

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): December 19, 2008 (December 15, 2008)

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, Suite 2100
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 December 15, 2008, Baker Hughes Incorporated (the “Company”) adopted the following:

(i) an amendment and restatement of the employment agreement (the “Employment Agreement”) of Mr. Chad C. Deaton, the Company’s President and Chief Executive Officer, to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and final Department of Treasury regulations issued thereunder (collectively, “Section 409A”). A secondary purpose of the amendment to the Employment Agreement was to comply with a recent Internal Revenue Service ruling dealing with performance-based compensation requirements under Section 162(m) of the Code, Revenue Ruling 2008-13, so as to preserve the Company’s tax deductions for bonuses awarded under the Baker Hughes Incorporated Annual Incentive Compensation Plan for Mr. Deaton. The Employment Agreement provides for a six month payment delay, interest paid during the six month payment delay period, a separation from service payment event, a prorated bonus amount and a cash severance payment to compensate for the loss of certain continued retirement plan accruals.

(ii) amendments and restatements of the individual change in control agreements between certain executives and the Company (the “Individual Agreements”) to comply with Section 409A. A secondary purpose of the amendments to the Individual Agreements was to comply with a recent Internal Revenue Service ruling dealing with performance-based compensation requirements under Section 162(m) of the Code, Revenue Ruling 2008-13, so as to preserve the Company’s tax deductions for bonuses awarded under the ICP for Section 162(m) “covered employees.” The Individual Agreements provide for a six month payment delay, interest paid during the six month payment delay period, funding of a rabbi trust during the six month payment delay period, a separation from service payment event, cash severance payments, pro-rata bonus payments and outplacement services payment. Messrs. Deaton, Peter A. Ragauss, Alan R. Crain, David H. Barr and Martin S. Craighead (collectively, the “Named Executive Officers”) each has an Individual Agreement.

(iii) an amendment and restatement of the Baker Hughes Incorporated Change in Control Severance Plan (the “Plan”) to comply with Section 409A. The Plan includes a six month payment delay for Section 409A “specified employees”, interest paid during the six month payment delay period, funding of a Rabbi Trust during the six month payment delay period, a separation from service payment event and an outplacement services payment. The Named Executive Officers are covered by the Plan.

(iv) an amendment to the indemnification agreements between officers and directors and the Company (the “Indemnification Agreements”) to comply with Section 409A.

(v) an amendment to the Baker Hughes Incorporated Director Compensation Deferral Plan (the “Director Plan”) to conform the financial hardship, disability and death distribution provisions with Section 409A. All of the Company’s independent non-management directors are eligible to participate in the Director Plan.

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(vi) an amendment to the Baker Hughes Incorporated Supplemental Retirement Plan (the “SRP”) to conform the financial hardship distribution provisions with Section 409A. Each of the Named Executive Officers participates in the SRP.

(vii) an amendment to the Baker Hughes Incorporated Annual Incentive Compensation Plan (“ICP”) to comply with a recent Internal Revenue Service ruling dealing with performance-based compensation requirements under Section 162(m) of the Code, Revenue Ruling 2008-13, so as to preserve the Company’s deductions for bonuses awarded under the ICP for Section 162(m) “covered employees.” The amendment pertains to bonuses in anticipation of a change in control. Each of the Named Executive Officers participates in the ICP.

(viii) an amendment to the terms and conditions of the 2006 Performance Unit Awards (the “2006 Terms and Conditions”) to comply with Section 409A. The amendment of the 2006 Terms and Conditions modifies the provisions relating to payments in connection with a change of control. Each of the Named Executive Officers has a 2006 Performance Unit Award.

(ix) an amendment to the terms and conditions of the 2007 Performance Unit Awards (the “2007 Terms and Conditions”) to comply with Section 409A. The amendment of the 2007 terms and Conditions provides for a separation from service payment event and payments in connection with a change of control. Each of the Named Executive Officers has a 2007 Performance Unit Award.

The foregoing descriptions do not purport to be complete and are qualified in their entirety by reference to the Employment Agreement, Individual Agreements, the Plan, Indemnification Agreements, Director Plan, the SRP, the ICP and the 2006 and 2007 Terms and Conditions, which are each filed with this Form 8-K as Exhibits 10.1 through 10.9 and incorporated into this Item 5.02 by reference.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

10.1 Amendment and Restatement of Employment Agreement between Chad C. Deaton and Baker Hughes Incorporated dated as of January 1, 2009.

10.2 Form of Amended and Restated Change in Control Agreement effective as of January 1, 2009.

10.3 Amendment and Restatement of the Baker Hughes Incorporated Change in Control Severance Plan effective as of January 1, 2009.

10.4 Form of Amendment to the Indemnification Agreement effective as of January 1, 2009.

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- 10.5 Amendment to Baker Hughes Incorporated Director Compensation Deferral Plan effective as of January 1, 2009.
- 10.6 Amendment to the Baker Hughes Incorporated Supplemental Retirement Plan effective as of January 1, 2009.
- 10.7 Amendment to the Baker Hughes Incorporated Annual Incentive Compensation Plan effective as of January 1, 2009.
- 10.8 Form of Amended Baker Hughes Incorporated 2006 Performance Unit Award Terms and Conditions.
- 10.9 Form of Amended Baker Hughes Incorporated 2007 Performance Unit Award Terms and Conditions.

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

by and between

BAKER HUGHES INCORPORATED

and

CHAD C. DEATON

**AMENDED AND RESTATED
EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT dated as of January 1, 2009 (this "*Agreement*"), by and between Chad C. Deaton (the "*Executive*") and Baker Hughes Incorporated, a Delaware corporation (the "*Company*").

WHEREAS, the Board of Directors of the Company (the "*Board*") has retained the Executive as the Chief Executive Officer of the Company;

WHEREAS, the Company and the Executive previously entered into an Employment Agreement dated as of October 31, 2004 (the "*Employment Agreement*");

WHEREAS, the Company and the Executive desire to amend and restate the Employment Agreement as set forth in this Agreement to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "*Code*") and the final Department of Treasury regulations issued thereunder ("*Section 409A*"); and

WHEREAS, the Executive is willing to commit himself to serve the Company, on the terms and conditions herein provided;

WHEREAS, the Company and the Executive have previously executed a Change in Control Agreement effective as of October 25, 2005 (the "*Change in Control Agreement*");

NOW, THEREFORE, in consideration of the premises and the respective covenants and agreements of the parties herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Employment and Term. The Company hereby agrees to employ the Executive, and the Executive hereby accepts such employment, on the terms and conditions hereinafter set forth. The period of employment of the Executive by the Company hereunder (the "*Employment Period*") commenced on October 25, 2004 (the "*Effective Date*") and shall end on the Executive's Date of Termination (as defined in Section 7(b) hereof). The term of this Agreement (the "*Term*") commenced on the Effective Date and shall end on the second anniversary thereof; provided, that, on October 25, 2005, and each anniversary of October 25 thereafter, the Term shall be extended for one additional year unless, prior to September 25, 2005 with respect to the extension on October 25, 2005, and each anniversary of September 25, thereafter with respect to each subsequent annual extension, the Company or the Executive shall have given notice not to extend the Term or the Executive shall have incurred a termination of employment with the Company.

2. Position and Duties.

(a) As of the Effective Date, the Executive shall serve as Chief Executive Officer of the Company, in which capacity the Executive shall perform the usual and customary duties of such office, which shall be those normally inherent in such capacity in U.S. publicly held corporations of similar size and character. The Executive agrees and acknowledges that, in

connection with his employment relationship with the Company, the Executive owes fiduciary duties to the Company and will act accordingly.

(b) During the Employment Period, the Executive agrees to devote substantially his full time, attention and energies to the Company's business and agrees to faithfully and diligently endeavor to the best of his ability to further the best interests of the Company. The Executive shall not engage in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage. Subject to the covenants of Section 9 herein, this shall not be construed as preventing the Executive from investing his own assets in such form or manner as will not require his services in the daily operations of the affairs of the companies in which such investments are made. Further, subject to Section 9 herein, the Executive may serve as a director of other companies, if such service is approved by the Compensation Committee of the Board (the "*Compensation Committee*"), so long as such service is not detrimental to the Company, does not interfere with the Executive's service to the Company and does not present the Executive with a conflict of interest.

(c) In keeping with the Executive's fiduciary duties to the Company, the Executive agrees that he shall not, directly or indirectly, become involved in any conflict of interest, or upon discovery thereof, allow such a conflict to continue. Moreover, the Executive agrees that he shall promptly disclose to the Board any facts which might involve any reasonable possibility of a conflict of interest, or be perceived as such.

(d) Circumstances in which a conflict of interest on the part of the Executive would or might arise, and which should be reported immediately by the Executive to the Board, include the following: (i) ownership of a material interest in, acting in any capacity for, or accepting directly or indirectly any payments, services or loans from a supplier, contractor, subcontractor, customer or other entity with which the Company does business; (ii) misuse of information or facilities to which the Executive has access in a manner which will be detrimental to the Company's interest; (iii) disclosure or other misuse of Confidential Information (as defined in Section 9); (iv) acquiring or trading in, directly or indirectly, other properties or interests connected with the design, manufacture or marketing of products designed, manufactured or marketed by the Company; (v) the appropriation to the Executive or the diversion to others, directly or indirectly, of any opportunity in which it is known or could reasonably be anticipated that the Company would be interested; and (vi) the ownership, directly or indirectly, of a material interest in an enterprise in competition with the Company or its dealers and distributors or acting as a director, officer, partner, consultant, employee or agent of any enterprise which is in competition with the Company or its dealers or distributors.

(e) Further, the Executive covenants, warrants and represents that he shall:

(i) devote his full and best efforts to the fulfillment of his employment obligations;

(ii) exercise the highest degree of fiduciary loyalty and care and the highest standards and conduct in the performance of his duties; and

(iii) endeavor to prevent any harm, in any way, to the business or reputation of the Company.

(f) As Chief Executive Officer of the Company, the Executive is required to own common stock in the Company equal to five times Base Salary (as defined in Section 4(a)) within five years from the Effective Date. The Company acknowledges that the Executive has timely satisfied his obligation to purchase shares of the Company's common stock and has no obligation to purchase additional shares of the Company's common stock in order to be in continued compliance with this Section 2(f) and the Company's Stock Ownership Policy provided that any subsequent disposition by the Executive does not result in the Executive owning less shares than is required by the Company's Stock Ownership Policy.

3. Place of Performance. In connection with the Executive's employment by the Company, the Executive's principal business address shall be at the Company's current principal executive offices in Houston, Texas (the "*Principal Place of Employment*") or in such other place as the Executive and the Company may agree.

4. Compensation and Related Matters.

(a) *Base Salary*. During the Employment Period, the Company shall pay the Executive an annual base salary ("*Base Salary*") in an amount that shall be established from time to time by the Compensation Committee, payable in approximately equal installments in accordance with the Company's customary payroll practices. The Base Salary is currently \$1,155,000. The Compensation Committee shall review the Executive's Base Salary at least annually during the Employment Period. The Executive's Base Salary may be increased but not decreased during the Employment Period.

(b) *Bonuses*. During the Employment Period, the Executive shall be eligible to participate in the Baker Hughes Incorporated Annual Incentive Compensation Plan or any successor plan thereto (the "*Annual Incentive Plan*"). The bonus opportunity afforded the Executive pursuant to this Section 4(b) may vary from year to year and any bonus earned thereunder (the "*Annual Bonus*") shall be paid at a time and in a manner consistent with the Company's customary practices. The Executive's bonus levels under the Annual Incentive Plan will be contingent upon the Company achieving predetermined performance goals and approval by the Compensation Committee. The Company may also award the Executive a discretionary cash bonus or other cash bonus outside of the Annual Incentive Plan for services performed by the Executive during a fiscal year. The sum of the amount of the Executive's Annual Bonus for services rendered during a fiscal year and the amount of the Executive's separate bonus, if any, for services rendered during such fiscal year is the "*Bonus Amount*".

(c) *Equity-Based Compensation and Performance Awards*. During the Employment Period, the Executive shall be entitled to receive equity-based compensation awards and performance awards on substantially similar terms and conditions no less favorable than awards made to the other senior executive officers of the Company.

Upon employment the Executive received an award of 80,000 shares of restricted stock, under the Baker Hughes Incorporated 2002 Director & Officer Long-Term Incentive Plan, one-

quarter of which vested on October 25 of each of 2006, 2007, and 2008, and one-quarter of which will vest on October 25 of 2009 subject to the Executive's continued employment with the Company. The Executive shall have a fully nonforfeitable interest in 80,000 of these restricted shares in the event of (i) the death of the Executive while in the employ of the Company or (ii) the termination of the Executive's employment with the Company due to Disability (as defined in Section 6(b)).

Each award agreement evidencing an award of restricted stock granted to the Executive under the Long Term Incentive Plan or any other Company program or arrangement shall specify that the Executive shall have a fully nonforfeitable interest in the shares of restricted stock in the event of (i) the death of the Executive while in the employ of the Company or (ii) the termination of the Executive's employment due to Disability (as defined in Section 6(b)). Each award agreement evidencing an award of a stock option to the Executive under the Long Term Incentive Plan or any other Company program or arrangement shall specify that the option shall be fully exercisable in the event of (i) the death of the Executive while in the employ of the Company or (ii) the termination of the Executive's employment due to Disability (as defined in Section 6(b)), in both cases, prior to the expiration of the term of the stock option.

(d) *Expenses.* The Company shall promptly reimburse the Executive for all reasonable business expenses incurred during the Employment Period by the Executive in performing services hereunder, including all expenses of travel and living expenses while away from home on business or at the request of and in the service of the Company; provided, in each case, that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company. Such payments under this Section 4(d) shall be made within ten (10) business days after the delivery of the Executive's written request for the payment accompanied by such evidence of fees and expenses incurred as the Company may reasonably require. The parties intend and agree that such ten (10) business day deadline is not to be extended as a result of the following sentence which is included solely for the purpose of complying with Section 409A. The Company shall pay the Executive the amount of such expenses by the last day of the Executive's taxable year following the taxable year in which the Executive incurred such expenses. The expenses that are subject to reimbursement pursuant to this Section 4(d) shall not be limited as a result of when the expenses are incurred. The amount of expenses eligible for reimbursement pursuant to this Section 4(d) during a given taxable year of the Executive shall not affect the amount of expenses eligible for reimbursement in any other taxable year of the Executive. The right to reimbursement pursuant to this Section 4(d) is not subject to liquidation or exchange for another benefit.

(e) *Other Benefits.* During the Employment Period, the Executive shall be entitled to participate in all of the employee benefit plans and arrangements made available by the Company to its other senior executive officers, subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements, and shall be entitled to perquisites, including executive life insurance, club memberships, financial planning (including tax return preparation), an annual physical examination, security monitoring at the Executive's residences, phone/internet access at the Executive's residences and other perquisites that may be added with the approval of the Compensation Committee, each within the limitations of the Company's Executive Perquisite Program. The pool of perquisite dollars that will be available to the Executive under the Company's Executive Perquisite Program for years during

the Employment Period other than 2004 is \$25,000. Perquisite dollars will be paid in accordance with the terms of the Company's Executive Perquisite Program. Notwithstanding the foregoing, the Company shall have the right to change, amend or discontinue any benefit plan, program, or perquisite, so long as such changes are similarly applicable to senior executive officers of the Company generally.

Except for any reimbursements under the applicable group health plan that are subject to a limitation on reimbursements during a specified period, the amount of expenses eligible for reimbursement under this Section 4(e), or in-kind benefits provided, during the Executive's taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of the Executive. The Executive's right to reimbursement or in-kind benefits pursuant to this Section 4(e) shall not be subject to liquidation or exchange for another benefit.

(f) *Vacation*. During the Employment Period, after 2004 the Executive shall be entitled to 25 days of vacation per year.

(g) *Services Furnished*. During the Employment Period, the Executive shall at all times be provided with office space, stenographic assistance and such other facilities and services as are suitable to his position and no less favorable than those being provided to the Executive by the Company as of the date hereof.

5. Offices. Subject to Sections 2, 3 and 4 hereof, the Executive agrees to serve without additional compensation, if elected or appointed thereto, as a director of any of the Company's subsidiaries and as a member of any committees of the board of directors of any such corporations, and in one or more executive positions of any of the Company's subsidiaries; provided, that the Executive is indemnified for serving in any and all such capacities on a basis no less favorable than is currently or may be provided to any other director of the Company, any of its subsidiaries, or in connection with any such executive position, as the case may be. This indemnity is in addition to and not in replacement of the Company's obligations to provide indemnity pursuant to Section 10 hereof.

6. Termination. The Employment Period shall end in the event of a termination of the Executive's employment in accordance with any of the provisions of Section 6 or 7, and the Term shall expire in the event of a termination of Executive's employment by the Company for Cause or by the Executive without Good Reason, in each case, on the Executive's Date of Termination. Otherwise the Term shall expire as set forth in Section 1.

(a) *Death*. The Executive's employment hereunder shall terminate upon his death.

(b) *Disability*. If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of his duties hereunder for the entire period of ninety (90) days in the aggregate during any period of twelve (12) consecutive months or it is reasonably expected that such disability will exist for more than such period of time, and within thirty (30) days after written Notice of Termination (as defined in Section 7) is given (which notice may be given during such ninety (90) day period) shall not

have returned to the performance of his duties hereunder on a full-time basis, the Company may terminate the Executive's employment hereunder for "Disability."

For any period during which the Executive fails to perform his duties hereunder as a result of incapacity due to physical or mental illness ("*Disability Period*"), the Company shall pay the Executive, at the time specified in Section 8(b), his Base Salary at the rate in effect at the beginning of such period as well as all other payments and benefits set forth in Section 4 hereof, reduced by any payments made to the Executive during the Disability Period under the disability benefit plans of the Company then in effect or under the Social Security disability insurance program.

(c) *Cause*. The Company may terminate the Executive's employment hereunder for Cause. For purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder upon the occurrence of any of the following events:

(i) the Executive is convicted of an act of fraud, embezzlement, theft or other criminal act constituting a felony;

(ii) a material breach by the Executive of any provision of this Agreement;

(iii) the failure by the Executive to perform any and all covenants contained in Sections 2(c), 2(d), 2(e) and 9 of this Agreement for any reason other than the Executive's death, Disability or following the Executive's delivery of a Notice of Termination for Good Reason; or

(iv) a material breach by the Executive of the Company's Standards of Ethical Conduct;

provided, that, the Executive shall have thirty (30) business days from the date on which the Executive receives the Company's Notice of Termination for Cause under clause (ii), (iii) or (iv) above to remedy any such occurrence otherwise constituting Cause under such clause (ii), (iii) or (iv).

Cause shall not exist unless and until the Company has delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds (2/3) of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with his counsel, to be heard before the Board), finding that in the good faith opinion of the Board, the Executive was guilty of the conduct set forth in this Section 6(c) and specifying the particulars thereof in detail.

(d) *Good Reason*. The Executive may terminate his employment hereunder for "Good Reason". "*Good Reason*" for the Executive's termination of employment shall mean the occurrence, without the Executive's prior written consent, of any one or more of the following:

(i) the assignment to the Executive of any duties inconsistent with the Executive's position (including status, office, title and reporting requirements),

authorities, duties or other responsibilities as contemplated by Section 2 of this Agreement;

- (ii) the relocation of the Principal Place of Employment to a location more than fifty (50) miles from the Principal Place of Employment; or
- (iii) a material breach by the Company of any provision of this Agreement;

provided, in any case, that the Company shall have thirty (30) business days from the date on which the Company receives the Executive's Notice of Termination for Good Reason to remedy any such occurrence otherwise constituting Good Reason.

(e) *Termination of Agreement.* Either party hereto may terminate this Agreement at any time by giving the Board or the Executive, as the case may be, no more than thirty (30) days' prior written notice, in accordance with Section 7 hereof, of such party's intent to so terminate this Agreement.

7. Termination Procedure.

(a) *Notice of Termination.* Any termination of the Executive's employment by the Company or by the Executive (other than termination pursuant to Section 6(a) hereof) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 12 hereof. For purposes of this Agreement, a "*Notice of Termination*" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

(b) *Date of Termination.* "*Date of Termination*" shall mean (i) if the Executive's employment is terminated pursuant to Section 6(a) above, the date of the Executive's death, (ii) if the Executive's employment is terminated pursuant to Section 6(b) above, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the performance of his duties on a full-time basis during such thirty (30) day period), (iii) if the Executive's employment is terminated pursuant to Section 6(c) above, the date specified in the Notice of Termination, which date may be no earlier than the date the Executive is given notice in accordance with Section 12 hereof, (iv) if the Executive's employment is terminated pursuant to Section 6(d) above, the date on which a Notice of Termination is given or any later date (within thirty (30) days of the date of such Notice of Termination) set forth in such Notice of Termination and (v) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination, which date shall be not later than thirty (30) days following the date on which Notice of Termination is given; provided, that, if within ten (10) days after any Notice of Termination is given the party receiving such Notice of Termination notifies the other party that a dispute exists concerning such termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties or by a binding and final arbitration award.

(c) *Compensation During Dispute.* If a purported termination occurs during the Term, and such termination is disputed in accordance with subsection (b) of this Section 7, the Company shall pay the Executive, at the time specified in Section 8, the full compensation in

effect when the notice giving rise to the dispute was given (including, but not limited to, Base Salary) and shall continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the notice giving rise to the dispute was given, until the Date of Termination, determined in accordance with subsection (b) of this Section 7. Amounts paid under this Section 7(c) are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement.

8. Compensation upon Termination or During Disability.

(a) *Benefit Obligation and Accrued Obligation Defined.* For purposes of this Agreement, payment of the “*Benefit Obligation*” shall mean payment by the Company to the Executive (or his designated beneficiary or legal representative, as applicable), when due, of all vested benefits to which the Executive is entitled under the terms of the employee benefit plans and compensation arrangements in which the Executive is a participant as of the Date of Termination. For the avoidance of doubt, the Executive’s benefits under the Baker Hughes Incorporated Pension Plan and the Baker Hughes Incorporated Thrift Plan shall not be subject to a mandatory six-month delay in payment pursuant to Section 409A as such plans are exempt from Section 409A. “*Accrued Obligation*” means the sum of (1) the Executive’s Base Salary through the Date of Termination for periods through but not following his Separation From Service (as defined in Section 8(b) below) and (2) any accrued vacation pay earned by the Executive, in each case, to the extent not theretofore paid.

(b) *Disability; Death.* Following the termination of the Executive’s employment pursuant to Section 6(a) or Section 6(b) hereof, the Company shall pay to the Executive (or his designated beneficiary or legal representative, if applicable):

(i) the Accrued Obligation;

(ii) the Executive’s Base Salary through the Date of Termination for periods following his Separation From Service, to the extent not theretofore paid;

(iii) a lump sum in cash equal to one-half of the Executive’s Base Salary as in effect on the Date of Termination (for each year and prorated for any partial years) for the remainder of the Term; and

(iv) a lump sum in cash equal to the Executive’s expected value of the Executive’s bonus opportunity under the Annual Incentive Plan and any other bonus programs for the fiscal year of the Company in which the Date of Termination occurs. Such payment is in lieu of the bonus that would have otherwise been due to the Executive under the Annual Incentive Plan and any other bonus programs for the performance period in which the Date of Termination occurs.

In the event of the termination of the Executive’s employment pursuant to Section 6(a) or Section 6(b) the Company shall pay the Executive or his estate the Accrued Obligation within thirty (30) days after the Date of Termination.

In the event of the termination of the Executive's employment pursuant to Section 6(a) the Company shall pay the Executive's estate the amounts required pursuant to clauses (ii), (iii) and (iv) of this Section 8(b) within sixty (60) days after the Date of Termination. In the event of the termination of the Executive's employment pursuant to Section 6(b) in a circumstance where the Executive has incurred a Section 409A Disability, the Company shall pay the Executive the amounts required to be paid pursuant to clauses (ii), (iii) and (iv) of this Section 8(b) within 60 days after the date the Executive incurs a Section 409A Disability. For purposes of this Agreement, "*Section 409A Disability*" means the inability of the Executive 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 Executive shall also be treated as having a "*Section 409A Disability*" if he is, by reason of a medically determinable physical or mental impairment that 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 months under an accident and health plan covering employees of the Company. The Company shall determine whether the Executive has incurred a Section 409A Disability. Such determination shall be supported by the written medical opinion of a medical doctor who is mutually acceptable to the Company and the Executive. In the event of the termination of the Executive's employment pursuant to Section 6(b) in a circumstance where the Executive has not incurred a Section 409A Disability, the Company shall pay the Executive the amounts required to be paid pursuant to clauses (ii), (iii) and (iv) of this Section 8(b) within sixty (60) days following his Separation From Service if he is not a Specified Employee or on the date that is six months following the date of the Executive's Separation from Service if he is a Specified Employee. For purposes of this Agreement, the term "*Separation From Service*" shall have the meaning ascribed to such term in Section 409A. The term "*Specified Employee*" means a person who is 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.

Neither the Executive nor his estate shall be permitted to specify the taxable year in which a payment described in this Section 8(b) shall be paid.

In the event of the termination of the Executive's employment pursuant to Section 6(a) or Section 6(b) the Company shall pay the Executive the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements.

(c) *By the Company for Cause.* If during the Term the Executive's employment is terminated by the Company pursuant to Section 6(c) hereof, the Company shall pay to the Executive the Accrued Obligation within thirty (30) days following the Date of Termination. The Company shall pay to the Executive his Base Salary for periods following his Separation From Service, to the extent not theretofore paid, within thirty (30) days following his Separation From Service if he is not a Specified Employee or on the date that is six months following his Separation From Service if he is a Specified Employee. Following such payments, the Company shall have no further obligations to the Executive other than as may be required by law or the terms of an employee benefit plan of the Company. The Company shall pay the Executive the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements.

(d) *By the Executive Without Good Reason.* If during the Term the Executive terminates his employment for any reason other than Good Reason, the Company shall pay to the Executive the Accrued Obligation within thirty (30) days following the Date of Termination. The Company shall pay to the Executive his Base Salary for periods following his Separation From Service, to the extent not theretofore paid, within thirty (30) days following his Separation From Service if he is not a Specified Employee or on the date that is six months following his Separation From Service if he is a Specified Employee. Following such payments, the Company shall have no further obligations to the Executive other than as may be required by law or the terms of an employee benefit plan of the Company. The Company shall pay the Executive the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements. The Executive shall not have breached this Agreement if he terminates his employment for any reason.

(e) *By the Company Without Cause or by the Executive for Good Reason.* If during the Term the Executive's employment is terminated by the Company other than for Cause, death or Disability or if the Executive terminates his employment for Good Reason, then:

(i) The Company shall pay to the Executive, at the times specified in Section 8(e)(vii) below, the following amounts:

(A) the Accrued Obligation;

(B) the Executive's Base Salary through the Date of Termination for periods following his Separation From Service, to the extent not theretofore paid;

(C) a lump sum in cash equal to two times the Executive's Base Salary (at the rate in effect as of the Date of Termination);

(D) a lump sum in cash equal to the product of (x) the monthly basic life insurance premium applicable to the Executive's basic life insurance coverage immediately prior to the Date of Termination and (y) the number of full months and fractional months (if any) remaining in the Term. The Executive may, at his option, convert his basic life insurance coverage to an individual policy after the Date of Termination by completing the forms required by the Company for this purpose;

(E) a lump sum in cash equal to the employer contributions the Company would have credited to the Executive's Baker Hughes Incorporated Supplemental Retirement Plan (the "*Supplemental Retirement Plan*") account had he continued to remain employed by the Company for the remainder of the Term, assuming for this purpose that (1) the Executive's earned compensation for a year is the sum of the average of the Executive's three highest Annual Bonus Amounts received by the Executive with respect to the five fiscal years of the Company immediately preceding the fiscal year in which occurs the Date of Termination (the "*Highest Bonus Amount*") and the amount of Executive's annualized Base Salary for the calendar year in which the Date of Termination occurs, and (2) the applicable legal limitations and the contribution, deferral, credit and accrual

percentages under the Supplemental Retirement Plan by and on behalf of the Executive under the Supplemental Retirement Plan for the remainder of the Term, are the same percentages and limitations in effect immediately prior to the Date of Termination; and

(F) a lump sum in cash equal to the product of (x) the Executive's Highest Bonus Amount and (y) a fraction, the numerator of which is the number of days during the Company's then current fiscal year through the Date of Termination and the denominator of which is 365. Such payment is in lieu of the bonus that would have otherwise been due to the Executive under the Annual Incentive Plan and any other bonus programs for the performance period in which the Date of Termination occurs.

(ii) Subject to clause (iv), for the remainder of the Term the Company shall arrange to provide the Executive and his dependents medical insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the Date of Termination (at no greater cost to the Executive than such cost to the Executive in effect immediately prior to the Date of Termination, or, if greater, the cost to similarly situated active employees of the Company under the applicable group health plan of the Company). Except for any reimbursements under the applicable group health plan that are subject to a limitation on reimbursements during a specified period, the amount of expenses eligible for reimbursement under this Section 8(e)(ii), or in-kind benefits provided, during the Executive's taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of the Executive. The Executive's right to reimbursement or in-kind benefits pursuant to this Section 8(e)(ii) shall not be subject to liquidation or exchange for another benefit. To the extent that the payments or reimbursements made pursuant to this Section 8(e)(ii) are taxable to the Executive and are not otherwise exempt from Section 409A, if the Executive is a Specified Employee, any amounts to which the Executive would otherwise be entitled under this Section 8(e)(ii) during the first six months following the date of the Executive's Separation From Service shall be accumulated and paid to the Executive on the date that is six months following the date of his Separation From Service.

(iii) For the remainder of the Term the Company shall continue to provide the Executive perquisites, other than executive life insurance, in the manner specified in Section 4(e). However, to the extent that the payments made pursuant to this Section 8(e)(iii) are taxable to the Executive and are not otherwise exempt from Section 409A, if the Executive is a Specified Employee, any amounts to which the Executive would otherwise be entitled under this Section 8(e)(iii) during the first six months following the date of the Executive's Separation From Service shall be accumulated and paid to the Executive on the date that is six months following the date of his Separation From Service.

(iv) Subject to the Executive's group health plan coverage continuation rights under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, the benefits and perquisites listed in clauses (ii) and (iii) of this Section 8(e) shall be reduced to the extent benefits and perquisites of the same type are received by or made available

to the Executive during such period, and provided, further, that the Executive shall have the obligation to notify the Company that he is entitled to or receiving such benefits and perquisites. The Company agrees that, if the Executive's employment with the Company terminates for any reason during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to this Section 8. Further, except with respect to the benefits provided pursuant to clause (ii) and (iii) above, the amount of any payment or benefit provided for in this Agreement shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, or by offset against any amount claimed to be owed by the Executive to the Company.

(v) Payments to the Executive under this Section 8 (other than Accrued Obligations) are contingent upon the Executive's execution of a release substantially in the form of Exhibit A hereto.

(vi) The Executive shall not be permitted to specify the taxable year in which a payment described in this Section 8(e) shall be made to him.

(vii) The Company shall pay the Executive the Benefit Obligation at the times specified in and in accordance with the terms of the applicable employee benefit plans and compensation arrangements. The Company shall pay the Executive the amounts specified in Section 8(e)(i)(A) within thirty (30) days after the Date of Termination. The Company shall pay or provide to the Executive the amounts or benefits specified in Sections 8(e)(i)(B), 8(e)(i)(C), 8(e)(i)(D), 8(e)(i)(E) and 8(e)(i)(F) 30 days following the date of the Executive's Separation From Service if he is not a Specified Employee or on the date that is six months following the date of his Separation From Service if he is a Specified Employee. Further, if the Executive is a Specified Employee at the time of his Separation From Service, the Company shall pay to the Executive, on the date that is six months following the Executive's Separation From Service, an additional interest amount equal to the amount of interest that would be earned on the amounts specified in Sections 8(e)(i)(B), 8(e)(i)(C), 8(e)(i)(D), 8(e)(i)(E) and 8(e)(i)(F) and, to the extent subject to a mandatory six-month delay in payment, the amounts specified in Sections 8(e)(ii) and 8(e)(iii), for the period commencing on the date of the Executive's Separation From Service until the date of payment of such amounts, calculated using an interest rate equal to the six month London Interbank Offered Rate in effect on the date of the Executive's Separation From Service plus two percentage points.

(f) *Failure to Timely Pay.* The parties acknowledge and agree that if (i) payments under this Section 8 are delayed for six months following the Executive's Separation From Service pursuant to the application of Section 409A and (ii) the Company fails to pay such amounts within three days following the expiration of such six-month delay period, the Company will be deemed to have materially breached its obligations under this Agreement and, accordingly, the Executive shall be relieved of his obligations under paragraphs (b) and (c) of Section 9.

9. Confidential Information; Non-Competition; Non-Solicitation.

(a) *Confidential Information.* The Executive shall hold in a fiduciary capacity for the benefit of the Company all trade secrets, confidential information, and knowledge or data relating to the Company and its businesses, which shall have been obtained by the Executive during the Executive's employment by the Company and which shall not have been or hereafter become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement) (hereinafter being collectively referred to as "*Confidential Information*"). For the avoidance of doubt, Confidential Information shall not include information that:

(i) is already in Executive's possession; provided that the information is not known by the Executive to be subject to another confidentiality agreement with, or other obligation of secrecy to, the Company or any of its subsidiaries,

(ii) becomes generally available to the public other than as a result of a disclosure by the Executive, or

(iii) becomes available to the Executive on a non-confidential basis from a source other than the Company or any of its subsidiaries or any of their respective directors, officers, employees, agents or advisors; provided, that such source is not known by the Executive to be bound by a confidentiality agreement with or other obligation of secrecy to the Company or any of its subsidiaries.

The Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such trade secrets, information, knowledge or data to anyone other than the Company and those designated by the Company. Any termination of the Executive's employment or of this Agreement shall have no effect on the continuing operation of this Section 9(a). The Executive agrees to return all Confidential Information, including all photocopies, extracts and summaries thereof, and any such information stored electronically on tapes, computer disks or in any other manner to the Company at any time upon request by the Company and upon the termination of his employment hereunder for any reason.

(b) *Non-Competition.* During the Employment Period and for a period of two (2) years following the Date of Termination (such period following the Employment Period, the "*Restricted Period*"), the Executive shall not engage in Competition, as defined below, with the Company; provided, that it shall not be a violation of this Section 9(b) for the Executive to become the registered or beneficial owner of up to five percent (5%) of any class of the capital stock of a corporation registered under the Securities Exchange Act of 1934, as amended, provided that the Executive does not actively participate in the business of such corporation until such time as this covenant expires.

For purposes of this Agreement, "*Competition*" by the Executive means the Executive's engaging in, or otherwise directly or indirectly being employed by or acting as a consultant or lender to, or being a director, officer, employee, principal, agent, stockholder, member, owner or partner of, or permitting his name to be used in connection with the activities of any other

business or organization which competes, directly or indirectly, with the business of the Company as the same shall be constituted at any time during the Term.

(c) *Non-Solicitation*. During the Restricted Period, the Executive agrees that he will not, directly or indirectly, for his benefit or for the benefit of any other person, firm or entity, do any of the following:

- (i) solicit from any customer doing business with the Company as of the Date of Termination that is known to Executive, business of the same or of a similar nature to the business of the Company with such customer;
- (ii) solicit from any potential customer of the Company that is known to the Executive business of the same or of a similar nature to that which has been the subject of a known written or oral bid, offer or proposal by the Company, or of substantial preparation with a view to making such a bid, proposal or offer, within six (6) months prior to such Date of Termination;
- (iii) solicit the employment or services of any person who was known to be employed by or was a known consultant to the Company upon the Date of Termination, or within six (6) months prior thereto; or
- (iv) otherwise knowingly interfere with the business or accounts of the Company.

The Executive and the Company agree and acknowledge that the Company has a substantial and legitimate interest in protecting the Company's Confidential Information and goodwill. The Executive and the Company further agree and acknowledge that the provisions of this Section 9 are reasonably necessary to protect the Company's legitimate business interests and are designed to protect the Company's Confidential Information and goodwill.

The Executive agrees that the scope of the restrictions as to time, geographic area, and scope of activity in this Section 9 are reasonably necessary for the protection of the Company's legitimate business interests and are not oppressive or injurious to the public interest. The Executive agrees that in the event of a breach or threatened breach of any of the provisions of this Section 9 the Company shall be entitled to injunctive relief against the Executive's activities to the extent allowed by law, and the Executive waives any requirement for the posting of any bond by the Company in connection with such action. The Executive further agrees that any breach or threatened breach of any of the provisions of Section 9(a) would cause injury to the Company for which monetary damages alone would not be a sufficient remedy.

(d) *Publicity*. The Executive agrees that the Company may use, and hereby grants the Company the nonexclusive and worldwide right to use, the Executive's name, picture, likeness, photograph, signature or any other attribute of the Executive's persona (all of such attributes are hereafter collectively referred to as "*Persona*") in any media for any advertising, publicity or other purpose at any time, either during or subsequent to his employment by the Company. The Executive agrees that such use of his *Persona* will not result in any invasion or violation of any privacy or property rights the Executive may have; and the Executive agrees that he will receive no additional compensation for the use of his *Persona*. The Executive further agrees that any

negatives, prints or other material for printing or reproduction purposes prepared in connection with the use of his Persona by the Company shall be and are the sole property of the Company.

10. Indemnification; Insurance. The Company shall indemnify the Executive to the fullest extent permitted by the laws of the Company's state of incorporation in effect at that time, or certificate of incorporation and by-laws of the Company, whichever affords the greater protection to the Executive. The Executive will be entitled to any insurance policies the Company may elect to maintain generally for the benefit of its officers and directors against all costs, charges and expenses incurred in connection with any action, suit or proceeding to which he may be made a party by reason of being a director or officer of the Company.

11. Successors; Binding Agreement.

(a) *Company's Successors.* The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as he would be entitled to hereunder if he terminated his employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section 11 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) *Executive's Successors.* This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts unless otherwise provided herein shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, if there is no such designee, to the Executive's estate.

12. Notice. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

Mr. Chad C. Deaton
13914 I. O. Court
Willis, Texas 77318

If to the Company:

Baker Hughes Incorporated
2929 Allen Parkway, Suite 2100
Houston, Texas 70019
Attention: General Counsel

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

13. Amendment or Modification; Waiver. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and such officer of the Company as may be specifically designated by the Board or its Compensation Committee. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in Agreement.

14. Dispute Resolution. Any dispute or controversy arising under or in connection with this Agreement, the Executive's employment by the Company or the Executive's compensation or benefits (a "*Dispute*") shall be settled in accordance with the procedures described in this Section 14.

(a) First, the parties shall attempt in good faith to resolve any Dispute promptly by negotiations between the Executive and executives or directors of the Company who have authority to settle the Dispute. Either party may give the other disputing party written notice of any Dispute not resolved in the normal course of business. Within five days after the effective date of that notice, the Executive and such executives or directors of the Company shall agree upon a mutually acceptable time and place to meet and shall meet at that time and place, and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the Dispute. The first of those meetings shall take place within 30 days of the effective date of the disputing party's notice. If the Dispute has not been resolved within 60 days of the disputing party's notice, or if the parties fail to agree on a time and place for an initial meeting within five days of that notice, either party may initiate mediation and arbitration of the Dispute as provided hereinafter. If a negotiator intends to be accompanied at a meeting by an attorney, the other negotiators shall be given at least three business days' notice of that intention and may also be accompanied by an attorney. All negotiations pursuant to this Section 14 shall be treated as compromise and settlement negotiations for the purposes of applicable rules of evidence and procedure.

(b) Second, if the Dispute is not resolved through negotiation as provided in Section 14(a), either disputing party may require the other to submit to non-binding mediation with the assistance of a neutral, unaffiliated mediator. If the parties encounter difficulty in agreeing upon a neutral mediator, they shall seek the assistance of the American Arbitration Association in the selection process.

(c) Any Dispute that has not been resolved by the non-binding procedures provided in Sections 14(a) and 14(b) within 90 days of the initiation of the first of the procedures shall be finally settled by arbitration conducted expeditiously in accordance with the Commercial Arbitration Rules of the American Arbitration Association or of such similar organization as the parties hereto may mutually agree; provided, that if one party has requested the other to participate in a non-binding procedure and the other has failed to participate within 30 days of the written request, the requesting party may initiate arbitration before the expiration of the period. The arbitration shall be conducted by three independent and impartial arbitrators. The Executive shall appoint one arbitrator, the Company shall appoint a second arbitrator, and a third arbitrator not appointed by the parties shall be appointed by the first two arbitrators selected. The arbitration shall be held in Houston, Harris County, Texas. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The arbitrators shall award the prevailing party in the arbitration its costs and expenses, including reasonable attorney's fees, incurred in connection with the Dispute. The arbitrators shall not award any amount to either the Executive or the Company in excess of the compensation, employee benefits and indemnification amounts that the Company paid or should have paid to the Executive pursuant to this Agreement.

(d) Notwithstanding the Dispute resolution provisions of this Section 14, either party may bring an action in a court of competent jurisdiction in an effort to enforce the provisions of this Section 14 and to seek injunctive relief to protect the party's rights pending resolution of a Dispute pursuant to this Section 14, including, without limitation, the Company's rights pursuant to Section 9 of this Agreement.

15. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Texas without regard to its conflicts of law principles.

16. Miscellaneous. All references to sections of any statute shall be deemed also to refer to any successor provisions to such sections. The obligations of the parties under Sections 8, 9, 10 and 14 hereof shall survive the expiration of the Term. The compensation and benefits payable to the Executive or his beneficiary under Section 8 of this Agreement shall be in lieu of any other severance benefits to which the Executive may otherwise be entitled upon his termination of employment under any severance plan, program, policy or arrangement of the Company other than the Change in Control Agreement and the Executive shall not be entitled to receive any benefits under Section 8 hereof if he has become eligible to receive benefits under the Change in Control Agreement.

17. Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect throughout the Term. Should any one or more of the provisions of this Agreement be held to be excessive or unreasonable as to duration, geographical scope or activity, then that provision shall be construed by limiting and reducing it so as to be reasonable and enforceable to the extent compatible with the applicable law.

18. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

19. Release. In consideration of the benefits and compensation which may be awarded to the Executive pursuant to Section 8 of this Agreement, the Executive hereby agrees to execute and be bound by, as a condition precedent to receiving said benefits and compensation, the Release attached hereto as Exhibit A, such Release being incorporated herein by reference.

20. Compliance With Section 409A. It is intended that this Agreement shall comply with Section 409A. The provisions of this Agreement shall be interpreted and administered in a manner that complies with Section 409A. The provisions of this Agreement dealing with Section 409A reflect the manner in which this Agreement has been operated in good faith compliance with Section 409A since January 1, 2005.

21. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and, as of the Effective Date, supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; provided, that the Change in Control Agreement shall not be superseded hereby.

22. Effectiveness. This Agreement shall become effective upon approval of the Board of Directors. The Company shall provide a certified copy of the resolution evidencing such approval as soon as practical after such approval.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of January 1, 2009.

BAKER HUGHES INCORPORATED

By: /s/ H. John Riley, Jr.
H. John Riley, Jr.
Lead Director and Chairman of
the Compensation Committee

Date: December 16, 2008

CHAD C. DEATON

/s/Chad C. Deaton

Date: December 15, 2008

EXHIBIT A

RELEASE

The Executive hereby irrevocably and unconditionally releases, acquits and forever discharges the Company (as defined in the Executive's Employment Agreement) and its affiliated companies and their directors, officers, employees and representatives, (collectively "Releasees"), from any and all claims, liabilities, obligations, damages, causes of action, demands, costs, losses and/or expenses (including attorneys' fees) of any nature whatsoever, whether known or unknown, including, but not limited to, rights arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, or any tort, or any legal restrictions on the Company's right to terminate employees, or any federal, state or other governmental statute, regulation, or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, as amended and the Age Discrimination in Employment Act of 1967, as amended, which the Executive claims to have against any of the Releasees (in each case, except as to indemnification provided by (a) the Executive's Employment Agreement with the Company (as amended or superseded from time to time) and/or (b) by the Company's bylaws and any indemnification agreement or arrangement permitted by Section 145 of the Delaware General Corporation Law and by directors, officers and other liability insurance coverages to the extent you would have enjoyed such coverages had you remained a director or officer of the Company). In addition, the Executive waives all rights and benefits afforded by any state laws which provide in substance that a general release does not extend to claims which a person does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the Executive's settlement with the other person. The only exception to the foregoing are claims and rights that may arise after the date of execution of this Release, claims and rights arising under any employee benefit plan (including, but not limited to the Long Term Incentive Plan and the Annual Incentive Plan) and claims and rights arising under Section 8 of the Executive's Employment Agreement.

The Executive understands and agrees that:

- A. He has a period of 21 days within which to consider whether he desires to execute this Agreement, that no one hurried him into executing this Agreement during that 21-day period, and that no one coerced him into executing this Agreement.
 - B. He has carefully read and fully understands all of the provisions of this Agreement, and declares that the Agreement is written in a manner that he fully understands.
 - C. He is, through this Agreement, releasing the Releasees from any and all claims he may have against the Releasees, and that this Agreement constitutes a release and discharge of claims arising under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. §§ 621-634, including the Older Workers' Benefit Protection Act, 29 U.S.C. § 626(f).
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- D. He declares that his agreement to all of the terms set forth in this Release is knowing and is voluntary.
- E. He knowingly and voluntarily intends to be legally bound by the terms of this Release.
- F. He was advised and hereby is advised in writing to consult with an attorney of his choice concerning the legal effect of this Release prior to executing this Release.
- G. He understands that rights or claims that may arise after the date this Agreement is executed are not waived.
- H. He understands that, in connection with the release of any claim of age discrimination, he has a period of seven days to revoke his acceptance of this Release, and that he may deliver notification of revocation by letter or facsimile addressed to the Vice President & General Counsel of the Company, at 2929 Allen Parkway, Suite 2100, Houston, TX 77019, or (713) 439-8718. Executive understands that this Agreement will not become effective and binding with respect to a claim of age discrimination until after the expiration of the revocation period. The revocation period commences when Executive executes this Agreement and ends at 11:59 p.m. on the seventh calendar day after execution, not counting the date on which Executive executes this Agreement. Executive understands that if he does not deliver a notice of revocation before the end of the seven-day period described above, that this Agreement will become a final, binding and enforceable release of any claim of age discrimination. This right of revocation shall not affect the release of any claim other than a claim of age discrimination arising under federal law.
- I. He understands that nothing in this Agreement shall be construed to prohibit Executive from filing a charge or complaint, including a challenge to the validity of this Agreement, with the Equal Employment Opportunity Commission or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission.

AGREED AND ACCEPTED, on this _____ day of _____, _____.

CHAD C. DEATON

**AMENDED AND RESTATED
CHANGE IN CONTROL AGREEMENT**

THIS AMENDED AND RESTATED AGREEMENT (this “*Agreement*”) is entered into by and between BAKER HUGHES INCORPORATED, a Delaware corporation (the “*Company*”), and _____ (the “*Executive*”) effective as of January 1, 2009.

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continued employment of key management personnel; and

WHEREAS, the Company recognizes that, as is the case with many publicly-held corporations, the possibility of a change in control exists and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders; and

WHEREAS, the Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company’s management, including the Executive, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control;

WHEREAS, effective _____ (the “*Effective Date*”) the Company and the Executive previously entered into a Change in Control Agreement (the “*Original Change in Control Agreement*”); and

WHEREAS, the Company and the Executive desire to amend and restate the Original Change in Control Agreement to comply with section 409A of the Internal Revenue Code of 1986, as amended;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. Definitions and Interpretation Rules.

1.1 Defined Terms. For purposes of this Agreement, the following terms shall have the meanings indicated below:

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

“*Annual Incentive Plan*” means the Baker Hughes Incorporated Annual Incentive Compensation Plan, as amended and/or restated from time to time, any guidelines issued pursuant to such plan, and any other annual incentive bonus plans adopted by the Company from time to time which are in replacement of such plan.

“*Assets*” means assets of any kind owned by Baker Hughes, including but not limited to securities of Baker Hughes’ direct and indirect subsidiaries and Affiliates.

“*Baker Hughes*” means Baker Hughes Incorporated, a Delaware corporation, and any successor by merger or otherwise.

“*Base Compensation*” means the Executive’s base salary or wages (as defined in section 3401(a) of the Code for purposes of federal income tax withholding) from the Company, modified by *including* any portion thereof that such Executive could have received in cash in lieu of any elective deferrals made by the Executive pursuant to the Supplemental Retirement Plan (other than deferrals of bonuses) or pursuant to a qualified cash or deferred arrangement described in section 401(k) of the Code and any elective contributions under a cafeteria plan described in section 125 of the Code, and modified further by *excluding* any bonus, incentive compensation (including but not limited to equity-based compensation), commissions, expense reimbursements or other expense allowances, fringe benefits (cash and noncash), moving expenses, deferred compensation (other than elective deferrals by the Executive under a qualified cash or deferred arrangement described in section 401(k) of the Code or the Supplemental Retirement Plan that are expressly included in “*Base Compensation*” under the foregoing provisions of this definition), welfare benefits as defined in ERISA, overtime pay, special performance compensation amounts and severance compensation.

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

“*Board*” means the Board of Directors of Baker Hughes or other governing body of Baker Hughes or its direct or indirect parent.

“*Bonus Amount*” means the sum of (a) the amount of the annual incentive bonus, if any, paid in cash by the Company under the Annual Incentive Plan to or for the benefit of the Executive for services rendered or labor performed during a fiscal year of the Company and (b) the amount of the discretionary bonus or other bonus paid outside of the Annual Incentive Plan, if any, paid in cash by the Company to or for the benefit of the Executive for services rendered or labor performed during the same fiscal year of the Company. The Executive’s Bonus Amount shall be determined by including any portion thereof that such Executive could have received in cash in lieu of (i) any elective deferrals made by such Executive pursuant to the Supplemental Retirement Plan or (ii) elective contributions made on such Executive’s behalf by the Company pursuant to a qualified cash or deferred arrangement (as defined in section 401(k) of the Code) or pursuant to a plan maintained under section 125 of the Code.

“*Cause*” means (i) the willful and continued failure by the Executive to substantially perform the Executive’s duties with the Company (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to the Executive by the Board (or by a delegate appointed by the Board), which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive’s duties, or (ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company or any of its Affiliates, monetarily or otherwise. For purposes of Sections (i) and (ii) of this definition, (A) no act, or failure

to act, on the Executive's part shall be deemed "willful" if done, or omitted to be done, by the Executive 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 Board by clear and convincing evidence that Cause exists.

"*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 of Baker Hughes 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 fifty percent (50%) 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 thirty percent (30%) 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.

"*Code*" means the Internal Revenue Code of 1986, as amended, or any successor act.

"*Committee*" means, prior to a Change in Control or a Potential Change in Control, the Compensation Committee of the Board. After a Change in Control or a Potential Change in Control, "*Committee*" means (i) the individuals (not fewer than three (3) in number) who, on the date six (6) months prior to the Change in Control constitute the Compensation Committee of the Board, plus,

(ii) in the event that fewer than three (3) 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 Committee after a Change in Control or Potential Change in Control shall not exceed six (6).

“*Company*” means Baker Hughes. In the event that the Executive’s employer is a subsidiary of Baker Hughes, the term “*Company*” shall include the Executive’s employer where appropriate and Baker Hughes will cause the Executive’s employer to take any actions necessary to satisfy the obligations of the Company under this Agreement.

“*Disability*” means the Executive’s incapacity due to physical or mental illness that has caused the Executive to be absent from full-time performance of his duties with the Company for a period of six (6) consecutive months.

“*Effective Date*” means the date identified in the introduction of this Agreement.

“*Employment Termination Date*” means the date as of which the Executive incurs a Termination of Employment determined in accordance with the provisions of Section 5.2.

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

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended, or any successor act.

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

“*Excise Tax*” means the excise tax imposed by section 4999 of the Code or any similar tax payable under any United States federal, state, or local statute.

“*Executive*” means the employee identified in the introduction of this Agreement.

“*Expiration Date*” shall have the meaning specified in Section 2.

“*Good Reason*” for termination by the Executive of his employment means the occurrence (without the Executive’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 the second paragraph of the definition of Termination of Employment (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 Executive’s termination for Good Reason:

(a) the assignment to the Executive of any duties or responsibilities which are substantially diminished as compared to the Executive’s duties and responsibilities immediately

prior to a Change in Control or a material change in the Executive's reporting responsibilities, titles or offices as an executive and as in effect immediately prior to the Change in Control;

(b) a reduction by the Company in the Executive's annual Base Compensation 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 Executive's principal place of employment to a location outside of a 50-mile radius from the Executive's principal place of employment immediately prior to the Change in Control or the Company's requiring the Executive 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 Executive's business travel obligations immediately prior to a Change in Control;

(d) the failure by the Company to pay to the Executive any portion of the Executive'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 Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven (7) days of the date such compensation is due;

(e) the failure by the Company to continue in effect any compensation plan in which the Executive participates immediately prior to the Change in Control which is material to the Executive'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 Executive'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 Executive's participation relative to other Baker Hughes executives, as existed immediately prior to the Change in Control;

(f) the failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's pension, savings, life insurance, medical, health and accident, or disability plans in which the Executive 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 Executive of any material fringe benefit or Perquisite enjoyed by the Executive at the time of the Change in Control, or the failure by the Company to provide the Executive with the number of paid vacation days to which the Executive 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) any purported termination of the Executive's employment which is not effected pursuant to a notice of termination satisfying the requirements of Section 5.1.

The Executive shall have the right to terminate his employment for Good Reason even if he becomes incapacitated due to physical or mental illness. The Executive'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 Executive 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 unless the Committee's determination is arbitrary and capricious.

"Gross-Up Payment" means the additional amount paid to the Executive pursuant to Section 3.4.

"Highest Base Compensation" means the Executive's annualized Base Compensation in effect immediately prior to (a) a Change in Control, (b) the first event or circumstance constituting Good Reason, or (c) the Executive's Termination of Employment, whichever is greatest.

"Highest Bonus Amount" means the average of the three highest Bonus Amounts received by the Executive with respect to the five fiscal years of the Company immediately preceding the Executive's Employment Termination Date.

"Incumbent Director" means –

(a) a member of the Board on the Effective Date; or

(b) an individual-

(1) who becomes a member of the Board after the Effective Date;

(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.

"Interest Amount" has the meaning specified in Section 3.3(i).

"Merger" means a merger, consolidation or similar transaction.

"Pension Plan" means the Baker Hughes Incorporated Pension Plan, as amended from time to time.

“*Perquisites*” means benefits such as any airline VIP club memberships; country club and/or health club membership dues and expenses related to the use of the country club and/or health club; supplemental life insurance; financial consulting; and office equipment for use in the home (e.g., cellular telephones, personal digital assistance, home computers and office accessories similar to the office accessories available to the Executive in his employment office and monthly Internet connection fees) that may be provided by the Company from time to time.

“*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) the Company or any of its Affiliates, (b) a trustee or other fiduciary holding Company securities under an employee benefit plan of the Company or any of its 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 the Company in substantially the same proportions as their ownership of stock of the Company.

“*Potential Change in Control*” shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(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 the Company representing 15 percent or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company’s then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates); or

(d) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

“*Renewal Date*” shall have the meaning specified in Section 2.

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

“*Separation From Service*” shall have the meaning specified 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, as amended from time to time.

"Termination of Employment" means the termination of the Executive's employment relationship with the Company (a) by the Company without Cause after a Change in Control occurs, or (b) by the Executive for Good Reason after a Change in Control occurs.

For purposes of this definition, the Executive's employment shall be deemed to have been terminated after a Change in Control, if (a) the Executive's employment is terminated by the Company 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 the Company, the consummation of which would constitute a Change in Control; (b) the Executive terminates his employment 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 a Person who has entered into an agreement with the Company, the consummation of which would constitute a Change in Control; or (c) the Executive's employment is terminated by the Company without Cause or by the Executive 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). For purposes of any determination regarding the applicability of the immediately preceding sentence, any position taken by the Executive shall be presumed to be correct unless the Company establishes to the Committee by clear and convincing evidence that such position is not correct.

"Termination of Employment" does not include (a) a termination of employment due to the Executive's death or Disability, or (b) a termination of employment by the Executive without Good Reason.

“*Thrift Plan*” means the Baker Hughes Incorporated Thrift Plan, as amended from time to time.

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

1.2 Number and Gender. As used in this Agreement, unless the context otherwise expressly requires to the contrary, references to the singular include the plural, and vice versa; references to the masculine include the feminine and neuter; references to “including” mean “including (without limitation)”; and references to Sections and clauses mean the sections and clauses of this Agreement.

2. Term of Agreement.

2.1 The “*Term*” of this Agreement shall commence on the Effective Date and end on (a) the last day of the three-year period beginning on the Effective Date if no Change in Control shall have occurred during that three-year period (such last day being the “*Expiration Date*”); or (b) if a Change in Control shall have occurred during (i) the three-year period beginning on the Effective Date or (ii) any period for which the Term of this Agreement shall have been automatically extended pursuant Section 2.2, the last day of the two-year period beginning on the date on which the Change in Control occurred.

2.2 After the expiration of the time period described in subsection (a) of Section 2.1, and in the absence of a Change in Control (as described in subsection (b) of Section 2.1) the “*Term*” of this Agreement shall be automatically extended for successive two-year periods beginning on the day immediately following the Expiration Date (the beginning date of each successive two-year period being a “*Renewal Date*”), unless, not later than 18 months prior to the Expiration Date or applicable Renewal Date, the Company shall give notice to Executive that the Term of this Agreement will not be extended.

3. Compensation Other Than Severance Payments.

3.1 Equity Based Compensation. Upon the occurrence of a Change in Control, all options to acquire Baker Hughes stock, all shares of restricted Baker Hughes stock, and all stock appreciation rights the value of which is determined by reference to or based upon the value of Baker Hughes stock, held by the Executive under any plan of the Company shall become immediately vested, exercisable and nonforfeitable and all conditions thereof (including, but not limited to, any required holding periods) shall be deemed to have been satisfied. The effect, if any, of a Change in Control on any other equity incentives and other awards the value of which is determined by reference to or based upon the value of Baker Hughes stock shall be determined in accordance with the terms of the applicable award agreement and any terms and conditions issued by the Compensation Committee of the Board that are applicable to the award.

3.2 Compensation and Benefits During Incapacity and Prior to Termination of Employment. Following a Change in Control and during the Term of this Agreement, for any period during which the Executive fails to perform the Executive’s full-time duties with the Company as a result of incapacity due to physical or mental illness, the Company shall pay to the Executive, at the time specified in Section 4, the Executive’s full salary at the rate in effect at the

commencement of any such period, together with all compensation and benefits payable to the Executive under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period, until the Executive's employment is terminated by the Company for Disability.

3.3 **Benefits Following Termination of Employment.** If the Executive incurs a Termination of Employment during the Term of this Agreement, the Company shall provide the Executive the benefits described below.

(a) **Severance Payment.** The Company will pay the Executive a cash severance benefit in an amount equal to the product of three times the sum of (i) an amount equal to the Executive's Highest Base Compensation plus (ii) the greater of (A) the Executive's Highest Bonus Amount or (B) an amount equal to one hundred and twenty percent (120%) of the Executive's Highest Base Compensation. The Executive's severance payment under this paragraph (a) will be paid in accordance with the provisions of Section 4.

(b) **Prorated Bonus.** The Company will pay the Executive a cash severance benefit in an amount equal to the product of (A) the Executive's Highest Bonus Amount and (B) a fraction, the numerator of which is the number of days in the Company's fiscal year in which occurs the Executive's Employment Termination Date through the Executive's Employment Termination Date and the denominator of which is three hundred sixty-five (365). However, if the Executive's Employment Termination Date occurs during the same calendar year in which a Change in Control occurs, the pro-rata bonus payment described in the preceding sentence shall be offset by any payments received by the Executive under the Baker Hughes Incorporated Annual Incentive Compensation Plan (as amended and/or restated) in connection with the Change in Control. The Executive's severance payment under this paragraph (b) will be paid in accordance with the provisions of Section 4.

(c) **Outplacement.** The Company will pay the Executive a cash payment in the amount of \$30,000.00. Such cash payment will be paid in accordance with the provisions of Section 4.

(d) **Pension, Thrift and Supplemental Retirement Plans.** In addition to the retirement benefits to which the Executive is entitled under the Thrift Plan, the Pension Plan and the Supplemental Retirement Plan, the Company shall pay the Executive a single sum cash payment in an amount equal to the undiscounted value of (A) the employer-provided accruals under the Pension Plan that the Executive would have earned and (B) the employer contributions the Company would have made to the Thrift Plan and the Supplemental Retirement Plan (including but not limited to matching and base contributions) on behalf of the Executive had the Executive continued in the employ of the Company for a period of three years after the Employment Termination Date, assuming for this purpose that (i) the Executive's earned compensation per year during that three year period of time is the sum of (1) the Executive's Highest Base Compensation and (2) the Executive's Highest Bonus Amount; and (ii) contribution, deferral, credit and accrual percentages made under the Pension Plan, the Thrift Plan and the Supplemental Retirement Plan, by and on behalf of the Executive during the three year period, are the same percentages in effect on the date of the Change in Control or the Executive's Employment Termination Date, whichever is more favorable for the Executive. The

payment required under this paragraph (d) will be made in accordance with the provisions of Section 4.

(e) Accident and Health Insurance Benefits. For three years following the Executive's Employment Termination Date (the "*Continuation Period*"), the Company shall arrange to provide the Executive and his dependents accident and health insurance benefits, in each case, substantially similar to those provided to the Executive and his dependents immediately prior to the Employment Termination Date or, if more favorable to the Executive, those provided to the Executive and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater cost to the Executive than the cost to the Executive immediately prior to such date or occurrence. Benefits otherwise receivable by the Executive pursuant to this Section 3.3(e) shall be reduced to the extent benefits of the same type are received by the Executive during the Continuation Period (and any such benefits received by the Executive shall be reported to the Company by the Executive). To the extent that the accident or health insurance benefits specified in this Section 3.3(e) are not provided through an arrangement that is fully insured by a third party the following provisions shall apply to the reimbursement of such benefits. The amount of accident and health insurance expenses eligible for reimbursement during Executive's taxable year will not affect the expenses eligible for reimbursement in any other taxable year (with the exception of applicable lifetime maximums specified in the plans). The Executive's right to reimbursement is not subject to liquidation or exchange for another benefit. To the extent that the benefits provided to the Executive pursuant to this Section 3.3(e) are taxable to the Executive and not otherwise exempt from Section 409A, any amounts to which the Executive would otherwise be entitled under this Section 3.3(e) during the first six months following the date of the Executive's Separation From Service shall be accumulated and paid to the Executive on the date that is six months following the date of his Separation From Service.

(f) Life Insurance. The Executive shall be entitled to a single sum cash payment in an amount equivalent to thirty-six (36) monthly basic life insurance premiums applicable to the Executive's basic life insurance coverage on his Employment Termination Date. The single sum cash payment will be made in accordance with the provisions of Section 4. The Executive may, at his option, convert his basic life insurance coverage to an individual policy after his Employment Termination Date by completing the forms required by the Company.

(g) Perquisites. The Executive shall be entitled to a single sum cash payment which shall be an amount equal to the sum of (1) the cost of the Executive's Perquisites in effect prior to his Termination of Employment for the remainder of the calendar year in which the Employment Termination Date occurs; plus (2) the cost of the Executive's Perquisites in effect prior to his Termination of Employment for an additional three years. The payment required under this paragraph (g) will be made in accordance with the provisions of Section 4. If the aggregate fair market value of the club memberships to be purchased does not exceed the dollar limitation under section 402(g)(1) of the Code in effect when the Executive incurs a Separation From Service, the Executive may, at his option, purchase any of his club memberships held in the Company's name for fair market value and on the terms mutually agreed by the Executive and the Committee.

(h) Retiree Medical. If the Executive would have become entitled to benefits under the Company's post-retirement health care insurance plans, as in effect immediately prior to the Employment Termination Date or, if more favorable to the Executive as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, had the Executive's employment terminated at any time during the period of thirty-six (36) months after the Employment Termination Date, the Company shall provide such post-retirement health care insurance benefits to the Executive and the Executive's dependents commencing on the later of (i) the date on which such coverage would have first become available and (ii) the date on which the applicable benefits described in paragraph (e) of this Section 3.3 terminate. Except for any reimbursements under the applicable group health plan that are subject to a limitation on reimbursements during a specified period, the amount of expenses eligible for reimbursement under this Section 3.3(h), or in-kind benefits provided, during the Executive's taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of the Executive. The Executive's right to reimbursement or in-kind benefits pursuant to this Section 3.3(h) shall not be subject to liquidation or exchange for another benefit. To the extent that the benefits provided to the Executive pursuant to this Section 3.3(h) are taxable to the Executive and are not otherwise exempt from Section 409A, any amounts to which the Executive would otherwise be entitled under this Section 3.3(h) during the first six months following the date of the Executive's Separation From Service shall be accumulated and paid to the Executive on the date that is six months following the date of his Separation From Service.

(i) Interest Amount. If the Executive is a Specified Employee, the Company shall pay to the Executive, on the date that is six (6) months following the Executive's Separation From Service, an amount equal to the amount of interest that would be earned on the amounts specified in Sections 3.3(a), 3.3(b), 3.3(c), 3.3(d), 3.3(f) and 3.3(g) and, to the extent subject to a mandatory six-month delay in payment, the amounts specified in Sections 3(e), 3(h), 3.4(c) and 3.5, for the period commencing on the date of the Executive's Separation From Service until the date of payment of such amounts, calculated using an interest rate equal to the six month London Interbank Offered Rate in effect on the date of the Executive's Separation From Service plus two percentage points (the "*Interest Amount*").

3.4 Gross-Up Payments. If any payments or benefits received or to be received by the Executive (whether pursuant to the terms of this Agreement, or any other plan or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (such payments or benefits, excluding the Gross-Up Payment, being hereinafter referred to as the "*Total Payments*") will be subject to the Excise Tax, the Company shall pay the Executive an additional amount (the "*Gross-Up Payment*") such that the net amount retained by the Executive after the deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment shall be equal to the Total Payments. The purpose of this Section 3.4 is to place the Executive in the same economic position such Executive would have been in had no Excise Tax been imposed with respect to the Total Payments.

(a) For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) all of the Total Payments shall be treated as "parachute payments" (within the meaning of section 280G(b)(2) of the Code)

unless, in the opinion of tax counsel (the “*Tax Counsel*”) reasonably acceptable to the Executive and selected by the accounting firm which was, immediately prior to the Change in Control, the Company’s independent auditor (the “*Auditor*”), such payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of section 280G(b)(4)(A) of the Code, (ii) all “excess parachute payments” within the meaning of section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of the Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of section 280G(b)(4)(B) of the Code) in excess of the “base amount” (within the meaning of section 280G(b)(3) of the Code) allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax, and (iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(b) For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive’s residence on the Employment Termination Date (or if there is no Employment Termination Date, then the date on which the Gross-Up Payment is calculated for purposes of this Section), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(c) In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the payment of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Executive with respect to such excess) within five (5) business days following the time that the amount of such excess is finally determined. The Executive and the Company shall each reasonably cooperate with the other relative to any administrative or judicial proceedings concerning the existence or amount of liability for the Excise Tax. The parties intend and agree that the five (5) business day deadline specified above in this Section 3.4(c) is not to be extended as a result of the following sentence which is included solely for the purpose of complying with Section 409A. The Company shall make a payment to reimburse the Executive in an amount equal to all federal, state and local taxes imposed upon the Executive that are described in this Section 3.4, including the amount of additional taxes imposed upon the Executive due to the Company’s payment of the initial taxes on such amounts, by the end of the Executive’s taxable year next following the Executive’s taxable year in which the Executive remits the related taxes to the taxing authority. Notwithstanding any provision of this Agreement to the contrary, if the Executive is a Specified Employee, any amounts to which the Executive would otherwise be entitled under this Section 3.4 during the first six months following the date of the Executive’s Separation From Service shall be accumulated and paid to the Executive on the date that is six months following the date of his Separation From Service.

3.5 Legal Fees. The Company shall pay, on a fully grossed up, after tax basis, all legal fees and expenses incurred by the Executive (i) in disputing in good faith any issue relating to the Executive’s termination of employment, or (ii) in seeking in good faith to obtain or

enforce any benefit or right provided under this Agreement in accordance with Section 11.5. Such payments shall be made within ten (10) business days after the delivery of the Executive's written request for the payment accompanied by such evidence of fees and expenses incurred as the Company may reasonably require. The Company shall pay the Executive, on a fully grossed up, after tax basis, all legal fees and expenses incurred by the Executive in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit under this Agreement. Such payments shall be made within ten (10) business days after delivery of the Executive's written request for payment accompanied with such evidence of fees and expenses incurred as the Company may reasonably require. The parties intend and agree that the foregoing ten (10) business day deadline is not to be extended as a result of the following sentence which is included solely for the purpose of complying with Section 409A. The Company shall make a payment to reimburse the Executive in an amount equal to all legal fees and expenses incurred due to a tax audit or litigation relating to the application of section 4999 of the Code to any payment or benefit under this Agreement by the end of the Executive's taxable year following the Executive's taxable year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, by the end of the Executive's taxable year following the Executive's taxable year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation. The legal fees or expenses that are subject to reimbursement pursuant to this Section 3.5 shall not be limited as a result of when the fees or expenses are incurred. The amount of legal fees or expenses that is eligible for reimbursement pursuant to this Section 3.5 during a given taxable year of the Executive shall not affect the amount of expenses eligible for reimbursement in any other taxable year of the Executive. The right to reimbursement pursuant to this Section 3.5 is not subject to liquidation or exchange for another benefit. Notwithstanding any provision of this Agreement to the contrary, if the Executive is a Specified Employee, any amount to which the Executive would otherwise be entitled under this Section 3.5 during the first six months following the date of the Executive's Separation From Service shall be accumulated and paid to the Executive on the date that is six months following the date of his Separation From Service.

4. Time of Benefits Payments. The Company shall pay the Executive any cash benefits described in paragraphs (a), (b), (c), (d), (f) and (g) of Section 3.3 in a single sum cash payment on the date that is six (6) months following the date of the Executive's Separation From Service if he is a Specified Employee or ten (10) days following his Separation From Service if he is not a Specified Employee. Any salary or compensation described in Section 3.2 or 5.4 for periods prior to the Executive's Separation From Service shall be paid to the Executive by the Company on the regularly scheduled payroll dates or on the dates specified in the applicable benefit programs. Any unpaid salary described in Section 3.2 or Section 5.4 for periods following the Executive's Separation From Service shall be paid to the Executive by the Company in a single sum cash payment on the date that is six (6) months following the date of the Executive's Separation From Service if he is a Specified Employee or ten (10) days following his Separation From Service if he is not a Specified Employee.

5. Termination Procedures And Compensation During Dispute.

5.1 Notice of Termination. After a Change in Control and during the Term of this Agreement, any purported termination of the Executive's employment by the Company shall be

communicated by the Company by a written Notice of Termination to the Executive in accordance with Section 11.8. For purposes of this Agreement, a “*Notice of Termination*” shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive’s counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail. No purported termination of the Executive’s employment by the Company after a Change in Control and during the Term of this Agreement shall be effective unless the Company complies with the procedures set forth in this Section.

5.2 Employment Termination Date. “*Employment Termination Date*,” with respect to any purported termination of the Executive’s employment after a Change in Control and during the Term of this Agreement, shall mean (i) if the Executive’s employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Executive shall not have returned to the full-time performance of the Executive’s duties during such thirty (30) day period), and (ii) if the Executive’s employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

5.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Employment Termination Date (as determined without regard to this Section), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Employment Termination Date shall be extended until the earlier of (i) the date on which the Term of this Agreement ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Employment Termination Date shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

5.4 Compensation During Dispute. If a purported termination of employment occurs following a Change in Control and during the Term of this Agreement and the Employment Termination Date is extended in accordance with Section 5.3, the Company shall pay the Executive, at the time specified in Section 4, the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the notice giving rise to the dispute was given or those plans in which the Executive was participating immediately prior to the first occurrence of an event or

circumstance giving rise to the Notice of Termination, if more favorable to the Executive, until the Employment Termination Date, as determined in accordance with Section 5.3. Amounts paid under this Section are in addition to all other amounts due under this Agreement (other than those due under Section 3.2) and shall not be offset against or reduce any other amounts due under this Agreement.

6. Withholding. Subject to the provisions of Section 3.4, the Company may withhold from any benefits paid under this Agreement all income, employment, and other taxes required to be withheld under applicable law.

7. Death of the Executive. If the Executive dies after his Employment Termination Date but before the Executive receives full payment of the benefits to which he is entitled, any unpaid benefits will be paid to the Executive's surviving spouse, or if the Executive does not have a surviving spouse, to the Executive's estate.

8. Amendment. This Agreement may not be amended except pursuant to a written instrument that is authorized by the Committee and agreed to in writing and signed by the Executive.

9. Disputed Payments And Failures To Pay. If the Company fails to make a payment in whole or in part as of the payment deadline specified in this Agreement, either intentionally or unintentionally, other than with the consent of the Executive, the Executive shall make prompt and reasonable good faith efforts to collect the remaining portion of the payment. The Company shall pay any such unpaid benefits due to the Executive, together with interest on the unpaid benefits from the date of the payment deadline specified in this Agreement at the annual rate of 120 percent of the rate specified in section 1274(b)(2) (B) of the Code within ten (10) business days of discovering that the additional monies are due and payable.

The Company shall hold harmless and indemnify the Executive on a fully grossed-up after tax basis from and against (i) any and all taxes imposed under Section 409A by any taxing authority as a result of the Company's failure to timely pay payments and benefits under this Agreement when due, and (ii) all expenses (including reasonable attorneys', accountants', and experts' fees and expenses) incurred by the Executive due to a tax audit or litigation addressing the existence or amount of a tax liability described in clause (i); and (iii) the amount of additional taxes imposed upon the Executive due to the Company's payment of the initial taxes and expenses described in clauses (i) and (ii).

The Company shall make a payment to reimburse the Executive in an amount equal to all federal, state and local taxes imposed upon the Executive that are described in clauses (i) and (iii) of the foregoing paragraph of this Section 9, including the amount of additional taxes imposed upon the Executive due to the Company's payment of the initial taxes on such amounts, within ten (10) business days after the delivery of the Executive's written request for the payment. The parties intend and agree that such ten (10) business day deadline is not to be extended as a result of the following sentence which is included solely for the purpose of complying with Section 409A. The Company shall make a payment to reimburse the Executive in an amount equal to all federal, state and local taxes imposed upon the Executive that are described in clauses (i) and (iii) of the foregoing paragraph of this Section 9, including the amount of additional taxes imposed

upon the Executive due to the Company's payment of the initial taxes on such amounts, by the end of the Executive's taxable year next following the Executive's taxable year in which the Executive remits the related taxes to the taxing authority. The Company shall make a payment to reimburse the Executive in an amount equal to all expenses and other amounts incurred due to a tax audit or litigation addressing the existence or amount of a tax liability pursuant to clause (ii) of the foregoing paragraph of this Section 9, within ten (10) business days after the delivery of the Executive's written request for the payment. The parties intend and agree that such ten (10) business day deadline is not to be extended as a result of the following sentence which is included solely for the purpose of complying with Section 409A. The Company shall make a payment to reimburse the Executive in an amount equal to all expenses and other amounts incurred due to a tax audit or litigation addressing the existence or amount of a tax liability pursuant to clause (ii) of the foregoing paragraph of this Section 9, by the end of Executive's taxable year following the Executive's taxable year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, the end of the Executive's taxable year following the Executive's taxable year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation.

10. Funding. The Executive shall have no right, title, or interest whatsoever in or to any assets of the Company or any investments which the Company may make to aid it in meeting its obligations under this Agreement. The Executive's right to receive payments under this Agreement shall be no greater than the right of an unsecured general creditor of the Company. Immediately prior to a Change in Control, the Company shall create an irrevocable grantor trust (the "*Rabbi Trust*") which shall be subject to the claims of creditors of the Company. In the event that the Executive is a Specified Employee at the time he incurs a Separation From Service or at the time the Company determines that it is reasonably likely that the Executive will incur a Separation From Service in connection with a Change in Control, then immediately upon the Executive's Separation From Service or, if earlier, the date on which the Company makes a determination that the Executive is reasonably likely to incur a Separation From Service in connection with a Change in Control, the Company shall transfer to the Rabbi Trust cash sufficient (on an undiscounted basis) to pay the cash amounts specified in Section 3.3, the estimated amount of the Gross-Up Payment to be made under Section 3.4 and the Interest Amount. The cash amounts specified in Section 3.3, the Gross-Up Payment and the Interest Amount shall be paid from the Rabbi Trust on the dates specified in Sections 3.3(i), 3.4 and 4 herein, provided that the Company shall remain liable to pay any such amounts which for any reason are not paid from the Rabbi Trust. The trustee of the Rabbi Trust shall be a bank or trust company selected by the Company prior to the Change in Control.

11. Miscellaneous.

11.1 Agreement Not an Employment Contract. This Agreement is not an employment contract between the Company and Executive and gives Executive no right to retain his employment. This Agreement is not intended to interfere with the rights of the Company to terminate the Executive's employment at any time with or without notice and with or without cause or to interfere with the Executive's right to terminate his employment at any time.

11.2 Alienation Prohibited. No benefits hereunder shall be subject to anticipation or assignment by the Executive, to attachment by, interference with, or control of any creditor of the Executive, or to being taken or reached by any legal or equitable process in satisfaction of any debt or liability of the Executive prior to its actual receipt by the Executive. Any attempted conveyance, transfer, assignment, mortgage, pledge, or encumbrance of the benefits hereunder prior to payment thereof shall be void.

11.3 Severability. Each provision of this Agreement may be severed. If any provision is determined to be invalid or unenforceable, that determination shall not affect the validity or enforceability of any other provision.

11.4 Binding Effect. This Agreement shall be binding upon any successor of the Company. Further, the Board shall not authorize a Change in Control that is a merger or a sale transaction unless the purchaser or the Company's successor agrees to take such actions as are necessary to cause the Executive to be paid or provided all benefits due under the terms of this Agreement as in effect immediately prior to the Change in Control.

11.5 Settlement of Disputes Concerning Benefits Under this Agreement; Arbitration. All claims by Executive for benefits under this Agreement shall be directed to and determined by the Committee and shall be in writing. Any denial by the Committee of a claim for benefits under this Agreement shall be delivered to the Executive in writing within thirty (30) days after written notice of the claim is provided to the Company in accordance with Section 11.8 and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Committee shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim and shall further allow the Executive to appeal to the Committee a decision of the Committee within sixty (60) days after notification by the Committee that the Executive's claim has been denied. Any further dispute or controversy arising out of or relating to this Agreement, 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 this Agreement shall be resolved by arbitration in accordance with the rules of the American Arbitration Association (the "AAA") then in effect. Within ten (10) business days of the initiation of an arbitration hereunder, the Company and the Executive will each separately designate an arbitrator, and within twenty (20) business days of selection, the appointed arbitrators will appoint a neutral arbitrator from the AAA Panel of Commercial Arbitrators. The arbitrators shall issue their written decision (including a statement of finding of facts) within thirty (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 the Executive agree that a 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 may be entered upon the award made pursuant to the arbitration.

11.6 No Mitigation. The Company agrees that if the Executive's employment with the Company terminates during the Term of this Agreement, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by

the Company pursuant to this Agreement. Further, except as expressly provided otherwise herein, the amount of any payment or benefit provided for in this Agreement (other than Section 3.3(e)) shall not be reduced by any compensation earned by the Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company, or otherwise.

11.7 Other Amounts Due. Except as expressly provided otherwise herein, the payments and benefits provided for in this Agreement are in addition to and not in lieu of amounts and benefits that are earned by the Executive prior to his Termination of Employment. The Company shall pay the Executive any compensation earned through the Employment Termination Date but not previously paid the Executive. Further the Executive shall be entitled to any other amounts or benefits due the Executive in accordance with any contract, plan, program or policy of the Company or any of its Affiliates. Amounts that the Executive is entitled to receive under any plan, program, contract or policy of the Company or any of its Affiliates at or subsequent to the Executive's Termination of Employment shall be payable or otherwise provided in accordance with such plan, program, contract or policy, except as expressly modified herein. For the avoidance of doubt, the Executive's benefits under the Baker Hughes Incorporated Pension Plan and the Baker Hughes Incorporated Thrift Plan shall not be subject to a mandatory six-month delay in payment pursuant to Section 409A as such plans are exempt from Section 409A.

11.8 Notices. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be given in person or by United States registered mail, return receipt requested (with evidence of receipt by the party to whom the notice is given), postage prepaid, addressed, if to the Executive, to the address listed on the signature page of this Agreement and, if to the Company, to 2929 Allen Parkway, Suite 2100; Houston, Texas 77019; Attention: General Counsel, or to such other address as either party may have furnished to the other in writing in accordance herewith. For purposes of this agreement notice to a party shall be effective only upon actual receipt of the notice by the party with written evidence of receipt by the party to whom the notice is given.

11.9 Governing Law. All provisions of this Agreement shall be construed in accordance with the laws of Texas, except to the extent preempted by federal 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 Entire Agreement. Effective January 1, 2009, this Agreement supersedes the Original Change in Control Agreement.

11.11 Compliance With Section 409A. It is intended that this Agreement shall comply with Section 409A. The provisions of this Agreement shall be interpreted and administered in a manner that complies with Section 409A. The provisions of this Agreement dealing with Section 409A reflect the manner in which this Agreement has been operated in good faith compliance with Section 409A since January 1, 2005.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date above first written.

BAKER HUGHES INCORPORATED

By: _____

Date: _____

EXECUTIVE

By: _____

Address: _____

Date: _____, ____

**BAKER HUGHES INCORPORATED
CHANGE IN CONTROL SEVERANCE PLAN
(Amendment and Restatement Effective January 1, 2009)**

BAKER HUGHES INCORPORATED
CHANGE IN CONTROL SEVERANCE PLAN
(Amendment and Restatement Effective January 1, 2009)

WHEREAS, Baker Hughes Incorporated, a corporation organized and existing under the laws of the State of Delaware (the "*Company*"), recognizes that one of its most valuable assets is its key management executives;

WHEREAS, the Company would like to provide severance benefits in the event that the employment of a key management executive is involuntarily terminated in conjunction with a change in control;

WHEREAS, the Company previously established the Baker Hughes Incorporated Change in Control Severance Plan (the "*Plan*"); and

WHEREAS, the Company desires to amend the Plan to comply with section 409A of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, the Company adopts the amendment and restatement of the Plan, effective January 1, 2009.

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BAKER HUGHES INCORPORATED
CHANGE IN CONTROL SEVERANCE PLAN

1. ESTABLISHMENT AND OBJECTIVE

1.1 Establishment. Baker Hughes Incorporated, a Delaware corporation, hereby establishes a plan for certain designated employees to be known as the “Baker Hughes Incorporated Change in Control Severance Plan” (the “Plan”).

1.2 Objective. The Plan is designed to attract and retain certain designated employees of the Company (defined below) and to reward such employees of the Company by providing replacement income and certain benefits in conjunction with a Change in Control (defined below).

2. DEFINITIONS

2.1 Capitalized Terms. Whenever used in the Plan, the following capitalized terms in this Section 2.1 shall have the meanings set forth below:

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

“**Annual Incentive Plan**” means the Baker Hughes Incorporated Annual Incentive Compensation Plan, as amended from time to time, any guidelines issued pursuant to such plan, and any other annual incentive bonus plans adopted by the Company from time to time which are in replacement of such plan.

“**Applicable Multiple**” means, with respect to any Participant, the applicable multiple specified in Exhibit A.

“**Assets**” means assets of any kind owned by Baker Hughes, including but not limited to securities of Baker Hughes’ direct and indirect subsidiaries and Affiliates.

“**Baker Hughes**” means Baker Hughes Incorporated, a Delaware corporation, and any successor by merger or otherwise.

“**Base Compensation**” means a Participant’s base salary or wages (as defined in section 3401(a) of the Code for purposes of federal income tax withholding) from the Company, modified by *including* any portion thereof that such Participant could have received in cash in lieu of any elective deferrals made by the Participant pursuant to the Supplemental Retirement Plan (other than deferrals of bonuses) or pursuant to a qualified cash or deferred arrangement described in section 401(k) of the Code and any elective contributions under a cafeteria plan described in section 125, and modified further by *excluding* any bonus, incentive compensation (including but not limited to equity-based compensation), commissions, expense reimbursements or other expense allowances,

fringe benefits (cash and noncash), moving expenses, deferred compensation (other than elective deferrals by the Participant under a qualified cash or deferred arrangement described in section 401(k) of the Code or the Supplemental Retirement Plan that are expressly included in “*Base Compensation*” under the foregoing provisions of this definition), welfare benefits as defined in ERISA, overtime pay, special performance compensation amounts and severance compensation.

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

“**Board**” means the Board of Directors of Baker Hughes or other governing body of Baker Hughes or its direct or indirect parent.

“**Bonus**” means the sum of (a) the amount of the annual incentive bonus, if any, paid in cash by the Company under the Annual Incentive Plan to or for the benefit of an Employee for services rendered or labor performed during a fiscal year of the Company and (b) the amount of the discretionary cash bonus or other cash bonus paid outside the Annual Incentive Plan, if any, paid in cash by the Company to or for the benefit of an Employee for services rendered or labor performed during the same fiscal year of the Company. An Employee’s Bonus shall be determined by including any portion thereof that such Participant could have received in cash in lieu of (i) any elective deferrals made by such Participant pursuant to the Supplemental Retirement Plan or (ii) elective contributions made on such Participant’s behalf by the Company pursuant to a qualified cash or deferred arrangement (as defined in section 401(k) of the Code) or pursuant to a plan maintained under section 125 of the Code.

“**Cause**” means (i) the willful and continued failure by the Employee to substantially perform the Employee’s duties with the Company (other than any such failure resulting from the Employee’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to the Employee by the Board (or by a delegate appointed by the Board), which demand specifically identifies the manner in which the Board believes that the Employee has not substantially performed the Employee’s duties, or (ii) the willful engaging by the Employee in conduct which is demonstrably and materially injurious to the Company or any of its Affiliates, monetarily or otherwise. For purposes of Sections (i) and (ii) of this definition, (A) no act, or failure to act, on the Employee’s part shall be deemed “willful” if done, or omitted to be done, by the Employee 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 Board by clear and convincing evidence that Cause exists.

“**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 of Baker Hughes 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.

"**Code**" means the Internal Revenue Code of 1986, as amended, or any successor act.

"**Committee**" means, prior to a Change in Control or a Potential Change in Control, the Compensation Committee of the Board. After a Change in Control or a Potential Change in Control, "**Committee**" means (i) the individuals (not fewer than three (3) in number) who, on the date six months prior to the Change in Control constitute the Compensation Committee of the Board, plus, (ii) in the event that fewer than three (3) 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 Committee after a Change in Control or Potential Change in Control shall not exceed six (6).

"**Company**" means Baker Hughes or an Employer.

“**Disability**” means the Participant’s incapacity due to physical or mental illness that has caused the Participant to be absent from full-time performance of his duties with the Company for a period of six (6) consecutive months.

“**Effective Date**” means December 3, 2003, the date on which the Plan was adopted.

“**Employee**” means an individual (i) who is employed in the services of the Company on the Company’s active payroll, and (ii) who is also a United States-based executive salary grade system employee (under the Company’s then current payroll system categories), or any comparable executive designations in any system that replaces the United States-based salary grade system. Notwithstanding the foregoing, the Committee may from time to time designate other individuals who may be selected for participation in the Plan.

“**Employer**” means any Affiliate that adopts the Plan pursuant to the provisions of Section 10.

“**Employment Termination Date**” means the date as of which a Participant incurs a Termination of Employment determined in accordance with the provisions of Section 6.2.

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

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, or any successor act.

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

“**Excise Tax**” means the excise tax imposed by section 4999 of the Code or any similar tax payable under any United States federal, state, or local statute.

“**Expiration Date**” shall have the meaning specified in the definition of the “*Term of the Plan*”.

“**Good Reason**” for termination by the Employee of his employment means the occurrence (without the Employee’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 the second paragraph of the definition of Termination of Employment (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 Employee’s termination for Good Reason:

the assignment to the Employee of any duties or responsibilities which are substantially diminished as compared to the Employee's duties and responsibilities immediately prior to a Change in Control or a material change in the Employee's reporting responsibilities, titles or offices as an Employee and as in effect immediately prior to the Change in Control.

(a) a reduction by the Company in the Employee's annual Base Compensation 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;

(b) the relocation of the Employee's principal place of employment to a location outside of a 50-mile radius from the Employee's principal place of employment immediately prior to the Change in Control or the Company's requiring the Employee 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 Employee's business travel obligations immediately prior to a Change in Control;

(c) the failure by the Company to pay to the Employee any portion of the Employee'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 Employee any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven (7) days of the date such compensation is due;

(d) the failure by the Company to continue in effect any compensation plan in which the Employee participates immediately prior to the Change in Control which is material to the Employee'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 Employee'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 Employee's participation relative to other participants, as existed immediately prior to the Change in Control;

(e) the failure by the Company to continue to provide the Employee with benefits substantially similar to those enjoyed by the Employee under any of the Company's pension, savings, life insurance, medical, health and accident, or disability plans in which the Employee 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 Employee of any material fringe benefit or Perquisite enjoyed by the Employee at the time of the Change in

Control, or the failure by the Company to provide the Employee with the number of paid vacation days to which the Employee 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

(f) any purported termination of the Employee's employment which is not effected pursuant to a notice of termination satisfying the requirements of Section 6.1 hereof.

The Employee's right to terminate his employment for Good Reason shall not be affected by the Employee's incapacity due to physical or mental illness. The Employee'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 Employee 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 unless the Committee's determination is arbitrary and capricious.

"Gross-Up Payment" means the additional amount paid to a Participant pursuant to Section 4.4.

"Highest Base Compensation" means the Participant's annualized Base Compensation in effect immediately prior to (1) a Change in Control, (2) the first event or circumstance constituting Good Reason, or (3) the Participant's Termination of Employment, whichever is greatest.

"Incumbent Director" means –

(a) a member of the Board on the Effective Date; or

(b) an individual-

(1) who becomes a member of the Board after the Effective Date;

(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.

"Interest Amount" has the meaning specified in Section 4.3(i).

"Merger" means a merger, consolidation or similar transaction.

“Participant” means an individual who is eligible to participate in the Plan under the provisions of Section 3.

“Pension Plan” means the Baker Hughes Incorporated Pension Plan, as amended from time to time.

“Perquisites” means benefits such as any airline VIP club memberships; country club and/ or health club membership dues and expenses related to the use of the country club and/ or health club; supplemental life insurance; financial consulting; and office equipment for use in the home (e.g., cellular telephones, personal digital assistance, home computers and office accessories similar to the office accessories available to the Employee in his employment office and monthly Internet connection fees) that may be provided by the Company from time to time.

“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) the Company or any of its Affiliates, (b) a trustee or other fiduciary holding Company securities under an employee benefit plan of the Company or any of its 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 the Company in substantially the same proportions as their ownership of stock of the Company.

“Plan” means the Baker Hughes Incorporated Change in Control Severance Plan, as it may be amended from time to time.

“Potential Change in Control” shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

- (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 the Company representing 15 percent or more of either the then outstanding shares of common stock of the Company or the combined voting power of the Company’s then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates); or
- (d) the Board adopts a resolution to the effect that, for purposes of the Plan, a Potential Change in Control has occurred.

“Renewal Date” shall have the meaning specified in the definition of the *“Term of the Plan.”*

“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:

Baker Hughes;

(a) an Affiliate of Baker Hughes;

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

(c) 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

(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 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, as amended from time to time.

“Term of the Plan” means the period commencing on the Effective Date and ending on:

(a) the last day of the three-year period beginning on the Effective Date if no Change in Control shall have occurred during that three-year period (such last day being the “Expiration Date”); or

(b) if a Change in Control shall have occurred during (i) the three-year period beginning on the Effective Date or (ii) any period for which the Term of the Plan shall

have been automatically extended pursuant to the second sentence of this definition, the two-year period beginning on the date on which the Change in Control occurred.

After the expiration of the time period described in subsection (a) of this definition and in the absence of a Change in Control (as described in subsection (b) of this definition) the Term of the Plan shall be automatically extended for successive two-year periods beginning on the day immediately following the Expiration Date (the beginning date of each successive two-year period being a “*Renewal Date*”), unless, not later than 18 months prior to the Expiration Date or applicable Renewal Date, the Company shall give notice to Participants that the Term of the Plan will not be extended.

“**Termination of Employment**” means the termination of an individual’s employment relationship with the Company (i) by the Company without Cause after a Change in Control occurs, or (ii) by the individual for Good Reason after a Change in Control occurs.

For purposes of this definition, an individual’s employment shall be deemed to have been terminated after a Change in Control, if (i) the individual’s employment is terminated by the Company 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 the Company, the consummation of which would constitute a Change in Control; (ii) the individual terminates his employment 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 a Person who has entered into an agreement with the Company, the consummation of which would constitute a Change in Control; or (iii) the individual’s employment is terminated by the Company without Cause or by the individual 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). For purposes of any determination regarding the applicability of the immediately preceding sentence, any position taken by the Participant shall be presumed to be correct unless the Company establishes to the Committee by clear and convincing evidence that such position is not correct.

Termination of Employment does not include (i) a termination of employment due to the individual’s death or Disability, or (ii) a termination of employment by the individual without Good Reason.

“**Thrift Plan**” means the Baker Hughes Incorporated Thrift Plan, as amended from time to time.

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

2.2 Number and Gender. As used in the Plan, unless the context otherwise expressly requires to the contrary, references to the singular include the plural, and vice versa;

references to the masculine include the feminine and neuter; references to “including” mean “including (without limitation)”; and references to Sections and clauses mean the sections and clauses of the Plan.

2.3 Headings. The headings of 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.

3. ELIGIBILITY

The individuals who shall be eligible to participate in the Plan shall be those Employees who are selected by the Committee. The Committee shall notify an Employee who has been selected for participation of his eligibility to participate in the Plan by furnishing him a written notification of participation that specifies whether he is a Level 1 or Level 2 executive for purposes of the Plan.

Notwithstanding any other provision of the Plan, an Employee shall not be eligible to participate in the Plan if there is in effect an individual severance agreement (including an employment agreement that provides for severance benefits) or change in control agreement between the Employee and the Company.

Notwithstanding any other provision of the Plan, the Board may discontinue an individual’s eligibility to participate in the Plan by providing him written advance notice (the “*Notice*”), no later than 18 months prior to the Expiration Date or a Renewal Date (as defined in the definition of “*Term of the Plan*” in Section 2.1), that he shall no longer participate in the Plan; *provided, however*, that should a Change in Control occur during such 18-month advance notification period, the Notice shall be void and of no effect, and the Participant shall be eligible to participate in the Plan as if the Notice were never given.

4. BENEFITS

4.1 Equity Based Compensation. Upon the occurrence of a Change in Control, all options to acquire Baker Hughes stock, all shares of restricted Baker Hughes stock, and all stock appreciation rights, the value of which is determined by reference to or based upon the value of Baker Hughes stock, held by the Participant under any plan of the Company shall become immediately vested, exercisable and nonforfeitable and all conditions thereof (including, but not limited to, any required holding periods) shall be deemed to have been satisfied. This effect, if any, of a Change in Control on any other equity incentives and other awards the value of which is determined by reference to or based upon the value of Baker Hughes stock shall be determined in accordance with the terms of the applicable award agreement and any terms and conditions issued by the Compensation Committee of the Board are applicable to the award.

4.2 Compensation and Benefits During Incapacity and Prior to Termination of Employment. Following a Change in Control and during the Term of the Plan, during any period in which the Participant fails to perform the Participant’s full-time duties with the Company as a result of incapacity due to physical or mental illness, the Company shall pay the Participant’s full salary to the Participant at the rate in effect at the commencement of any such period, together with all compensation and benefits payable to the Participant under the terms of

any compensation or benefit plan, program or arrangement maintained by the Company during such period, until the Participant's employment is terminated by the Company for Disability.

4.3 Benefits Following Termination of Employment. If a Participant incurs a Termination of Employment during the Term of the Plan, the Company shall provide the Participant the benefits described below. Further details of the benefits described in this Section 4.3 are provided in Exhibit A.

(a) **Severance Payment Based Upon Base Compensation.** The Company will pay the Participant a cash severance benefit in an amount equal to the Participant's Applicable Multiple multiplied by the Employee's Highest Base Compensation. A Participant's severance payment under this paragraph (a) will be paid in accordance with the provisions of Section 5.

(b) **Severance Payment Based Upon Bonuses.** The Company will pay the Participant a cash severance benefit in an amount equal to the sum of (1) and (2) where (1) is an amount equal to the product of (A) the expected value target percentage under the Participant's Bonus for Baker Hughes' fiscal year in which the Participant's Termination of Employment occurs, (B) the Participant's Highest Base Compensation and (C) a fraction, the numerator of which is the number of days in the Company's fiscal year in which occurs the Participant's Employment Termination Date through the Participant's Employment Termination Date and the denominator of which is 365 and (2) is an amount equal to the product of (A) the Participant's expected value target percentage under the Participant's Bonus for Baker Hughes' fiscal year in which the Participant's Termination of Employment occurs, and (B) the Participant's Applicable Multiple. However, if the Participant's Employment Termination Date occurs during the same calendar year in which a Change in Control occurs, the pro-rata bonus payment described in clause (1) of the preceding sentence shall be offset by any payments received by the Participant under the Annual Incentive Compensation Plan in connection with the Change in Control. A Participant's severance payment under this paragraph (b) will be paid in accordance with the provisions of Section 5.

(c) **Outplacement Payment.** The Company will provide the Participant a cash payment in the amount specified in the relevant provisions of Exhibit A. Any such cash payment will be paid in accordance with the provisions of Section 5.

(d) **Pension, Thrift and Supplemental Retirement Plans.** In addition to the retirement benefits to which the Participant is entitled under the Thrift Plan, the Pension Plan and the Supplemental Retirement Plan, the Company shall pay the Participant a single sum cash payment in an amount equal to the undiscounted value of (A) the employer-provided accruals under the Pension Plan that the Participant would have earned and (B) the employer contributions the Company would have made to the Thrift Plan and the Supplemental Retirement Plan (including but not limited to matching and base contributions) on behalf of the

Participant had the Participant continued in the employ of the Company for a period of time determined in accordance with the relevant provisions of Exhibit A, assuming for this purpose that (i) the Participant's earned compensation per year during the relevant period of time provided in Exhibit A is the sum of (1) the Participant's Highest Base Compensation and (2) the product of (A) the expected value target percentage under the Participant's Bonus for the Baker Hughes' fiscal year in which the Participant's Termination of Employment occurs, (B) the Participant's Highest Base Compensation, and (C) the Applicable Multiple; and (ii) contribution, deferral, credit and accrual percentages made under the Pension Plan, the Thrift Plan and the Supplemental Retirement Plan, by and on behalf of the Participant during the relevant period of time provided in Exhibit A, are the same percentages in effect on the date of the Change in Control or the Participant's Employment Termination Date, whichever is more favorable for the Participant. The payment required under this paragraph (d) will be made in accordance with the provisions of Section 5.

(e) **Accident and Health Insurance Benefits**. For the period of time following the Participant's Employment Termination Date specified in Exhibit A (the "Continuation Period"), the Company shall arrange to provide the Participant and his dependents accident and health insurance benefits, in each case, substantially similar to those provided to the Participant and his dependents immediately prior to the Employment Termination Date or, if more favorable to the Participant, those provided to the Participant and his dependents immediately prior to the first occurrence of an event or circumstance constituting Good Reason, at no greater cost to the Participant than the cost to the Participant immediately prior to such date or occurrence. Benefits otherwise receivable by the Participant pursuant to this Section 4.3(e) shall be reduced to the extent benefits of the same type are received by the Participant during the Continuation Period (and any such benefits received by the Participant shall be reported to the Company by the Participant).

Except for any reimbursements under the applicable group health plan that are subject to a limitation on reimbursements during a specified period, the amount of expenses eligible for reimbursement under this Section 4.3(e), or in-kind benefits provided, during the Participant's taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of the Participant. Any reimbursement of an expense described in this Section 4.3(e) shall be made on or before the last day of the Participant's taxable year following the Participants' taxable year in which the expense was incurred. The Participant's right to reimbursement or in-kind benefits pursuant to this Section 4.3(e) shall not be subject to liquidation or exchange for another benefit. To the extent that the benefits provided to the Participant pursuant to this Section 4.3(e) are taxable to the Participant and are not otherwise exempt from Section 409A, any amounts to which the Participant would otherwise be entitled under this Section 4.3(e) during the first six months following the date of the Participant's Separation From Service shall be accumulated and paid to the

Participant on the date that is six months following the date of his Separation From Service.

(f) ***Life Insurance.*** A Participant shall be entitled to a single sum cash payment in an amount equivalent to the product of (1) the monthly basic life insurance premium applicable to the Participant's basic life insurance coverage on his Employment Termination Date and (2) the period of time determined in accordance with the relevant provisions of *Exhibit A*. The single sum cash payment will be made in accordance with the provisions of Section 5. A Participant may, at his option, convert his basic life insurance coverage to an individual policy after his Employment Termination Date by completing the forms required by the Company.

(g) ***Perquisites.*** A Participant shall be entitled to a single sum cash payment which shall be an amount equal to the sum of (1) the cost of the Participant's Perquisites in effect prior to his Termination of Employment for the remainder of the calendar year in which the Employment Termination Date occurs; plus (2) the cost of the Participant's Perquisites in effect prior to his Termination of Employment for an additional period of time determined in accordance with the relevant provisions of *Exhibit A*. The payment required under this paragraph (g) will be made in accordance with the provisions of Section 5. If the aggregate fair market value of the club memberships to be purchased does not exceed the amount of the dollar limitation under section 402(g)(1) of the Code in effect when the Participant incurs a Separation From Service, a Participant may, at his option, purchase any of his club memberships held in the Company's name on the terms mutually agreed by the Participant and the Committee.

(h) ***Retiree Medical.*** If the Participant would have become entitled to benefits under the Company's post-retirement health care insurance plans, as in effect immediately prior to the Employment Termination Date or, if more favorable to the Participant as in effect immediately prior to the first occurrence of an event or circumstance constituting Good Reason, had the Participant's employment terminated at any time during the period of thirty-six (36) months after the Employment Termination Date, the Company shall provide such post-retirement health care insurance benefits to the Participant and the Participant's dependents commencing on the later of (i) the date on which such coverage would have first become available and (ii) the date on which the applicable benefits described in paragraph (e) of this Section 4.3 terminate.

Except for any reimbursements under the applicable group health plan that are subject to a limitation on reimbursements during a specified period, the amount of expenses eligible for reimbursement under this Section 4.3(h), or in-kind benefits provided, during the Participant's taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year of the Participant. Any reimbursement of an expense described in this Section 4.3(h) shall be made on or before the last day of the Participant's

taxable year following the Participants' taxable year in which the expense was incurred. The Participant's right to reimbursement or in-kind benefits pursuant to this Section 4.3(h) shall not be subject to liquidation or exchange for another benefit. To the extent that the benefits provided to the Participant pursuant to this Section 4.3(h) are taxable to the Participant and are not otherwise exempt from Section 409A, any amounts to which the Participant would otherwise be entitled under this Section 4.3(h) during the first six months following the date of the Participant's Separation From Service shall be accumulated and paid to the Participant on the date that is six months following the date of his Separation From Service.

(i) **Interest Amount.** If the Participant is a Specified Employee, the Company shall pay to the Participant, on the date that is six months following the Participant's Separation From Service, an amount equal to the amount of interest that would be earned on the amounts specified in Sections 4.3(a), 4.3(b), 4.3(c), 4.3(d), 4.3(f), and 4.3(g) and, to the extent subject to a mandatory six-month delay in payment, the amounts specified in Sections 4.3(e), 4.3(h), 4.4 and 4.5, for the period commencing on the date of the Participant's Separation From Service until the date of payment of such amounts, calculated using an interest rate equal to the six month London Interbank Offered Rate in effect on the date of the Participant's Separation From Service plus two percentage points (the "*Interest Amount*").

4.4 Tax Gross-Up Payments. If any payments or benefits received or to be received by the Participant (whether pursuant to the terms of the Plan, or any other plan or agreement with the Company, any Person whose actions result in a Change in Control or any Person affiliated with the Company or such Person) (such payments or benefits, excluding the Gross-Up Payment, being hereinafter referred to as the "*Total Payments*") will be subject to the Excise Tax, the Company shall pay the Participant an additional amount (the "*Gross-Up Payment*") such that the net amount retained by the Participant after the deduction of any Excise Tax on the Total Payments and any federal, state and local income and employment taxes and Excise Tax upon the Gross-Up Payment shall be equal to the Total Payments. The purpose of this Section is to place the Participant in the same economic position such Participant would have been in had no Excise Tax been imposed with respect to the Total Payments.

For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax,

(i) all of the Total Payments shall be treated as "parachute payments" (within the meaning of section 280G(b)(2) of the Code) unless, in the opinion of tax counsel (the "*Tax Counsel*") reasonably acceptable to the Participant and selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "*Auditor*"), such payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of section 280G(b)(4)(A) of the Code,

(ii) all "excess parachute payments" within the meaning of section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax unless, in the

opinion of the Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of section 280G(b)(4)(B) of the Code) in excess of the "base amount" (within the meaning of section 280G(b)(3) of the Code) allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax, and

(iii) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

For purposes of determining the amount of the Gross-Up Payment, the Participant shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Participant's residence on the Employment Termination Date (or if there is no Employment Termination Date, then the date on which the Gross-Up Payment is calculated for purposes of this Section 4.4), net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

In the event that the Excise Tax is determined to exceed the amount taken into account hereunder in calculating the Gross-Up Payment (including by reason of any payment the existence or amount of which cannot be determined at the time of the payment of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment in respect of such excess (plus any interest, penalties or additions payable by the Participant with respect to such excess) within five (5) business days following the time that the amount of such excess is finally determined. The Participant and the Company shall each reasonably cooperate with the other relative to any administrative or judicial proceedings concerning the existence or amount of liability for the Excise Tax. The parties intend and agree that the five (5) business day deadline specified above in this Section 4.4 is not to be extended as a result of the following sentence which is included solely for the purpose of complying with Section 409A. The Company shall make a payment to reimburse the Participant in an amount equal to all federal, state and local taxes imposed upon the Participant that are described in this Section 4.4, including the amount of additional taxes imposed upon the Participant due to the Company's payment of the initial taxes on such amounts, by the end of the Participant's taxable year next following the Participant's taxable year in which the Participant remits the related taxes to the taxing authority. Notwithstanding any provision of this Agreement to the contrary, if the Participant is a Specified Employee, any amounts to which the Participant would otherwise be entitled under this Section 4.4 during the first six months following the date of the Participant's Separation From Service shall be accumulated and paid to the Participant on the date that is six months following the date of his Separation From Service.

4.5 Legal Fees. The Company shall pay, on a fully grossed up, after tax basis, all legal fees and expenses incurred by the Participant (i) in disputing in good faith any issue relating to the Participant's termination of employment, or (ii) in seeking in good faith to obtain or enforce any benefit or right provided under the Plan in accordance with Section 13.5. Such payments shall be made within ten (10) business days after the delivery of the Participant's written request for the payment accompanied by such evidence of fees and expenses incurred as

the Company may reasonably require. In any event the Company shall pay the Participant such legal fees and expenses by the last day of the Participant's taxable year following the taxable year in which the Participant incurred such legal fees and expenses. The Company shall pay the Participant, on a fully grossed up, after tax basis, all legal fees and expenses incurred by the Participant in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit under the Plan. Such payments shall be made within ten (10) business days after delivery of the Participant's written request for payment accompanied with such evidence of fees and expenses incurred as the Company may reasonably require. The parties intend and agree that the foregoing ten (10) business day deadline is not to be extended as a result of the following sentence which is included solely for the purpose of complying with Section 409A. The Company shall make a payment to reimburse the Participant in an amount equal to all legal fees and expenses incurred due to a tax audit or litigation relating to the application of section 4999 of the Code to any payment or benefit under this Agreement by the end of the Participant's taxable year following the Participant's taxable year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, by the end of the Participant's taxable year following the Participant's taxable year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation. The legal fees or expenses that are subject to reimbursement pursuant to this Section 4.5 shall not be limited as a result of when the fees or expenses are incurred. The amount of legal fees or expenses that is eligible for reimbursement pursuant to this Section 4.5 during a given taxable year of the Participant shall not affect the amount of expenses eligible for reimbursement in any other taxable year of the Participant. The right to reimbursement pursuant to this Section 4.5 is not subject to liquidation or exchange for another benefit. Notwithstanding any provision of this Agreement to the contrary, if the Participant is a Specified Employee, any amount to which the Participant would otherwise be entitled under this Section 4.5 during the first six months following the date of the Participant's Separation From Service shall be accumulated and paid to the Participant on the date that is six months following the date of his Separation From Service.

5. TIME OF BENEFITS PAYMENTS

The Company shall pay the Participant any cash benefits described in paragraphs (a), (b), (c), (d), (e) and (f) of Section 4.3 in a single sum cash payment within thirty (30) days after the Participant's Separation From Service if the Participant is not a Specified Employee or on the date that is six months following the Participant's Separation From Service if the Participant is a Specified Employee.

6. TERMINATION PROCEDURES AND COMPENSATION DURING DISPUTE

6.1 Notice of Termination. After a Change in Control and during the Term of the Plan, any purported termination of the Participant's employment by the Company shall be communicated by the Company by a written Notice of Termination to the Participant in accordance with Section 13.9 hereof. For purposes of the Plan, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in the Plan relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated. Further, a Notice

of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board which was called and held for the purpose of considering such termination (after reasonable notice to the Participant and an opportunity for the Participant, together with the Participant's counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Participant was guilty of conduct set forth in clause (i) or (ii) of the definition of Cause herein, and specifying the particulars thereof in detail. No purported termination of the Participant's employment by the Company after a Change in Control and during the Term of the Plan shall be effective unless the Company complies with the procedures set forth in this Section 6.1.

6.2 Employment Termination Date. "*Employment Termination Date*," with respect to any purported termination of the Participant's employment after a Change in Control and during the Term of the Plan, shall mean (i) if the Participant's employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Participant shall not have returned to the full-time performance of the Participant's duties during such thirty (30) day period), and (ii) if the Participant's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days (except in the case of a termination for Cause) and, in the case of a termination by the Participant, shall not be less than fifteen (15) days nor more than sixty (60) days, respectively, from the date such Notice of Termination is given).

6.3 Dispute Concerning Termination. If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Employment Termination Date (as determined without regard to this Section 6.3), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Employment Termination Date shall be extended until the earlier of (i) the date on which the Term of the Plan ends or (ii) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Employment Termination Date shall be extended by a notice of dispute given by the Participant only if such notice is given in good faith and the Participant pursues the resolution of such dispute with reasonable diligence.

6.4 Compensation During Dispute. If a purported termination of employment occurs following a Change in Control and during the Term of the Plan and the Employment Termination Date is extended in accordance with Section 6.3 hereof, the Company shall continue to owe the Participant the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Participant as a participant in all compensation, benefit and insurance plans in which the Participant was participating when the notice giving rise to the dispute was given or those plans in which the Participant was participating immediately prior to the first occurrence of an event or circumstance giving rise to the Notice of Termination, if more favorable to the Participant, until the Employment Termination Date, as determined in accordance with Section 6.3 hereof. Amounts paid under this Section 6.4 are in addition to all other amounts due under the Plan (other than those due under Section 4.2 hereof) and shall not be offset against or reduce any other amounts due under the Plan.

7. WITHHOLDING

Subject to the provisions of Section 4.4, Company may withhold from any benefits paid under the Plan all income, employment, and other taxes required to be withheld under applicable law.

8. DEATH OF PARTICIPANT

If a Participant dies after his Employment Termination Date but before the Participant receives full payment of the benefits to which he is entitled, any unpaid benefits will be paid to the Participant's surviving spouse, or if the Participant does not have a surviving spouse, to the Participant's estate.

9. AMENDMENT AND TERMINATION

During the Term of the Plan, the Plan may not be terminated or amended in any manner that would negatively affect a Participant's rights under the Plan. Further, no amendment or termination of the Plan after a Participant's Employment Termination Date shall affect the benefits payable to such Participant. Subject to the foregoing restrictions, Baker Hughes may amend or terminate the Plan by a written instrument that is authorized by the Committee.

10. ADOPTION OF PLAN BY OTHER EMPLOYERS

(a) With the written approval of the Committee, any entity that is an Affiliate may adopt the Plan 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 or an executed adoption agreement (approved by the board of directors or noncorporate counterpart of the Affiliate), agreeing to be bound by all the terms, conditions and limitations of the Plan and providing all information required by the Committee.

(b) 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 the Company and its employees, except that the power to appoint the Committee and the power to amend or terminate the Plan shall be exercised by Baker Hughes.

(c) For purposes of the Code and ERISA, the Plan as adopted by the Affiliates shall constitute a single plan rather than a separate plan of each Affiliate.

11. DISPUTED PAYMENTS AND FAILURES TO PAY

If the Company fails to make a payment in whole or in part as of the payment deadline specified in the Plan, either intentionally or unintentionally, other than with the consent of the Participant, the Participant shall make prompt and reasonable good faith efforts to collect the remaining portion of the payment. The Company shall pay any such unpaid benefits due to the Participant, together with interest on the unpaid benefits from the date of the payment deadline specified in the Plan at the annual rate of 120 percent of the rate specified in section

1274(b)(2)(8) of the Code within ten (10) business days of discovering that the additional monies are due and payable.

The Company shall hold harmless and indemnify the Participant on a fully grossed-up after tax basis from and against (i) any and all taxes imposed under Section 409A by any taxing authority as a result of the Company's failure to comply with this Section 11, and (ii) all expenses (including reasonable attorneys', accountants', and experts' fees and expenses) incurred by the Participant due to a tax audit or litigation addressing the existence or amount of a tax liability described in clause (i); and (iii) the amount of additional taxes imposed upon the Participant due to the Company's payment of the initial taxes and expenses described in clauses (i) and (ii).

The Company shall make a payment to reimburse the Participant in an amount equal to all federal, state and local taxes imposed upon the Employee that are described in clauses (i) and (iii) of the foregoing paragraph of this Section 11, including the amount of additional taxes imposed upon the Participant due to the Company's payment of the initial taxes on such amounts, by the end of the Participant's taxable year next following the Participant's taxable year in which the Participant remits the related taxes to the taxing authority. The Company shall make a payment to reimburse the Participant in an amount equal to all expenses and other amounts incurred due to a tax audit or litigation addressing the existence or amount of a tax liability pursuant to clause (ii) of the foregoing paragraph of this Section 11, by the end of Participant's taxable year following the Participant's taxable year in which the taxes that are the subject of the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation no taxes are remitted, the end of the Participant's taxable year following the Participant's taxable year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation.

12. FUNDING

The Participant shall have no right, title, or interest whatsoever in or to any assets of the Company or any investments which the Company may make to aid it in meeting its obligations under the Plan. The Participant's right to receive payments under the Plan shall be no greater than the right of an unsecured general creditor of the Company. Immediately prior to a Change in Control, the Company shall create an irrevocable grantor trust (the "*Rabbi Trust*") which shall be subject to the claims of creditors of the Company. In the event that the Participant is a Specified Employee at the time he incurs a Separation From Service or at the time the Company determines that it is reasonably likely that the Participant will incur a Separation From Service in connection with a Change in Control, then immediately upon the Participant's Separation From Service or, if earlier, the date on which the Company makes a determination that the Participant is reasonably likely to incur a Separation From Services in connection with a Change in Control, the Company shall transfer to the Rabbi Trust cash sufficient (on an undiscounted basis) to pay the cash amounts specified in Section 4.3, the estimated amount of the Gross-Up Payment to be made under Section 4.4 and the Interest Amount. The cash amounts specified in Section 4.3, the Gross-Up Payment and the Interest Amount shall be paid from the Rabbi Trust on the dates specified in Sections 4.4 and 5 herein, provided that the Company shall remain liable to pay any such amounts which for any reason are not paid from the Rabbi Trust. The trustee of the Rabbi Trust shall be a bank or trust company selected by the Company prior to the Change in Control.

13. MISCELLANEOUS

13.1 Plan Not an Employment Contract. The adoption and maintenance of the Plan is not a contract between the Company and its employees that gives any employee the right to be retained in its employment. Likewise, it is not intended to interfere with the rights of the Company to terminate an employee's employment at any time with or without notice and with or without cause or to interfere with an employee's right to terminate his employment at any time.

13.2 Alienation Prohibited. No benefits hereunder shall be subject to anticipation or assignment by a Participant, to attachment by, interference with, or control of any creditor of a Participant, or to being taken or reached by any legal or equitable process in satisfaction of any debt or liability of a Participant prior to its actual receipt by the Participant. Any attempted conveyance, transfer, assignment, mortgage, pledge, or encumbrance of the benefits hereunder prior to payment thereof shall be void.

13.3 Severability. Each provision of the Plan may be severed. If any provision is determined to be invalid or unenforceable, that determination shall not affect the validity or enforceability of any other provision.

13.4 Binding Effect. The Plan shall be binding upon any successor of the Company. Further, the Board shall not authorize a Change in Control that is a merger or a sale transaction unless the purchaser or the Company's successor agrees to take such actions as are necessary to cause all Participants to be paid or provided all benefits due under the terms of the Plan as in effect immediately prior to the Change in Control.

13.5 Settlement of Disputes Concerning Benefits Under the Plan; Arbitration. All claims by a Participant for benefits under the Plan shall be directed to and determined by the Committee and shall be in writing. Any denial by the Committee of a claim for benefits under the Plan shall be delivered to the Participant in writing within thirty (30) days after written notice of the claim is provided to the Company in accordance with Section 13.9 and shall set forth the specific reasons for the denial and the specific provisions of the Plan relied upon. The Committee shall afford a reasonable opportunity to the Participant for a review of the decision denying a claim and shall further allow the Participant to appeal to the Committee a decision of the Committee within sixty (60) days after notification by the Committee that the Participant's claim has been denied. Any further dispute or 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 shall be resolved by arbitration in accordance with the 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 unless the claims review and appeals procedures specified in this Section 13.5 have been exhausted. Within ten (10) business days of the initiation of an arbitration hereunder, the Company and the Participant will each separately designate an arbitrator, and within twenty (20) business days of selection, the appointed arbitrators will appoint a neutral arbitrator from the AAA Panel of Commercial Arbitrators. The arbitrators shall issue their written decision (including a statement of finding of facts) within thirty (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 agree that a 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 may be entered upon the award made pursuant to the arbitration.

13.6 Guaranty of Payment, Performance, and Observance by Baker Hughes. Baker Hughes hereby unconditionally guarantees to Participant the due, prompt and punctual payment, performance and observance by the Company, and its successors and assigns (collectively, the “*Obligor*”), of the Obligor’s obligations under the Plan (collectively, the “*Guaranteed Obligations*”), including, but not limited to, (i) the due, prompt and punctual payment of each and all amounts that the Company shall become obligated to pay under the Plan, as and when the same shall become due and payable hereunder, and (ii) the due, prompt and punctual performance and observance by the Company of each term, provision and condition the Company is required to perform or observe under the Plan, as and when the same shall be required to be performed or observed hereunder. In any case of the failure of the Obligor to punctually pay, perform or observe any of the Guaranteed Obligations, Baker Hughes agrees to promptly cause to be promptly paid, performed or observed such Guaranteed Obligation as and when such Guaranteed Obligation is required to be paid, performed or observed. Baker Hughes agrees that its obligations hereunder shall be as if it were the principal obligor and not merely a surety, and shall be absolute and unconditional, irrespective of, and shall be unaffected by, any invalidity, irregularity or unenforceability of any provision of the Plan, or any waiver, modification or indulgence granted to the Obligor with respect thereto, by the Participant, or any other circumstance that may otherwise constitute a legal or equitable discharge of a surety or guarantor. Baker Hughes hereby waives diligence, presentment, demand, any right to require a proceeding first against the Obligor, and all demands whatsoever, and covenants that its obligations under the Plan will not be discharged except by payment, performance and observance in full of all of the Guaranteed Obligations. The agreements of Baker Hughes hereunder shall inure to the benefit of and be enforceable by Participant’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

13.7 No Mitigation. The Company agrees that if the Participant’s employment with the Company terminates during the Term of the Plan, the Participant is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Participant by the Company pursuant to the Plan. Further, except as expressly provided otherwise herein, the amount of any payment or benefit provided for in the Plan (other than Section 4.3(f)) shall not be reduced by any compensation earned by the Participant as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Participant to the Company, or otherwise.

13.8 Other Amounts Due. Except as expressly provided otherwise herein, the payments and benefits provided for in the Plan are in addition to and not in lieu of amounts and benefits that are earned by a Participant prior to his Termination of Employment. The Company shall pay a Participant any compensation earned through the Employment Termination Date but not previously paid the Participant. Further the Participant shall be entitled to any other amounts or benefits due the Participant in accordance with any contract, plan, program or policy of the

Company or any of its Affiliates. Amounts that the Participant is entitled to receive under any plan, program, contract or policy of the Company or any of its Affiliates at or subsequent to the Participant's Termination of Employment shall be payable or otherwise provided in accordance with such plan, program, contract or policy, except as expressly modified herein.

13.9 Notices. For the purpose of the Plan, notices and all other communications provided for in the Plan shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, if to the Participant, to the residential address listed on the Participant's notification of participation and, if to the Company, to 2929 Allen Parkway, Suite 2100; Houston, Texas 77019; Attention: General Counsel, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt.

13.10 Governing Law. All provisions of the Plan shall be construed in accordance with the laws of Texas, except to the extent preempted by federal 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.

13.11 Compliance With Section 409A. It is intended that the Plan shall comply with Section 409A. The provisions of the Plan shall be interpreted and administered in a manner that complies with Section 409A. The provisions of the Plan dealing with Section 409A reflect the manner in which the Plan has been operated in good faith compliance with Section 409A since January 1, 2005.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer this 18th day of December, 2008, effective as of January 1, 2009.

BAKER HUGHES INCORPORATED

By: /s/ Didier Charreton
Title: Vice President, Human Resources

INTERNATIONAL SUPPLEMENT

1. **General.** The provisions of this Supplement apply to individuals who are Non-US Employees (as defined below). The provisions of the Plan apply to Non-US Employees, except to the extent this Supplement modifies the provisions of the Plan.

The purpose of this Supplement is to provide for severance benefits for Non-US Employees in the event of a Termination of Employment.

Capitalized terms used in this Supplement which are defined in the Plan have the same meaning in this Supplement unless such terms are defined differently for purposes of this Supplement. The definition of terms defined in this Supplement apply only to this Supplement and not to other parts of the Plan.

2. **Definitions.** Section 2.1 of the Plan is modified to add the following definitions to read as follows:

“**Non-US Employee**” means an individual (i) employed in the services of the Company on the active payroll where the operations or principal place of business of the individual’s employment is located outside of the United States and (ii) who is also an executive salary grade system employee (under the Company’s then current payroll system categories), or any comparable executive designations in any system that replaces such salary grade system. Notwithstanding the foregoing, the Committee may from time to time designate other individuals who may be eligible to participate in the Plan.

“**Non-US Participant**” means a Non-US Employee who is eligible to participate in the Plan.

3. **References.** References in the Plan to “*Employees*” and “*Participants*” are deemed to be references to “*Non-US Employees*” and “*Non-US Participants*,” respectively.

4. **Benefits.**

Section 4.3 shall be modified in the first paragraph to read as follows:

“Upon the occurrence of a Change in Control, the Company shall provide a Non-US Participant who has satisfied the eligibility requirements of Section 3 such severance benefits under the Plan as the Committee determines in accordance with the provisions of Exhibit A, taking into consideration any prohibitions or restrictions and any statutorily mandated severance benefits applicable to the Non-US Participant, with the intent of providing the Non-US Participant benefits that are generally comparable to the benefits provided to Participants under the Plan. It is the express intent of the Company that any benefits paid to a Non-US Participant under this Supplement and the Plan will be in lieu of any statutorily-mandated severance benefits (or other employment termination related benefits), including, but not limited to, gratuity and similar benefits.

**BAKER HUGHES INCORPORATED
CHANGE IN CONTROL SEVERANCE PLAN**

SCHEDULE OF POST-TERMINATION OF EMPLOYMENT BENEFITS

The benefits described in this Schedule are summaries only. Each benefit is fully described in the Plan. In the event of a conflict between the provisions of the Plan and this Exhibit A, the terms of the Plan shall govern.

<u>Benefit</u>	<u>Details of Benefit</u>
1. Severance Payment Based Upon Base Compensation	
Level 1	3 years (equivalent of 36 months) of Highest Base Compensation
Level 2	2 years (equivalent of 24 months) of Highest Base Compensation
2. Severance Payment Based Upon Bonuses	
	Based on the "Expected Value" (EV) target percentage under the Participant's Bonus for the Termination of Employment year prorated to the Participant's Employment Termination Date, plus an additional sum which is the product of:
	(A) EV target percentage under the Participant's Bonus for the Termination of Employment year, multiplied by
	(B) Participant's Highest Base Compensation, and multiplied by either
Level 1	(C) 3
Level 2	2
3. Outplacement	
Level 1	\$30,000
Level 2	\$20,000

Benefit

Details of Benefit

4. Performance Awards

Equity based performance awards are immediately vested and exercisable and all conditions thereof are deemed satisfied.

5. Lost Benefits Under Pension, Thrift and Supplemental Retirement Plans

An amount equal to the undiscounted value of the employer-provided accruals and credits the Participant would have earned under the Pension Plan, the Thrift Plan and the Supplemental Retirement Plan for the following period after the Participant's Employment Termination Date had he continued to participate thereunder:

Level 1 3 years
Level 2 2 years

6. Accident and Health Insurance

Coverage for the following time period:

Level 1 36 months
Level 2 24 months

7. Life Insurance

An amount equal to the monthly premium amount for the basic life insurance coverage the Participant had at his Employment Termination Date multiplied by the following:

Level 1 36 months
Level 2 24 months

8. Perquisites

An amount equal to (i) the cost of the Participant's Perquisites for the remainder of the calendar year in which the Employment Termination Date occurs and (ii) the cost of the Participant's Perquisites for the following additional time period:

Level 1 36 months
Level 2 24 months

Benefit

9. Tax Gross-up Payment

Details of Benefit

An amount such that after the payment of (i) any Excise Taxes due on the Benefits and other benefits or payments, (ii) any federal, state and local income and employment taxes on the Benefits, and (iii) any Excise Tax on the Gross-Up Payment benefit, the net amount retained by the Participant shall be equal to the gross amount of the Benefits prior to such deductions.

10. Legal Fees

Legal fees and expenses incurred by the Participant (i) in disputing in good faith any issue relating to the Participant's termination of employment, (ii) in seeking in good faith to obtain or enforce any Benefit or right provided under the Plan, or (iii) in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to the payment of the Benefits or other benefits or payments.

AMENDMENT TO INDEMNIFICATION AGREEMENT

This Amendment to Indemnification Agreement (this "Agreement"), is entered into between BAKER HUGHES INCORPORATED, a Delaware corporation (the "Company"), and _____ (the "Indemnitee") effective as of January 1, 2009.

WITNESSETH:

WHEREAS, the Company and the Indemnitee previously entered into an Indemnification Agreement dated _____(the "Indemnification Agreement"); and

WHEREAS, the Company and the Indemnitee desire to amend the Indemnification Agreement to bring the Indemnification Agreement into documentary compliance with section 409A of the Internal Revenue Code of 1986, as amended and the rules and regulations issued thereunder by the Internal Revenue Service and the Department of Treasury.

Now, therefore, it is hereby agreed that effective as of January 1, 2009, the Indemnification Agreement is amended by adding thereto the following new Section 29:

29. Compliance With Section 409A. Notwithstanding any other provision of this Agreement, to the extent that any payment hereunder is not exempt from section 409A of the Internal Revenue Code of 1986, as amended (the "Code") pursuant to the application of Department of Treasury Regulation Section 1.409A-1(b)(10) or other applicable exemption (a "409A Payment") the following provisions of this Section 29 shall apply with respect to such 409A Payment. The Company shall make a 409A Payment due under this Agreement at the time specified above in this Agreement. The parties intend and agree that such payment deadline is not to be extended as a result of the following sentence which is included solely for the purpose of complying with Section 409A. The Company shall make a 409A Payment by the last day of the taxable year of the Indemnitee or the spouse of the Indemnitee, as applicable, following the taxable year in which such legal fees and expenses were incurred. The legal fees or expenses that are subject to reimbursement pursuant to this Agreement shall not be limited as a result of when the fees or expenses are incurred. The amounts of legal fees or expenses that are eligible for reimbursement pursuant to this Agreement during a given taxable year of the Indemnitee or the spouse of the Indemnitee, as applicable, shall not affect the amount of expenses eligible for reimbursement in any other taxable year. The right to reimbursement pursuant to this Agreement is not subject to liquidation or exchange for another benefit.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of January 1, 2009.

BAKER HUGHES INCORPORATED

By: _____
Title: Chairman, President & CEO
Date: _____

Date: _____

**FIRST AMENDMENT TO
BAKER HUGHES INCORPORATED
DIRECTOR COMPENSATION DEFERRAL PLAN
(As Amended and Restated Effective January 1, 2009)**

THIS AGREEMENT by Baker Hughes Incorporated (the "*Company*"),

W I T N E S S E T H:

WHEREAS, the Company sponsors the Baker Hughes Incorporated Supplemental Retirement Plan (the "*Plan*"); and

WHEREAS, pursuant to Section 14.04 of the Plan, the Company has the right to amend the Plan; and

WHEREAS, the Company desires to amend the Plan;

NOW, THEREFORE, the Company agrees that, effective January 1, 2009, the Plan is amended by adding thereto the following new Section 8.7 which shall provide as follows:

8.7 Discretion to Select Payment Year. The distributions under Sections 8.3, 8.4 and 8.5 shall in any event be made within 90 days after the Participant incurs an Unforeseeable Financial Emergency, incurs a Disability, or dies, as applicable. Neither the Participant nor the beneficiary of the Participant shall be permitted to elect the taxable year in which any payment under Section 8.3, 8.4 or 8.5 shall be made.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on the 18th day of December, 2008.

BAKER HUGHES INCORPORATED

By: /s/ Didier Charreton

Title: Vice President, Human Resources

**FIRST AMENDMENT TO
BAKER HUGHES INCORPORATED SUPPLEMENTAL RETIREMENT PLAN
(As Amended and Restated Effective January 1, 2009)**

THIS AGREEMENT by Baker Hughes Incorporated (the “*Company*”),

W I T N E S S E T H:

WHEREAS, the Company sponsors the Baker Hughes Incorporated Supplemental Retirement Plan (the “*Plan*”); and

WHEREAS, pursuant to Section 14.04 of the Plan, the Company has the right to amend the Plan; and

WHEREAS, the Company desires to amend the Plan;

NOW, THEREFORE, the Company agrees that, effective January 1, 2009, Section 8.02 of the Plan is amended by adding at the end thereof the following sentences:

A distribution under this Section 8.02 shall in any event be made within 90 days after the Participant incurs an Unforeseeable Financial Emergency. The Participant shall not be permitted to elect the taxable year in which any payment under this Section 8.02 shall be made.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on the 18th day of December, 2008.

BAKER HUGHES INCORPORATED

By: /s/ Didier Charreton

Title: Vice President, Human Resources

**FIRST AMENDMENT TO
BAKER HUGHES INCORPORATED
ANNUAL INCENTIVE COMPENSATION PLAN
(As Amended and Restated on February 20, 2008)**

THIS AGREEMENT by Baker Hughes Incorporated (the "*Company*"),

W I T N E S S E T H:

WHEREAS, the Company sponsors the Baker Hughes Incorporated Annual Incentive Compensation Plan as amended and restated on February 20, 2008 (the "*Plan*"); and

WHEREAS, pursuant to Section 13.05 of the Plan, the Company has the right to amend the Plan; and

WHEREAS, the Company desires to amend the Plan;

NOW, THEREFORE, the Company agrees that, effective January 1, 2009, Section 10.04 of the Plan is completely amended and restated to provide as follows:

10.04 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 10.04), a Participant shall be entitled to receive the payment described in Section 10.03 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 10.04 unless a Change in Control actually occurs during the Performance Period.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on the 18th day of December, 2008.

BAKER HUGHES INCORPORATED

By: /s/ Didier Charreton

Title: Vice President, Human Resources

BAKER HUGHES INCORPORATED

TERMS AND CONDITIONS

OF

AWARD AGREEMENTS

(January 25, 2006)

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 1.4 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 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 Employer 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 the Target Value set forth in the Agreement of a Performance Unit, (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 day you become permanently disabled, 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 ten (10) business days after the date you become permanently disabled. 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. For purposes of this Section 1.2, 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.

- 1.3 **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 Employer will pay to your estate 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 the Target Value set forth in the Agreement of a Performance Unit, (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 of your death, and (4) is the number of days during the Performance Period. Any amount payable to your estate pursuant to this Section 1.3 will be paid to your estate by the Employer ten (10) business days after the date of your death. 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.

1.4 **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 day before 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 1.4 will be paid on March 13, 2009. For purposes of this Section 1.4, the term "*Retirement*" means the voluntary termination of your employment relationship with the Company Group on or after the date on which the sum of your age and years of service with the Company Group equals 65.

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 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 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.** 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.
11. **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 term “*you*” and “*your*” refer to the Awardee 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.
12. **409A AMENDMENT.** Effective January 25, 2006, the Compensation Committee of the Board of Directors of the Company adopted this amendment to the Terms and Conditions of Award Agreements (January 25, 2006) applicable to Performance Unit Awards granted in 2006.

BAKER HUGHES INCORPORATED

TERMS AND CONDITIONS

OF

AWARD AGREEMENTS

(January 24, 2007)

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 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 Last Day of the Performance Period. If (a) the Company Group terminates your employment without Cause on or before the last day of the Performance Period 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 last day of the Performance Period 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 Employer (whether or not a Change in Control ever 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 day before the date your employment relationship with the Company Group terminates as described in this Section 1.2(i), and (4) is the number of days during the Performance Period. Any

amount payable to you pursuant to this Section 1.2(i) will be paid by the Company to you ten (10) business days after 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. 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. 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 Last Day of the Performance Period. 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 day before 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(ii) 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, or (b) on March 12, 2010, 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 Employer 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 day you become permanently disabled, and (4) is the number of days during the Performance Period. Any amount payable to you pursuant to this Section 1.3 will be paid by the Company to you ten (10) business days after the date you become permanently disabled. 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. 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 Employer will pay to your estate 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 of your death, and (4) is the number of days during the Performance Period. Any amount payable to your estate pursuant to this Section 1.4 will be paid to your estate by the Employer ten (10) business days after the date of your death. 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 day before 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 March 12, 2010. 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 the sum of your age and years of service with the Company Group equals 65.

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 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 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.
11. **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 term "*you*" and "*your*" refer to the Awardee 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.
12. **409A AMENDMENT.** Effective January 24, 2007, the Compensation Committee of the Board of Directors of the Company adopted this amendment to the Terms and Conditions of Award Agreements (January 24, 2007) applicable to Performance Unit Awards granted in 2007.