGEND.** If Participant is an officer or affiliate of the Company under the Securities Act of 1933, Participant consents to the placing on any certificate for the shares of an appropriate legend restricting resale or other transfer of the shares except in accordance with such Act and all applicable rules thereunder.
12. **LIMIT OF LIABILITY.** Under no circumstances will the Company Group be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan or the Company's role as Plan sponsor.

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- 13. DATA PRIVACY.** The Company's Human Resources Department in Houston, Texas (U.S.A.) administers and maintains the data regarding the Plan, the awardees and the stock options granted to awardees for all employees in the Company Group worldwide.

The data administered and maintained by the Company includes information that may be considered personal data, including the name of the awardee, the award granted and the number of shares of stock subject to any stock option award ("*Employee Personal Data*"). From time to time during the course of your employment in the Company Group, the Company may transfer certain of your Employee Personal Data to Affiliates as necessary for the purpose of implementation, administration and management of your participation in the Plan (the "*Purposes*"), and the Company and its Affiliates may each further transfer your Employee Personal Data to any third parties assisting the Company in the implementation, administration and management of the Plan (collectively, "*Data Recipients*"). The countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

In accepting the award of the stock option set forth in the Agreement, you hereby expressly acknowledge that you understand that from time to time during the course of your employment in the Company Group the Company may transfer your Employee Personal Data to Data Recipients for the Purposes. You further acknowledge that you understand that the countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

Further, in accepting the award of the stock option set forth in the Agreement, you hereby expressly affirm that you do not object, and you hereby expressly consent, to the transfer of your Employee Personal Data by the Company to Data Recipients for the Purposes from time to time during the course of your employment in the Company Group.

- 14. RECOUPMENTS.** If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under applicable securities laws, if you are then a current or former executive officer of the Company you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent specified in any of the Company's compensation recoupment policies established or amended (now or in the future) in compliance with the rules and standards of the Securities and Exchange Commission Committee under or in connection with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Further, if the Company is required to prepare an accounting restatement due in whole or in part to your misconduct, you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent required by the Board of Directors of the Company in accordance with the terms of the Company's compensation recoupment policy as in effect on January 23, 2014.
- 15. MISCELLANEOUS.** The Agreement and the option are awarded pursuant to and are subject to all of the provisions of the Plan, which are incorporated by reference herein, including all amendments to the Plan, if any. In the event of a conflict between these Terms and Conditions and the Plan provisions, the Plan provisions will control. The terms "*you*" and "*your*" refer to the Participant named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan or the Agreement.

BAKER HUGHES INCORPORATED STOCK OPTION AGREEMENT

GRANT OF OPTION

The Compensation Committee of the Board of Directors of Baker Hughes Incorporated, a Delaware corporation (the "Company"), pursuant to the **Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan** (the "Plan"), hereby grants to you, the above-named Participant, effective as of the Grant Date set forth above (the "Grant Date"), an **incentive stock option** to purchase the number of shares of the Company's \$1.00 par value per share common stock at the exercise price set forth above for each share subject to this option, subject to adjustment as provided in the Plan. The option is exercisable in installments in accordance with the Vesting Schedule set forth above with the exercise price payable at the time of exercise. To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part until the option terminates. Notwithstanding any other provision of this Stock Option Agreement, the option shall not be exercisable before the date on which the stockholders of the Company approve the increase in shares reserved for issuance under the Plan from 10,000,000 to 20,000,000 shares. The option may not be exercised after the Expiration Date.

By your acceptance of the option, you agree that the option is granted under, governed by and subject to the terms of the Plan, this Stock Option Agreement and the Terms and Conditions of Option Agreements. The shares of Common Stock (the "shares") that may be issued under this Plan are registered with the Securities and Exchange Commission ("SEC") under a Registration Statement on Form S-8. A Prospectus describing the Plan and the shares and the Terms and Conditions can be found on the Baker Hughes Direct website at www.bakerhughesdirect.com. You may obtain a copy of the Plan Prospectus by requesting it from the Company.

BAKER HUGHES INCORPORATED

Martin S. Craighead
Chairman and Chief Executive Officer

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BAKER HUGHES INCORPORATED

**TERMS AND CONDITIONS
OF
OPTION AGREEMENTS**

These Terms and Conditions are applicable to an option granted pursuant to the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan (the “*Plan*”) and are incorporated as part of the Stock Option Agreement setting forth the terms of such option (the “*Agreement*”).

- 1. TERMINATION OF EMPLOYMENT.** The following provisions will apply in the event Participant’s employment with the Company and all Affiliates of the Company (collectively, the “*Company Group*”) terminates or a Change in Control of the Company occurs before the Expiration Date set forth in the Agreement:

1.1 Termination Generally. If Participant’s employment with the Company Group terminates before the Expiration Date for any reason other than one of the reasons described in Sections 1.2 through 1.6 below, all of Participant’s rights in the option shall terminate and become null and void on the earlier of the Expiration Date or three years after the date Participant’s employment with the Company Group terminates. In the event Participant’s employment with the Company Group terminates for any reason, the option shall not continue to vest after such termination of employment.

1.2 Termination for Cause. If Participant’s employment with the Company Group terminates for Cause and such termination occurs (i) prior to a Change in Control that occurs after the Grant Date or (ii) after the second anniversary of a Change in Control that occurs after the Grant Date, all of Participant’s rights in the option shall terminate and become null and void on the earlier of the Expiration Date or the date Participant’s employment with the Company Group terminates for Cause. If Participant’s employment with the Company Group terminates for Cause and such termination occurs within two years following a Change in Control that occurs after the Grant Date, all of Participant’s rights in the option shall terminate and become null and void on the earlier of the Expiration Date or the date thirty (30) days after Participant’s employment with the Company Group terminates for Cause. Termination for Cause includes (without limitation) fraud, theft, embezzlement committed against the Company Group or a customer of the Company Group or any of its affiliated companies, or for conflict of interest, unethical conduct, dishonesty affecting the assets, properties or business of the Company Group, willful misconduct, or continued material dereliction of duties.

1.3 Termination Without Cause or for Good Reason in Connection With a Change in Control. Notwithstanding any other provision of the Agreement to the contrary, if a Change in Control of the Company occurs, the provisions of Article 14 of the Plan shall govern.

1.4 Divestiture of Business Unit. If the Company Group divests its ownership of a business unit of the Company or one or more subsidiaries (a “*Unit*”) and Participant’s employment with the Company Group terminates in connection with such Divestiture (other than for Cause or death or due to Participant’s disability within the meaning of Section 1.5), then Participant’s rights under the option that have not then vested shall vest on the effective date of the Divestiture of the business unit. All of Participant’s rights in the option shall terminate and become null and void on the earlier of the Expiration Date or three (3) years after the date Participant’s employment with the Company Group terminates. A “*Divestiture*” includes the disposition of a Unit to an entity that the Company does not consolidate in its financial statements, whether the disposition is structured as a sale or transfer of stock, a merger, a consolidation or a sale or transfer of assets, or a combination thereof, *provided* that a “*Divestiture*” shall not include a disposition that constitutes a Change in Control.

1.5 Retirement or Disability. If Participant’s employment with the Company Group terminates due to Participant’s Retirement or disability, then Participant’s rights under the option that have not then vested shall vest on the effective date of Participant’s Retirement or termination of employment due to disability.

All of Participant's rights in the option shall terminate and become null and void on the earlier of the Expiration Date or five (5) years after the date Participant's employment with the Company Group terminates as a result of Retirement or a disability. For purposes of this Section 1.5, the term "*Retirement*" means the voluntary termination of Participant's employment relationship with the Company Group on or after the date on which Participant is at least 55 years of age (not rounded up) and Participant has completed at least ten whole years of service with the Company Group (not rounded up). For purposes of this Section 1.5, Participant will not be treated as having incurred a termination due to Retirement if his or her employment is terminated by a member of the Company Group for Cause (within the meaning of Section 1.2). For purposes of this Section 1.5, Participant will incur a "*disability*" if Participant qualifies for long-term disability benefits under a long-term disability program sponsored by the Company. Note that if you exercise an incentive stock option more than three months after the date of your termination of employment, you may not be entitled to certain favorable federal income tax treatment applicable to incentive stock options.

1.6 Death. If Participant's employment with the Company Group terminates due to the death of Participant, then Participant's rights under the option that have not then vested shall vest on the date of Participant's death. All rights in the option shall terminate and become null and void on the earlier of the Expiration Date or one year after the date Participant's death. After Participant's death, his or her executors, administrators or any person or persons to whom Participant's option may be transferred by will or by the laws of descent and distribution, shall have the right, at any time prior to the termination of the option to exercise the option.

2. **PROHIBITED ACTIVITY**. Notwithstanding any other provision of these Terms and Conditions or the Agreement, if you engage in a "Prohibited Activity," as described below, while employed by one or more members of the Company Group, or within two years after the date your employment with the Company Group terminates, then your right to receive payment under the Agreement, to the extent still outstanding at that time, shall be completely forfeited. A "*Prohibited Activity*" shall be deemed to have occurred, as determined by the Committee in its sole and absolute discretion, if you (i) divulge any non-public, confidential or proprietary information of the Company or of its past, present or future affiliates (collectively, the "*Baker Hughes Group*"), but excluding information that (a) becomes generally available to the public other than as a result of your public use, disclosure, or fault, or (b) becomes available to you on a non-confidential basis after your employment termination date from a source other than a member of the Baker Hughes Group prior to the public use or disclosure by you, *provided* that such source is not bound by a confidentiality agreement or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation, or (ii) directly or indirectly, consult with or become affiliated with, conducts, participate or engage in, or becomes employed by, any business that is competitive with the business of any member of the Baker Hughes Group, wherever from time to time conducted throughout the world, including situations where you solicit or participate in or assist in any way in the solicitation or recruitment, directly or indirectly, of any employees of any member of the Baker Hughes Group.
3. **CASHLESS EXERCISE**. Cashless exercise, in accordance with the terms of the Plan, shall be available to Participant for the shares subject to the option.
4. **TAXES AND TAX WITHHOLDING**. You should consult with your tax advisor concerning the tax consequences of exercising your option. To the extent that the receipt of the option or the Agreement, the vesting of the option or the exercise of the option results in income to Participant for federal, state or local income, employment or other tax purposes with respect to which the Company Group has a withholding obligation, Participant shall deliver to the Company at the time of such receipt, vesting or exercise, as the case may be, such amount of money as the Company Group may require to meet its obligation under applicable tax laws or regulations, and, if Participant fail to do so, the Company Group is authorized to withhold from the shares subject to the option or from any cash or stock remuneration then or thereafter payable to Participant any tax required to be withheld by reason of such taxable income, including (without limitation) shares subject to the option sufficient to satisfy the withholding obligation based on the last per share sales price of the common stock of the Company for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

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5. **NONTRANSFERABILITY.** Except as specified in these Terms and Conditions, the option and the Agreement are not transferable or assignable by Participant other than by will or the laws of descent and distribution, and shall be exercisable during Participant's lifetime only by Participant.
 6. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the option shall not affect in any way the right or power of the Company or any company the stock of which is issued pursuant to the Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
 7. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, Participant shall be considered to be in the employment of the Company Group as long as Participant have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.
 8. **NO RIGHTS AS A STOCKHOLDER .** Participant shall not have any rights as a stockholder of the Company with respect to any shares covered by the option until the date of the issuance of the stock certificate or certificates to Participant for such shares following exercise of the option pursuant to the Agreement and the Terms and Conditions and payment for the shares. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such certificate or certificates are issued.
 9. **NOT AN EMPLOYMENT AGREEMENT .** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between Participant and the Company or any of its Affiliates or guarantee the right to remain employed by the Company or any of its Affiliates for any specified term.
 10. **SECURITIES ACT LEGEND.** If Participant is an officer or affiliate of the Company under the Securities Act of 1933, Participant consents to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.
 11. **LIMIT OF LIABILITY.** Under no circumstances will the Company Group be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan or the Company's role as Plan sponsor.
 12. **DATA PRIVACY.** The Company's Human Resources Department in Houston, Texas (U.S.A.) administers and maintains the data regarding the Plan, the awardees and the stock options granted to awardees for all employees in the Company Group worldwide.

The data administered and maintained by the Company includes information that may be considered personal data, including the name of the awardee, the award granted and the number of shares of stock subject to any stock option award ("*Employee Personal Data*"). From time to time during the course of your employment in the Company Group, the Company may transfer certain of your Employee Personal Data to Affiliates as necessary for the purpose of implementation, administration and management of your participation in the Plan (the "*Purposes*"), and the Company and its Affiliates may each further transfer your Employee Personal Data to any third parties assisting the Company in the implementation, administration and management of the Plan (collectively, "*Data Recipients*"). The countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

In accepting the award of the stock option set forth in the Agreement, you hereby expressly acknowledge that you understand that from time to time during the course of your employment in the Company Group the Company may transfer your Employee Personal Data to Data Recipients for the Purposes. You further acknowledge that you understand that the countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

Further, in accepting the award of the stock option set forth in the Agreement, you hereby expressly affirm that you do not object, and you hereby expressly consent, to the transfer of your Employee Personal Data by the Company to Data Recipients for the Purposes from time to time during the course of your employment in the Company Group.

- 13. RECOUPMENTS.** If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under applicable securities laws, if you are then a current or former executive officer of the Company you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent specified in any of the Company's compensation recoupment policies established or amended (now or in the future) in compliance with the rules and standards of the Securities and Exchange Commission Committee under or in connection with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Further, if the Company is required to prepare an accounting restatement due in whole or in part to your misconduct, you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent required by the Board of Directors of the Company in accordance with the terms of the Company's compensation recoupment policy as in effect on January 23, 2014.
- 14. MISCELLANEOUS.** The Agreement and the option are awarded pursuant to and are subject to all of the provisions of the Plan, which are incorporated by reference herein, including all amendments to the Plan, if any. In the event of a conflict between these Terms and Conditions and the Plan provisions, the Plan provisions will control. The terms "*you*" and "*your*" refer to the Participant named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan or the Agreement.

BAKER HUGHES INCORPORATED
RESTRICTED STOCK AWARD AGREEMENT

AWARD OF RESTRICTED STOCK

The Compensation Committee (the "*Committee*") of the Board of Directors of Baker Hughes Incorporated, a Delaware corporation (the "*Company*"), pursuant to the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan (the "*Plan*"), hereby awards to you, effective as of the Grant Date set forth above (the "*Grant Date*"), that number of shares (the "*Shares*") of the Company's Common Stock, \$1.00 par value per share (the "*Common Stock*"), set forth above as Restricted Stock on the following terms and conditions:

During the Restricted Period, the Shares of Restricted Stock will be evidenced by entries in the stock register of the Company reflecting that such Shares of Restricted Stock have been issued in your name. For purposes of this Agreement, the term "*Restricted Period*" means the period designated by the Committee during which the Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered.

The Shares that are awarded hereby to you as Restricted Stock shall be subject to the prohibitions and restrictions set forth herein with respect to the sale or other disposition of such Shares and the obligation to forfeit and surrender such Shares to the Company (the "*Forfeiture Restrictions*"). The Forfeiture Restrictions shall lapse as to the Shares that are awarded hereby in accordance with the following schedule provided that your employment with the Company and its Affiliates has not terminated prior to the applicable lapse date:

- (a) on the first anniversary of the Grant Date, the Forfeiture Restrictions shall lapse as to one-third of the Shares subject to this Agreement; and
- (b) on each succeeding anniversary of the Grant Date, the Forfeiture Restrictions shall lapse as to an additional one-third of the Shares subject to this Agreement, so that on the third anniversary of the Grant Date the Forfeiture Restrictions shall lapse as to all of the Shares subject to this Agreement.

If a Change in Control of the Company occurs or your employment with the Company and all Affiliates terminates before the third anniversary of the Grant Date, your rights to the Shares of Restricted Stock under this Agreement will be determined as provided in the attached Terms and Conditions of Restricted Stock Award Agreements (the "*Terms and Conditions*").

The Shares of Restricted Stock awarded hereby may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution) to the extent then subject to the Forfeiture Restrictions. Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby. Further, the Shares awarded hereby that are no longer subject to Forfeiture Restrictions may not be sold or otherwise disposed of in any manner that would

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constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of the Shares to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of the Shares.

Upon the lapse of the Forfeiture Restrictions with respect to Shares awarded hereby the Company shall cause to be delivered to you a stock certificate representing such Shares, and such Shares shall be transferable by you (except to the extent that any proposed transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).

The Shares that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8. A Prospectus describing the Plan and the Shares and the Terms and Conditions can be found on the Baker Hughes Direct website at www.bakerhughesdirect.com. You may obtain a copy of the Plan Prospectus by requesting it from the Company.

Capitalized terms that are not defined herein shall have the meaning ascribed to such terms in the Plan or the Terms and Conditions.

In accepting the award of Shares of Restricted Stock set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan, this Agreement and the Terms and Conditions.

BAKER HUGHES INCORPORATED

Martin S. Craighead
Chairman and Chief Executive Officer

BAKER HUGHES INCORPORATED
TERMS AND CONDITIONS
OF
RESTRICTED STOCK AWARD AGREEMENTS

These Terms and Conditions are applicable to a restricted stock award granted pursuant to the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan (the “*Plan*”) and are incorporated as part of the Restricted Stock Award Agreement setting forth the terms of such restricted stock award (the “*Agreement*”).

1. TERMINATION OF EMPLOYMENT/CHANGE IN CONTROL. The following provisions will apply in the event your employment with the Company and all Affiliates (collectively, the “*Company Group*”) terminates, or a Change in Control of the Company occurs, before the third anniversary of the Grant Date (the “*Third Anniversary Date*”) under the Restricted Stock Award Agreement awarded to you (the “*Agreement*”):

1.1 Termination Generally. If your employment with the Company Group terminates on or before the Third Anniversary Date for any reason other than one of the reasons described in Sections 1.2 through 1.5 below, the Forfeiture Restrictions then applicable to the Shares of Restricted Stock shall not lapse and the number of Shares of Restricted Stock then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date your employment terminates.

1.2 Potential or Actual Change in Control.

(i) Termination Without Cause or for Good Reason in Connection With a Potential Change in Control Before the Third Anniversary Date. If (a) the Company Group terminates your employment without Cause on or before the Third Anniversary Date prior to a Change in Control of the Company (whether or not a Change in Control ever occurs) and such termination is at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control of the Company or is otherwise in connection with or in anticipation of a Change in Control of the Company (whether or not a Change in Control ever occurs) or (b) you terminate your employment with the Company Group for Good Reason on or before the Third Anniversary Date prior to a Change in Control of the Company (whether or not a Change in Control ever occurs), and such termination or the circumstance or event which constitutes Good Reason occurs at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control of the Company or is otherwise in connection with or in anticipation of a Change in Control of the Company (whether or not a Change in Control ever occurs), then all remaining Forfeiture Restrictions shall immediately lapse on the date of the termination of your employment relationship.

(ii) Employment Not Terminated Before a Change in Control on or Before the Third Anniversary Date. If a Change in Control of the Company occurs on or before the Third Anniversary Date and your employment with the Company Group does not terminate before the date the Change in Control of the Company occurs, then all remaining Forfeiture Restrictions shall immediately lapse on the date the Change in Control of the Company occurs.

1.3 Divestiture of Business Unit. Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if the Company Group divests its ownership of a business unit of the Company or one or more Affiliates (a “*Unit*”) and your employment with the Company Group terminates in connection with such divestiture (other than for Cause or death or due to your becoming permanently disabled within the meaning of Section 1.4), the Forfeiture Restrictions shall immediately lapse as to that number of Shares of Restricted Stock that are then subject to Forfeiture Restrictions on the date of the termination of your employment relationship with the Company Group equal to:

(1) multiplied by (2) divided by (3)

where (1) is the number of Shares of Restricted Stock that are then subject to Forfeiture Restrictions on the date of the termination of your employment relationship with the Company Group, (2) is the number of days during the period commencing on the Grant Date and ending on the date your employment relationship with the Company Group and all of its Affiliates is terminated, and (3) is the number of days during the period commencing on the Grant Date and ending on the Third Anniversary Date. The Forfeiture Restrictions then applicable to all the remaining Shares of the Restricted Stock after the application of the previous provisions of this Section 1.3 shall not lapse and such Shares of Restricted Stock shall be immediately forfeited to the Company. A “*Divestiture*” includes the disposition of a Unit to an entity that the Company does not consolidate in its financial statements, whether the disposition is structured as a sale or transfer of stock (or other ownership interest), a merger, a consolidation or a sale or transfer of assets, or a combination thereof, *provided* that a “*Divestiture*” shall not include a disposition that constitutes a Change in Control.

1.4 Disability. Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if you become permanently disabled before the Third Anniversary Date and while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall immediately lapse on the date of the termination of your employment due to your becoming permanently disabled. For purposes of this Section 1.4, you will be “*permanently disabled*” if you qualify for long-term disability benefits under a long-term disability program sponsored by the Company.

1.5 Death. Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if you die before the Third Anniversary Date and while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall immediately lapse on the date of the termination of your employment due to death.

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2. **PROHIBITED ACTIVITY.** Notwithstanding any other provision of these Terms and Conditions or the Agreement, if you engage in a “Prohibited Activity,” as described below, while employed by one or more members of the Company Group or within two years after the date your employment with the Company Group terminates, then your right to receive the Shares, to the extent still outstanding at that time, shall be completely forfeited. A “Prohibited Activity” shall be deemed to have occurred, as determined by the Committee in its sole and absolute discretion, if you divulge any non-public, confidential or proprietary information of the Company or of its past, present or future affiliates (collectively, the “*Baker Hughes Group*”), but excluding information that (a) becomes generally available to the public other than as a result of your public use, disclosure, or fault, or (b) becomes available to you on a non-confidential basis after your employment termination date from a source other than a member of the Baker Hughes Group prior to the public use or disclosure by you, *provided* that such source is not bound by a confidentiality agreement or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation.
 3. **TAX WITHHOLDING.** To the extent that the receipt of the Shares of Restricted Stock or the lapse of any Forfeiture Restrictions results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company has a withholding obligation, you shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money as the Company may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company is authorized to withhold from the Shares awarded hereby or from any cash or stock remuneration or other payment then or thereafter payable to you any tax required to be withheld by reason of such taxable income, wages or compensation including (without limitation) Shares of the Restricted Stock sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.
 4. **NONTRANSFERABILITY.** The Agreement is not transferable by you otherwise than by will or by the laws of descent and distribution.
 5. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Shares of Restricted Stock shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to the Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
 6. **RIGHTS REGARDING DISTRIBUTIONS MADE BY THE COMPANY DURING THE RESTRICTED PERIOD.** During the Restricted Period, (a) any securities of the Company distributed by the Company in respect of the Shares of Restricted Stock will be

evidenced by entries in the appropriate securities register of the Company reflecting that such securities of the Company, if any, have been issued in your name (the “*Retained Company Securities*”) and (b) any securities of any company other than the Company or any other property (other than regular cash dividends) distributed by the Company in respect of the Shares of Restricted Stock will be evidenced in your name by such certificates or in such other manner as the Company determines (the “*Retained Other Securities and Property*”) and shall bear a restrictive legend to the effect that ownership of such Retained Other Securities and Property and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms, and conditions provided in the Plan, the Agreement and these Terms and Conditions. The Retained Company Securities and the Retained Other Securities and Property (collectively, the “*Retained Distributions*”) shall be subject to the same restrictions, terms and conditions as are applicable to the Shares of Restricted Stock.

7. **RIGHTS WITH RESPECT TO SHARES OF RESTRICTED STOCK AND RETAINED DISTRIBUTIONS DURING RESTRICTED PERIOD.** You shall have the right to vote the Shares of Restricted Stock awarded to you and to receive and retain all regular cash dividends (which will be paid currently and in no case later than the end of the calendar year in which the dividends are paid to the holders of the Common Stock or, if later, the 15th day of the third month following the date the dividends are paid to the holders of the Common Stock), and to exercise all other rights, powers and privileges of a holder of the Common Stock, with respect to such Shares of Restricted Stock, with the exception that (a) you shall not be entitled to delivery of a stock certificate or certificates representing such Shares of Restricted Stock until the Forfeiture Restrictions applicable thereto shall have lapsed, (b) the Company shall retain custody of all Retained Distributions made or declared with respect to the Shares of Restricted Stock until such time, if ever, as the Forfeiture Restrictions applicable to the Shares of Restricted Stock with respect to which such Retained Distributions shall have been made, paid, or declared shall have lapsed, and such Retained Distributions shall not bear interest or be segregated in separate accounts and (c) you may not sell, assign, transfer, pledge, exchange, encumber, or dispose of the Shares of Restricted Stock or any Retained Distributions during the Restricted Period. During the Restricted Period, the Company may, in its sole discretion, issue certificates for some or all of the Shares of Restricted Stock, in which case all such certificates shall be delivered to the Corporate Secretary of the Company or to such other depository as may be designated by the Committee as a depository for safekeeping until the forfeiture of such Shares of Restricted Stock occurs or the Forfeiture Restrictions lapse. When requested by the Company, you shall execute such stock powers or other instruments of assignment as the Company requests relating to transfer to the Company of all or any portion of such Shares of Restricted Stock and any Retained Distributions that are forfeited in accordance with the Plan, the Agreement and these Terms and Conditions.
8. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee’s determination shall be final and binding on all persons.

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9. **SECTION 83(B) ELECTION.** You shall not exercise the election permitted under Section 83(b) of the Code with respect to the Shares of Restricted Stock without the written approval of the Chief Financial Officer of the Company.
10. **NOT AN EMPLOYMENT AGREEMENT .** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.
11. **SECURITIES ACT LEGEND.** If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for the Shares of an appropriate legend restricting resale or other transfer of the Shares except in accordance with such Act and all applicable rules thereunder.
12. **LIMIT OF LIABILITY.** Under no circumstances will the Company or any Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
13. **DATA PRIVACY.** The Company's Human Resources Department in Houston, Texas (U.S.A.) administers and maintains the data regarding the Plan, the awardees and the restricted stock granted to awardees for all employees in the Company Group worldwide.

The data administered and maintained by the Company includes information that may be considered personal data, including the name of the awardee, the award granted and the number of shares of restricted stock included in any award ("*Employee Personal Data*"). From time to time during the course of your employment in the Company Group, the Company may transfer certain of your Employee Personal Data to Affiliates as necessary for the purpose of implementation, administration and management of your participation in the Plan (the "*Purposes*"), and the Company and its Affiliates may each further transfer your Employee Personal Data to any third parties assisting the Company in the implementation, administration and management of the Plan (collectively, "*Data Recipients*"). The countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

In accepting the award of the Restricted Stock set forth in the Agreement, you hereby expressly acknowledge that you understand that from time to time during the course of your employment in the Company Group the Company may transfer your Employee Personal Data to Data Recipients for the Purposes. You further acknowledge that you understand that the countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

Further, in accepting the award of the Restricted Stock set forth in the Agreement, you hereby expressly affirm that you do not object, and you hereby expressly consent, to the transfer of your Employee Personal Data by the Company to Data Recipients for the Purposes from time to time during the course of your employment in the Company Group.

- 14. RECOUPMENTS.** If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under applicable securities laws, if you are then a current or former executive officer of the Company you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent specified in any of the Company's compensation recoupment policies established or amended (now or in the future) in compliance with the rules and standards of the Securities and Exchange Commission Committee under or in connection with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Further, if the Company is required to prepare an accounting restatement due in whole or in part to your misconduct, you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent required by the Board of Directors of the Company in accordance with the terms of the Company's compensation recoupment policy as in effect on January 23, 2014.
- 15. MISCELLANEOUS.** The Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between these Terms and Conditions and the Plan provisions, the Plan provisions will control. The terms "*you*" and "*your*" refer to the Participant named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan or the Agreement

BAKER HUGHES INCORPORATED
RESTRICTED STOCK UNIT AWARD AGREEMENT

AWARD OF RESTRICTED STOCK UNITS

PAYABLE IN SHARES

The Compensation Committee (the "*Committee*") of the Board of Directors of Baker Hughes Incorporated, a Delaware corporation (the "*Company*"), pursuant to the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan (the "*Plan*"), hereby awards to you, effective as of Grant Date set forth above (the "*Grant Date*"), that number of restricted stock units set forth above (the "*Restricted Stock Units*"), on the following terms and conditions:

The Restricted Stock Units that are awarded hereby to you shall be subject to the prohibitions and restrictions set forth herein with respect to the sale or other disposition of such Restricted Stock Units and the obligation to forfeit and surrender such Restricted Stock Units to the Company (the "*Forfeiture Restrictions*"). Subject to certain stockholder approval described below, the Forfeiture Restrictions shall lapse as to the Restricted Stock Units that are awarded hereby in accordance with the following schedule provided that your employment with the Company and its Affiliates has not terminated prior to the applicable lapse date:

- (a) on the first anniversary of the Grant Date, the Forfeiture Restrictions shall lapse as to one-third of the Restricted Stock Units subject to this Agreement; and
- (b) on each succeeding anniversary of the Grant Date, the Forfeiture Restrictions shall lapse as to an additional one-third of the Restricted Stock Units subject to this Agreement, so that on the third anniversary of the Grant Date the Forfeiture Restrictions shall lapse as to all of the Restricted Stock Units subject to this Agreement.

Notwithstanding any other provision of this Restricted Stock Unit Award Agreement, the Forfeiture Restrictions applicable to the Restricted Stock Units shall not lapse unless, prior to the third anniversary of the Grant Date, the stockholders of the Company approve the increase in shares reserved for issuance under the Plan from 10,000,000 to 20,000,000 shares.

If a Change in Control of the Company occurs or your employment with the Company and all Affiliates terminates before the third anniversary of the Grant Date, your rights to the Restricted Stock Units under this Agreement will be determined as provided in the attached Terms and Conditions of Restricted Stock Unit Award Agreements (the "*Terms and Conditions*").

Upon the lapse of the Forfeiture Restrictions applicable to a Restricted Stock Unit that is awarded hereby, the Company shall issue to you one share of the Company's Common Stock, \$1.00 par value per share (the "*Common Stock*"), in exchange for such Restricted Stock Unit and thereafter you shall have no further rights with respect to such Restricted Stock Unit. The Company shall cause to be delivered to you a stock certificate representing those shares of the Common Stock issued in exchange for Restricted Stock Units awarded hereby, and such shares of the Common Stock shall be transferable by you (except to the extent that any proposed

transfer would, in the opinion of counsel satisfactory to the Company, constitute a violation of applicable federal or state securities law).

If during the period you hold any Restricted Stock Units awarded hereby the Company pays a dividend in cash with respect to the outstanding shares of the Common Stock (a "*Cash Dividend*"), then the Company will credit to an account established for you by the Company under the Plan (the "*Account*") an amount equal to the product of (a) the Restricted Stock Units awarded hereby that have not been forfeited to the Company or exchanged by the Company for shares of the Common Stock and (b) the amount of the Cash Dividend paid per share of the Common Stock (the "*Dividend Equivalent Credit*"). The Company shall pay to you, in cash, an amount equal to the Dividend Equivalent Credits credited to the Account with respect to a Restricted Stock Unit on the date the Forfeiture Restrictions applicable to that Restricted Stock Unit lapse (and in no case later than the end of the calendar year in which the Forfeiture Restrictions applicable to that Restricted Stock Unit lapse or, if later, the 15th day of the third month following the date the Forfeiture Restrictions applicable to that Restricted Stock Unit lapse).

If during the period you hold any Restricted Stock Units awarded hereby the Company pays a dividend in shares of the Common Stock with respect to the outstanding shares of the Common Stock, then the Company will increase the Restricted Stock Units awarded hereby that have not then been exchanged by the Company for shares of the Common Stock by an amount equal to the product of (a) the Restricted Stock Units awarded hereby that have not been forfeited to the Company or exchanged by the Company for shares of the Common Stock and (b) the number of shares of the Common Stock paid by the Company per share of the Common Stock (collectively, the "*Stock Dividend Restricted Stock Units*"). Each Stock Dividend Restricted Stock Unit will be subject to same Forfeiture Restrictions and other restrictions, limitations and conditions applicable to the Restricted Stock Unit for which such Stock Dividend Restricted Stock Unit was awarded and will be exchanged for shares of the Common Stock at the same time and on the same basis as such Restricted Stock Unit.

The Restricted Stock Units may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of (other than by will or the applicable laws of descent and distribution). Any such attempted sale, assignment, pledge, exchange, hypothecation, transfer, encumbrance or disposition in violation of this Agreement shall be void and the Company Group shall not be bound thereby.

Any shares of the Common Stock issued to you in exchange for Restricted Stock Units awarded hereby may not be sold or otherwise disposed of in any manner that would constitute a violation of any applicable federal or state securities laws. You also agree that (a) the Company may refuse to cause the transfer of any such shares of the Common Stock to be registered on the stock register of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable federal or state securities law and (b) the Company may give related instructions to the transfer agent, if any, to stop registration of the transfer of such shares of the Common Stock.

The shares of Common Stock that may be issued under the Plan are registered with the Securities and Exchange Commission under a Registration Statement on Form S-8. A Prospectus describing the Plan and the shares of Common Stock and the Terms and Conditions can be found on the Baker Hughes Direct website at www.bakerhughesdirect.com. You may obtain a copy of the Plan Prospectus by requesting it from the Company.

Capitalized terms that are not defined herein shall have the meaning ascribed to such terms in the Plan or the Terms and Conditions.

In accepting the award of Restricted Stock Units set forth in this Agreement you accept and agree to be bound by all the terms and conditions of the Plan, this Agreement and the Terms and Conditions.

BAKER HUGHES INCORPORATED

Martin S. Craighead
Chairman and Chief Executive Officer

BAKER HUGHES INCORPORATED

TERMS AND CONDITIONS

OF

RESTRICTED STOCK UNIT AWARD AGREEMENTS

These Terms and Conditions are applicable to a restricted stock unit award granted pursuant to the Baker Hughes Incorporated 2002 Employee Long-Term Incentive Plan (the “*Plan*”) and are incorporated as part of the Restricted Stock Unit Award Agreement setting forth the terms of such option (the “*Agreement*”).

1. TERMINATION OF EMPLOYMENT/CHANGE IN CONTROL. The following provisions will apply in the event your employment with the Company and all Affiliates (collectively, the “*Company Group*”) terminates, or a Change in Control of the Company occurs, before the third anniversary of the Grant Date (the “*Third Anniversary Date*”) under the Restricted Stock Unit Award Agreement awarded to you (the “*Agreement*”):

1.1 Termination Generally. If your employment with the Company Group terminates on or before the Third Anniversary Date for any reason other than one of the reasons described in Sections 1.2 through 1.5 below, the Forfeiture Restrictions then applicable to the Restricted Stock Units shall not lapse and the number of Restricted Stock Units then subject to the Forfeiture Restrictions shall be forfeited to the Company on the date your employment terminates.

1.2 Potential or Actual Change in Control.

(i) Termination Without Cause or for Good Reason in Connection With a Potential Change in Control on or Before the Third Anniversary Date. If (a) the Company Group terminates your employment without Cause on or before the Third Anniversary Date prior to a Change in Control of the Company (whether or not a Change in Control ever occurs) and such termination is at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control of the Company or is otherwise in connection with or in anticipation of a Change in Control of the Company (whether or not a Change in Control ever occurs) or (b) you terminate your employment with the Company Group for Good Reason on or before the Third Anniversary Date prior to a Change in Control of the Company (whether or not a Change in Control ever occurs), and such termination or the circumstance or event which constitutes Good Reason occurs at the request or direction of a Person who has entered into an agreement with the Company the consummation of which would constitute a Change in Control of the Company or is otherwise in connection with or in anticipation of a Change in Control of the Company (whether or not a Change in Control ever occurs), then all remaining Forfeiture Restrictions shall immediately lapse on the date of your Separation From Service if you are not a Specified Employee or on the date that is six months following your Separation From Service if you are a Specified Employee. For purposes of these Terms and Conditions, “*Separation From Service*” has the meaning ascribed to that term in Section 409A and “*Specified Employee*” means a person who is, as of the date of the person’s Separation From Service, a “specified

employee” within the meaning of Section 409A, taking into account the elections made and procedures established in resolutions adopted by the Administrative Committee of Baker Hughes. For purposes of these Terms and Conditions, “*Section 409A*” means section 409A of the Internal Revenue Code of 1986, as amended and the Department of Treasury rules and regulations issued thereunder.

(ii) Employment Not Terminated Before a Change in Control on or Before the Third Anniversary Date. If a Change in Control of the Company occurs on or before the Third Anniversary Date and your employment with the Company Group does not terminate before the date the Change in Control of the Company occurs, then all remaining Forfeiture Restrictions shall lapse at the time specified below. All remaining Forfeiture Restrictions shall lapse on the date the Change in Control of the Company occurs if the Change in Control of the Company qualifies as a change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation, within the meaning of Section 409A, or (b) on the Third Anniversary Date, if the Change in Control of the Company does not so qualify.

1.3 Divestiture of Business Unit Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if the Company Group divests its ownership of a business unit of the Company or one or more Affiliates (a “*Unit*”) and your employment with the Company Group terminates in connection with such divestiture (other than for Cause or death or due to your becoming permanently disabled within the meaning of Section 1.4), the Forfeiture Restrictions shall lapse at the time specified below as to that number of Restricted Stock Units that are then subject to Forfeiture Restrictions on the date of the termination of your employment relationship with the Company Group equal to:

(1) multiplied by (2) divided by (3)

where (1) is the number of Restricted Stock Units that are then subject to Forfeiture Restrictions on the date of the termination of your employment relationship with the Company Group, (2) is the number of days during the period commencing on the Grant Date and ending on the date your employment relationship with the Company Group and all of its Affiliates is terminated, and (3) is the number of days during the period commencing on the Grant Date and ending on the Third Anniversary Date. Such Forfeiture Restrictions specified in the preceding sentence shall lapse on the date the Change in Control of the Company occurs if the Change in Control of the Company qualifies as a change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation, within the meaning of Section 409A, or (b) on the Third Anniversary Date, if the Change in Control of the Company does not so qualify. The Forfeiture Restrictions then applicable to all the remaining Restricted Stock Units after the application of the previous provisions of this Section 1.3 shall not lapse and such Restricted Stock Units shall be immediately forfeited to the Company. A “*Divestiture*” includes the disposition of a Unit to an entity that the Company does not consolidate in its financial statements, whether the disposition is structured as a sale or transfer of stock (or other ownership interest), a merger, a consolidation or a sale or transfer of assets, or a combination thereof, *provided* that a “*Divestiture*” shall not include a disposition that constitutes a Change in Control.

1.4 Disability. Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if you become permanently disabled before the Third Anniversary Date and while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall immediately lapse on the date of the termination of your employment due to your becoming permanently disabled. For purposes of this Section 1.4, you will be “*permanently disabled*” if you (a) are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) are, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company Group.

1.5 Death. Notwithstanding any other provision of the Agreement or these Terms and Conditions to the contrary, if you die before the Third Anniversary Date and while in the active employ of one or more members of the Company Group, all remaining Forfeiture Restrictions shall immediately lapse on the date of the termination of your employment due to death.

2. **PROHIBITED ACTIVITY.** Notwithstanding any other provision of these Terms and Conditions or the Agreement, if you engage in a “Prohibited Activity,” as described below, while employed by one or more members of the Company Group or within two years after the date your employment with the Company Group terminates, then your right to receive the shares of the Common Stock, to the extent still outstanding at that time, shall be completely forfeited. A “*Prohibited Activity*” shall be deemed to have occurred, as determined by the Committee in its sole and absolute discretion, if you divulge any non-public, confidential or proprietary information of the Company or of its past, present or future affiliates (collectively, the “*Baker Hughes Group*”), but excluding information that (a) becomes generally available to the public other than as a result of your public use, disclosure, or fault, or (b) becomes available to you on a non-confidential basis after your employment termination date from a source other than a member of the Baker Hughes Group prior to the public use or disclosure by you, *provided* that such source is not bound by a confidentiality agreement or otherwise prohibited from transmitting the information by a contractual, legal or fiduciary obligation.
3. **TAX WITHHOLDING.** To the extent that the receipt of the Restricted Stock Units or the lapse of any Forfeiture Restrictions results in income, wages or other compensation to you for any income, employment or other tax purposes with respect to which the Company has a withholding obligation, you shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money as the Company may require to meet its obligation under applicable tax laws or regulations, and, if you fail to do so, the Company is authorized to withhold from any shares of Common Stock issued under the Agreement or from any cash or stock remuneration or other payment then or thereafter payable to you any tax required to be withheld by reason of such taxable income, wages or compensation including (without limitation) shares of the Common Stock sufficient to satisfy the withholding obligation based on the last per share sales price of the Common Stock for the trading day immediately preceding the date that the withholding obligation arises, as reported in the New York Stock Exchange Composite Transactions.

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4. **NONTRANSFERABILITY.** The Agreement is not transferable by you otherwise than by will or by the laws of descent and distribution.
 5. **CAPITAL ADJUSTMENTS AND REORGANIZATIONS.** The existence of the Restricted Stock Units shall not affect in any way the right or power of the Company or any company the stock of which is awarded pursuant to the Agreement to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or its business, engage in any merger or consolidation, issue any debt or equity securities, dissolve or liquidate, or sell, lease, exchange or otherwise dispose of all or any part of its assets or business, or engage in any other corporate act or proceeding.
 6. **RESTRICTED STOCK UNITS DO NOT AWARD ANY RIGHTS OF A SHAREHOLDER.** You shall not have the voting rights or any of the other rights, powers or privileges of a holder of the Common Stock with respect to the Restricted Stock Units that are awarded hereby. Only after a share of the Common Stock is issued in exchange for a Restricted Stock Unit will you have all of the rights of a shareholder with respect to such share of Common Stock issued in exchange for a Restricted Stock Unit.
 7. **EMPLOYMENT RELATIONSHIP.** For purposes of the Agreement, you shall be considered to be in the employment of the Company Group as long as you have an employment relationship with the Company Group. The Committee shall determine any questions as to whether and when there has been a termination of such employment relationship, and the cause of such termination, under the Plan and the Committee's determination shall be final and binding on all persons.
 8. **NOT AN EMPLOYMENT AGREEMENT.** The Agreement is not an employment agreement, and no provision of the Agreement shall be construed or interpreted to create an employment relationship between you and the Company or any Affiliate or guarantee the right to remain employed by the Company or any Affiliate for any specified term.
 9. **SECURITIES ACT LEGEND.** If you are an officer or affiliate of the Company under the Securities Act of 1933, you consent to the placing on any certificate for shares of the Common Stock issued under the Agreement an appropriate legend restricting resale or other transfer of such shares except in accordance with such Act and all applicable rules thereunder.
 10. **LIMIT OF LIABILITY.** Under no circumstances will the Company or any Affiliate be liable for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan.
 11. **DATA PRIVACY.** The Company's Human Resources Department in Houston, Texas (U.S.A.) administers and maintains the data regarding the Plan, the awardees and the restricted stock units granted to awardees for all employees in the Company Group worldwide.

The data administered and maintained by the Company includes information that may be considered personal data, including the name of the awardee, the award granted and the number of restricted units included in any award (“*Employee Personal Data*”). From time to time during the course of your employment in the Company Group, the Company may transfer certain of your Employee Personal Data to Affiliates as necessary for the purpose of implementation, administration and management of your participation in the Plan (the “*Purposes*”), and the Company and its Affiliates may each further transfer your Employee Personal Data to any third parties assisting the Company in the implementation, administration and management of the Plan (collectively, “*Data Recipients*”). The countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

In accepting the award of the Restricted Stock Units set forth in the Agreement, you hereby expressly acknowledge that you understand that from time to time during the course of your employment in the Company Group the Company may transfer your Employee Personal Data to Data Recipients for the Purposes. You further acknowledge that you understand that the countries to which your Employee Personal Data may be transferred may have data protection standards that are different than those in your home country and that offer a level of data protection that is less than that in your home country.

Further, in accepting the award of the Restricted Stock Units set forth in the Agreement, you hereby expressly affirm that you do not object, and you hereby expressly consent, to the transfer of your Employee Personal Data by the Company to Data Recipients for the Purposes from time to time during the course of your employment in the Company Group.

- 12. RECOUPMENTS.** If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under applicable securities laws, if you are then a current or former executive officer of the Company you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent specified in any of the Company’s compensation recoupment policies established or amended (now or in the future) in compliance with the rules and standards of the Securities and Exchange Commission Committee under or in connection with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Further, if the Company is required to prepare an accounting restatement due in whole or in part to your misconduct, you shall forfeit and must repay to the Company any compensation awarded under the Agreement to the extent required by the Board of Directors of the Company in accordance with the terms of the Company’s compensation recoupment policy as in effect on January 23, 2014.
- 13. MISCELLANEOUS.** The Agreement is awarded pursuant to and is subject to all of the provisions of the Plan, including amendments to the Plan, if any. In the event of a conflict between these Terms and Conditions and the Plan provisions, the Plan provisions will control. The terms “*you*” and “*your*” refer to the Participant named in the Agreement. Capitalized terms that are not defined herein shall have the meanings ascribed to such terms in the Plan or the Agreement.

**Baker Hughes Incorporated
Compensation Recoupment Policy**

The Baker Hughes Incorporated Compensation Recoupment Policy (the “**Policy**”) adopted by the Baker Hughes Incorporated Board of Directors (the “**Board**”) outlines the general principles the Board will apply in exercising its discretion to require certain compensation to be repaid to Baker Hughes Incorporated (the “**Company**”) or its subsidiaries.

Purpose:

The purpose of this Policy is to provide the Board with the right to request and receive reimbursement of incentive compensation under the circumstances outlined in this policy.

Definitions:

For purposes of this Policy, the following terms shall have the meanings set forth below:

“Short-term incentive compensation” means bonuses paid under the Baker Hughes Incorporated Annual Incentive Plan, the Baker Hughes Incorporated Annual Incentive Plan for Employees and the Company’s discretionary short-term bonus program.

“Long-term incentive compensation” means long-term incentive compensation opportunities and payments under the Company’s 2002 Director & Officer Long Term Incentive Plan and the Baker Hughes Incorporated 2002 Employee Long Term Incentive Plan (or successor long-term incentive programs).

“Executive officer” means the executive officers of the Company within the meaning of Rule 3b7 promulgated under the Securities Exchange Act of 1934, as amended.

Misconduct Leading to an Accounting Restatement

If the Board determines that gross negligence, intentional misconduct or fraud by an executive officer or former executive officer of the Company caused or partially caused the Company to have to restate all or a portion of any of its financial statements, the Board, in its sole discretion, may, to the extent permitted by law and the Company’s benefit plans and agreements, and to the extent determined in its sole judgment that it is in the best interests of the Company to do so, require repayment of all or a portion of any short-term incentive compensation or long-term incentive compensation paid pursuant to grants to such executive officer or former executive officer and/or effect the cancellation of any unvested long-term incentive compensation, if (1) the granting of the incentive compensation opportunity or the vesting or the payment of the incentive compensation was contingent on the achievement of specific financial or operating results that were listed in the financial statement that was subsequently restated and (2) the amount of incentive compensation opportunity granted or the vesting or the payment of the incentive compensation would have been less had such specific financial or operating results that were listed in the financial statements been correct.

The Board may seek recoupment under this policy only if (1) the financial restatement shall have occurred within 36 months of the filing with the Securities and Exchange Commission of the original financial statement that was subsequently restated and (2) the Board makes any demand for recoupment within 12 months after the restatement.

Effective Date

This policy will apply to short-term and long-term incentive compensation opportunities and awards granted for performance periods commencing on or after January 1, 2014.

Delegation of Authority

The Board may delegate to the Compensation Committee or any other committee of the Board the authority to make any determinations or to take any actions under this policy.