AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 29, 1996
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

NATIONAL-OILWELL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	5084	76-0475815
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

5555 SAN FELIPE
HOUSTON, TEXAS 77056
(713) 960-5100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

PAUL M. NATION
VICE PRESIDENT AND GENERAL COUNSEL
NATIONAL-OILWELL, INC.
5555 SAN FELIPE
HOUSTON, TEXAS 77056
(713) 960-5100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

JOHN S. WATSON
VINSON & ELKINS L.L.P.
2300 FIRST CITY TOWER, 1001 FANNIN
HOUSTON, TEXAS 77002-6760
(713) 758-2222

JAMES M. PRINCE
ANDREWS & KURTH L.L.P.
4200 TEXAS COMMERCE TOWER, 600 TRAVIS
HOUSTON, TEXAS 77002
(713) 220-4200

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

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* Information contained herein is subject to completion or amendment. A *
* registration statement relating to these securities has been filed *
* with the Securities and Exchange Commission. These securities may not *
* be sold nor may offers to buy be accepted prior to the time the *
* registration statement becomes effective. This prospectus shall not *
* constitute an offer to sell or the solicitation of an offer to buy *
* nor shall there be any sale of these securities in any state in which *
* such offer, solicitation or sale would be unlawful prior to *
* registration or qualification under the securities laws of any such *
* state. *
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SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED AUGUST 29, 1996

PROSPECTUS

4,000,000 SHARES

[NATIONAL OILWELL LOGO]

NATIONAL-OILWELL, INC.
COMMON STOCK

All 4,000,000 shares of common stock, par value $.01 per share (the "Common Stock"), offered hereby (the "Offering") are being sold by National-Oilwell, Inc. (the "Company"). The initial public offering price is expected to be between $ and $ per share.

Prior to the Offering, there has been no public market for the Common Stock of the Company. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price.

The Company intends to make application to list the Common Stock on the New York Stock Exchange under the proposed symbol "NAT."

SEE "RISK FACTORS" BEGINNING ON PAGE 8 FOR A DISCUSSION OF CERTAIN CONSIDERATIONS RELEVANT TO AN INVESTMENT IN THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO COMPANY(2)
Per Share	$	$	$
Total(3)	$	$	$

(1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(2) Before deducting expenses payable by the Company estimated at $700,000.

(3) The Company has granted to the several Underwriters an option, exercisable within 30 days after the date of this Prospectus, to purchase up to an additional 600,000 shares of Common Stock at the Price to Public, less Underwriting Discount, solely to cover over-allotments, if any. If such option is exercised in full, the Price to Public, Underwriting Discount and Proceeds to Company will be $, $ and $, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares of Common Stock will be made in New York, New York, on or about , 1996.

MERRILL LYNCH & CO.

GOLDMAN, SACHS & CO.

SIMMONS & COMPANY
INTERNATIONAL

The date of this Prospectus is , 1996.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Unless otherwise indicated, the information in this Prospectus assumes (i) exercise of the Warrant to purchase 282,392 shares of Common Stock and, assuming an initial public offering price of $ per share, (ii) all outstanding shares of the Company's Class A Common Stock are converted into 1,902,543 shares of Common Stock on the effective date of the Registration Statement of which this Prospectus is a part and (iii) the issuance of 340,926 shares of Common Stock in connection with the Company's Value Appreciation Plans. Prospective purchasers of the Common Stock should carefully read this entire Prospectus and should consider, among other things, the matters set forth under "Risk Factors." Unless otherwise indicated, all information relating to the Company contained in this Prospectus assumes the over-allotment option described under "Underwriting" is not exercised. Certain capitalized terms which are used but not defined in this summary are defined elsewhere in this Prospectus.

THE COMPANY

National-Oilwell, Inc. (the "Company") is a worldwide leader in the design, manufacture and sale of machinery and equipment and in the distribution of maintenance, repair and operating ("MRO") products used in oil and gas drilling and production. The Company designs, manufactures and sells drawworks, mud pumps and power swivels (also known as "top drives"), which are the major mechanical components of rigs used to drill oil and gas wells. Many of these components are designed specifically for applications in offshore, extended reach and deep land drilling. These components are installed on new drilling rigs and used in the upgrade, refurbishment and repair of existing drilling rigs. A significant portion of the Company's business includes the sale of replacement parts for its own manufactured machinery and equipment. The Company estimates that approximately 65% of the mobile offshore rig fleet and the majority of the world's larger land rigs (2,000 horsepower and greater) operating today utilize drilling machinery manufactured by the Company. In addition, the Company manufactures and sells a complete line of centrifugal and reciprocating pumps used in oilfield and industrial applications.

The Company provides distribution services through its network of 113 distribution service centers located near major drilling and production activity worldwide, but principally in the United States and Canada. These distribution service centers have historically provided MRO products, including valves, fittings, flanges, replacement parts and miscellaneous expendable items. As oil and gas companies and drilling contractors have refocused on their core competencies and emphasized efficiency initiatives to reduce costs and capital requirements, the Company's distribution services have evolved to offer outsourcing and alliance arrangements that include comprehensive procurement, inventory management and logistics support. These arrangements have resulted in the Company working more closely with its customers in return for a more exclusive oilfield distribution arrangement.

The Company's business is dependent on and affected by the level of worldwide oil and gas drilling and production activity, the aging worldwide rig fleet which was generally constructed prior to 1982, and the profitability and cash flow of oil and gas companies and drilling contractors. Drilling activity has recently increased in the offshore and deeper land markets both of which are particularly well served by the drilling machinery and equipment manufactured by the Company. As of June 30, 1996, the worldwide offshore mobile drilling rig utilization rate was over 90% and the number of active U.S. land rigs had increased approximately 15% compared to June 30, 1995. As drilling activity has increased, the Company has experienced increased demand for its manufactured products and distribution services as existing rigs are upgraded, refurbished and repaired, new rigs are constructed and expendable parts are used.

The Company's oilfield equipment business and distribution services business accounted for 56% and 44%, respectively, of the combined earnings before interest, taxes, depreciation and amortization ("EBITDA") for the six months ended June 30, 1996.

BUSINESS STRATEGY

Beginning in 1993, a new executive and operating team was assembled to manage the Company's business. In January 1996, that new management team, together with an investor group led by The Inverness Group Incorporated and First Reserve Corporation, purchased the business of the Company from its former owners, USX Corporation and Armco Inc. Since 1993, the business strategy of the Company has been to enhance its operating performance and build a platform for growth by focusing on markets in which its product lines are market leaders and which are believed by management to provide the most significant growth potential. As part of that strategy, the Company disposed of certain of its non-core equipment manufacturing businesses and product lines and reengineered its distribution business during the years 1993 through 1995. Since the completion of the redirection of the Company's business in 1995, the Company's performance has improved substantially, with EBITDA before special items increasing from $6.2 million for the six months ended June 30, 1995 to $15.3 million for the six months ended June 30, 1996.

The Company's current business strategy is to enhance its leading market positions and operating performance by:

Leveraging Its Market Leading Installed Base. The Company estimates that approximately 65% of the mobile offshore drilling rigs and the majority of the world's larger land drilling rigs operating today use drilling machinery manufactured by the Company. The Company believes this installed base and its reputation for performance and reliability present substantial opportunities to capture a significant portion of the increased level of expenditures by its customers for the construction of new drilling rigs as well as the upgrade and refurbishment of existing drilling rigs.

Capitalizing on Increasing Demand for Higher Horsepower Drilling Machinery. The Company believes the advanced age of the existing fleet of drilling rigs, coupled with increasing drilling activity involving greater water depths and extended reach, will increase the demand for new drilling rig construction and the upgrading and capacity enhancement of existing rigs. The Company's higher horsepower drawworks, mud pumps and power swivels provide, in many cases, the largest capacities currently available in the industry.

Building on Distribution Strengths. The Company has developed and implemented integrated information and process systems that are designed for more effective procurement, inventory management and logistics activities. A critical element of the Company's strategy has been to regionally centralize its procurement, inventory and logistics operations, thus gaining cost and inventory utilization efficiencies while retaining its responsiveness to local markets. In addition, the strategic integration of the Company's distribution expertise, extensive distribution network and growing base of customer alliances provides an increased opportunity for cost effective marketing of the Company's manufactured equipment.

Capitalizing on Alliance/Outsourcing Trends. As a result of efficiency initiatives, oil and gas companies and drilling contractors are frequently seeking alliances with suppliers, manufacturers and service providers, or outsourcing their procurement, inventory management and logistics requirements for equipment and supplies in order to achieve cost and capital improvements. The Company has entered into and is seeking alliance arrangements to better serve its customers, to better manage its own inventory, to increase the volume and scope of products sold to the customer without significantly increasing the Company's overhead costs, and to expand marketing opportunities to sell equipment manufactured by the Company. The Company believes that it is well positioned to provide broad procurement, inventory management and other services as a result of the Company's (i) large and geographically diverse network of distribution service centers in major oil and gas producing areas, (ii) purchasing leverage due to the volume of products sold, (iii) breadth of available product lines and (iv) information systems that offer customers enhanced online and onsite services.

The Company is a Delaware corporation whose principal executive offices are located at 5555 San Felipe, Houston, Texas 77056, and its telephone number is (713) 960-5100. References herein to the Company refer to the predecessor partnership for periods prior to January 1, 1996 and to National-Oilwell, Inc. for subsequent periods.

THE OFFERING

Common Stock Offered by the Company.....	4,000,000 shares
Common Stock to be Outstanding After the Offering.....	17,590,409 shares(1)
Use of Proceeds.....	To repay certain outstanding indebtedness, essentially all of which was incurred to fund the acquisition of the Company, and for other general corporate purposes. See "Use of Proceeds."
Proposed New York Stock Exchange Symbol.....	"NAT"

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(1) Subject to adjustment based on the initial public offering price as described in "Management -- Employee Benefit Plans and Arrangements" and "Description of Capital Stock -- Common Stock."

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL INFORMATION AND OTHER DATA

The summary historical consolidated financial data presented below for the three years ended December 31, 1995 is derived from the audited consolidated financial statements of the Company. The summary consolidated financial information as of June 30, 1996 and for the six months ended June 30, 1996 and 1995 is derived from the Company's unaudited consolidated financial statements which, in the opinion of management, include all adjustments, consisting only of normal recurring accruals and adjustments, necessary for the fair presentation of the financial data for such periods.

The summary unaudited pro forma consolidated financial information is derived from the Unaudited Pro Forma Condensed Consolidated Financial Statements of the Company included elsewhere in this Prospectus. The unaudited pro forma consolidated financial data give effect to (i) the pro forma effect of completion of the Acquisition and (ii) the adjusted pro forma effect of completion of the Offering and the application of the estimated net proceeds therefrom as described elsewhere in this Prospectus. The pro forma financial data is not necessarily indicative of actual results of operations that would have occurred during those periods and is not necessarily indicative of future results of operations. The summary consolidated financial information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements of the Company and related Notes thereto and the Unaudited Pro Forma Condensed Consolidated Financial Statements and related Notes thereto included elsewhere in this Prospectus.

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,			
	1996	1995	PRO FORMA 1995	1995	1994	1993
	(UNAUDITED)		(UNAUDITED)			
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					
STATEMENT OF OPERATIONS DATA:						
Revenues	$294,643	$266,443	$545,803	$545,803	$562,053	$627,281
Cost of revenues	254,556	231,556	474,791	474,791	482,423	547,401
Gross profit	40,087	34,887	71,012	71,012	79,630	79,880
Selling, general and administrative	26,681	30,903	57,231	57,231	64,422	79,391
Special charges (credits)(1)	--	(7,500)	(8,458)	(8,458)	(13,916)	8,565
Operating income (loss)	13,406	11,484	22,239	22,239	29,124	(8,076)
Interest expense -- net	(6,418)	(1,063)	(5,631)	(1,261)	(4,731)	(7,276)
Other income (expense)	(321)	161	(1,563)	(1,401)	528	(240)
Income (loss) before taxes	6,667	10,582	15,045	19,577	24,921	(15,592)
Provision for income taxes(2)	2,667	1,204	5,523	1,937	1,041	1,871
Net income (loss)	$ 4,000	$ 9,378	$ 9,522	$ 17,640	$ 23,880	$(17,463)
Net income per share(3)	$ .30		$ .54			
Common shares outstanding(3)(4)	13,249		17,590			
OTHER DATA:						
EBITDA before special items(5)	$ 15,309	$ 6,156	$ 17,376	$ 17,376	$ 21,235	$ 11,210
Depreciation and amortization	1,903	2,172	3,595	3,595	6,027	10,721
Capital expenditures	849	2,031	4,764	4,764	3,604	1,967

	AS OF JUNE 30, 1996	
	HISTORICAL	AS ADJUSTED(6)
BALANCE SHEET DATA (UNAUDITED):		
Working capital	$125,580	$130,376
Total assets	259,481	258,843
Long-term debt, less current maturities	118,688	62,243
Stockholders' equity	33,982	88,018

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(1) In 1995 and 1994, the Company recorded gains from the sales of certain non-core equipment manufacturing businesses, product lines and assets, net of other costs. In 1993, the Company recorded charges primarily related to the disposal of a product line. See Note 10 to the Consolidated Financial Statements included elsewhere in this Prospectus.

(2) Prior to January 1, 1996, the Company was a general partnership and therefore not subject to U.S. federal and state income taxes. See Note 9 to the Consolidated Financial Statements included elsewhere in this Prospectus.

(3) Historical net income (loss) per share and common shares outstanding are not presented for periods prior to January 1, 1996 because the Company was a general partnership during these periods.

(4) Common shares outstanding assumes all outstanding shares of Class A Common Stock are converted into 1,902,543 shares of Common Stock (assuming an initial public offering price of $ per share) in connection with the Offering. In addition, the 1995 pro forma shares outstanding includes an additional 340,926 shares (assuming an initial public offering price of $ per share) issuable under the Value Appreciation Plans and 4,000,000 shares sold in connection with the Offering.

(5) EBITDA before special items means operating income (loss) plus depreciation and amortization plus special charges (credits) and is a supplemental financial measurement used by the Company in the evaluation of its business. EBITDA before special items is not intended to represent cash flow, an alternative to net income or any other measure of performance in accordance with generally accepted accounting principles. Reference is made to the Consolidated Statements of Cash Flows contained in the Consolidated Financial Statements of the Company included elsewhere in this Prospectus for a complete presentation of cash flows from operating, investing and financing activities prepared in accordance with generally accepted accounting principles.

(6) Gives effect to the Offering and application of the assumed net proceeds described under "Use of Proceeds." Also reflects the Offering related adjustments described on the Unaudited Pro Forma Condensed Consolidated Balance Sheet.

RISK FACTORS

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating the Company and its business before purchasing shares of the Common Stock offered hereby.

MARKET CONDITIONS AND OIL AND GAS PRICES

The Company's business is substantially dependent upon the condition of the oil and gas industry and the industry's willingness to explore for and produce oil and gas. The degree of such willingness is generally dependent upon the prevailing view of future product prices, which are influenced by numerous factors affecting the supply and demand for oil and gas, including the level of drilling activity, worldwide economic activity, interest rates and the cost of capital, environmental regulation, tax policies, political requirements of national governments, coordination by the Organization of Petroleum Exporting Countries ("OPEC") and the cost of producing oil and gas. Oil and gas prices and activity have been characterized by significant volatility over the last twenty years. Since 1986, domestic spot oil prices (West Texas Intermediate) have ranged from a low of approximately $11 per barrel in July 1986 to a high of approximately $40 per barrel in October 1991; domestic spot gas prices (Henry Hub) have ranged from a low of approximately $0.90 per mcf of gas in January 1992 to a high of approximately $2.69 per mcf in June 1996. These price changes have caused numerous shifts in the strategies of oil and gas companies and drilling contractors and their expenditure levels and patterns, particularly with respect to decisions to purchase major capital equipment of the type manufactured by the Company. No assurance can be given as to the future price levels of oil and gas or the volatility thereof or that the future price of oil and gas will be sufficient to support current levels of exploration and production-related activities. Similarly, while the Company believes that offshore drillers have recently experienced much higher demand for and cash flow from their services, any significant reduction in demand for drilling services, in cash flows of drilling contractors or in rig utilization rates below current levels could result in a drop in demand for products manufactured and sold by the Company. See "Business -- General."

COMPETITION

The oilfield products and services industry is highly competitive. The Company's revenues and earnings can be affected by competitive actions such as price changes, introduction of new products or improved availability and delivery. Over the last several years the market for oilfield services and equipment has experienced overcapacity which has resulted in increased price competition in many areas of the Company's business. The Company competes with a large number of companies, some of which may offer more technologically advanced products or possess greater financial resources than the Company. See "Business -- Oilfield Equipment" and "Business -- Distribution Services."

POTENTIAL PRODUCT LIABILITY AND WARRANTY CLAIMS

Certain products of the Company are used in potentially hazardous drilling, completion and production applications that can cause personal injury or loss of life, damage to property, equipment or the environment and suspension of operations. The Company maintains insurance coverage in such amounts and against such risks as it believes to be in accordance with normal industry practice. Such insurance does not, however, provide coverage for all liabilities (including liabilities for certain events involving pollution), and there can be no assurance that such insurance will be adequate to cover all losses or liabilities that may be incurred by the Company in its operations. Moreover, no assurance can be given that the Company will, in the future, be able to maintain insurance at levels it deems adequate and at rates it considers reasonable or that any particular types of coverage will be available. Litigation arising from a catastrophic occurrence at a location where the Company's equipment and services are used may in the future result in the Company's being named as a defendant in product liability or other lawsuits asserting potentially large claims. The Company is a party to various legal and administrative proceedings which have arisen from ongoing and discontinued operations. Although no assurance can be given with respect to the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have on the Company, management believes

that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for, should not have a material adverse effect on the Company's consolidated financial position. See "Business -- Operating Risks and Insurance" and "Business -- Legal Proceedings."

GOVERNMENTAL REGULATION AND ENVIRONMENTAL MATTERS

Many aspects of the Company's operations are affected by political developments and are subject to both domestic and foreign governmental regulation, including those relating to oilfield operations, worker safety and the protection of the environment. In addition, the Company depends on the demand for its services from the oil and gas industry and, therefore, is affected by changing taxes, price controls and other laws and regulations relating to the oil and gas industry generally. The adoption of laws and regulations curtailing exploration for or production of oil and gas for economic or other policy reasons could adversely affect the Company's operations. The Company cannot determine the extent to which its future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations. See "Business -- Governmental Regulation and Environmental Matters."

The Company's operations are affected by numerous foreign, federal, state and local environmental laws and regulations. The technical requirements of these laws and regulations are becoming increasingly expensive, complex and stringent. These laws may impose penalties or sanctions for damages to natural resources or threats to public health and safety. Such laws and regulations may also expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company that were in compliance with all applicable laws at the time such acts were performed. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for joint and several liability for remediation of spills and releases of hazardous substances. In addition, companies may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources. See "Business -- Governmental Regulation and Environmental Matters."

FOREIGN OPERATIONS

Certain of the Company's revenues result from the sale of products to customers for ultimate destinations in the Middle East, Africa and other international markets and are subject to risks of instability of foreign economies and governments. Furthermore, the Company's sales can be affected by laws and regulations limiting exports to particular countries.

The Company attempts to limit its exposure to foreign currency fluctuations by limiting the amount of sales denominated in currencies other than United States dollars, Canadian dollars and British pounds. The Company has not engaged in and does not currently intend to engage in any significant hedging or currency trading transactions designed to compensate for adverse currency fluctuations among those or any other foreign currencies. See "Business -- Oilfield Equipment" and "Business -- Distribution Services."

NO PRIOR MARKET FOR THE COMMON STOCK; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to the Offering there has been no public market for the Common Stock. There can be no assurance that an active public market for the Common Stock will develop upon completion of the Offering or, if developed, that such market will be sustained. The initial public offering price of the Common Stock will be determined through negotiations between the Company and the representatives of the Underwriters and may bear no relationship to the market prices of the Common Stock after the Offering. Prices for the Common Stock after the Offering may be influenced by a number of factors, including the liquidity of the market for the Common Stock, investor perceptions of the Company and the oil and gas industry and general economic and other conditions. Sales of substantial amounts of Common Stock in the public market subsequent to the Offering could adversely affect the market price of the Common Stock. For information relating to the factors to be considered in determining the initial public offering price, see "Underwriting."

SHARES ELIGIBLE FOR FUTURE SALE

Upon consummation of the Offering, the 4,000,000 shares of Common Stock offered hereby will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended (the "Securities Act"), except for shares sold by persons deemed to be "affiliates" of the Company or acting as "underwriters," as those terms are defined in the Securities Act. The 1,168,310 shares of Common Stock beneficially owned by Duff & Phelps/Inverness LLC which were issued on July 15, 1995 are restricted from resale pursuant to Rule 144 under the Securities Act until after July 15, 1997. The remaining shares of Common Stock held by the Company's existing stockholders were issued in 1996 and are restricted from resale pursuant to Rule 144 until various dates in 1998. The holders of approximately 9,287,046 shares of Common Stock (assuming an initial public offering price of $ per share) will have demand registration rights following the expiration of 180 days after the completion of the Offering. The parties to the Stockholders Agreement have waived their registration rights with respect to a Registration Statement filed by the Company with respect to the Offering. See "Certain Transactions -- Stockholders Agreement." The Company, its executive officers and directors and all existing stockholders of the Company have agreed not to offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, pledge, or otherwise dispose of or transfer any shares of Common Stock, with certain exceptions, for a period of 180 days commencing on the date of this Prospectus without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") as representative of the Underwriters. Future sales of shares of Common Stock by existing stockholders and future option holders could adversely affect the market price of the Common Stock. See "Shares Eligible for Future Sale" and "Underwriting."

CREDIT FACILITY RESTRICTIONS; ASSET ENCUMBRANCES

The Company will enter into a new five-year Senior Secured Revolving Credit Facility (the "New Credit Facility") with General Electric Capital Corporation ("GE Capital") effective as of the closing of the Offering. The New Credit Facility provides for a $120 million revolving loan ("the Revolver"), of which $25 million may be used for letters of credit. The Revolver is subject to a borrowing base limitation of 60% of eligible inventory plus 85% of eligible accounts receivable which would have totaled $108.7 million as of June 30, 1996. In connection with an acquisition during the first three years of the Revolver term, the Company can convert a total of $20 million of the Revolver availability to a term note that would mature contemporaneously with the Revolver. The New Credit Facility is secured by substantially all of the Company's assets and contains certain financial covenants and ratios as well as a limitation on dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

DIVIDENDS

The Company's board of directors does not currently anticipate authorizing the payment of dividends in the foreseeable future. In addition, the payment of dividends is limited by the terms of the Company's New Credit Facility. See "Dividend Policy."

DILUTION

Investors in the Common Stock offered hereby will experience immediate and substantial dilution in net tangible book value per share of $12.43 (assuming an initial public offering price of $ per share). See "Dilution."

CERTAIN ANTI-TAKEOVER PROVISIONS

The Company's Amended and Restated Certificate of Incorporation and Bylaws contain certain provisions which may have the effect of delaying, deferring or preventing a change in control of the Company, including a classified board of directors, the removal of directors from office only for cause, the prohibition of stockholder action by written consent, advance notice requirements respecting stockholder nominations for

director or any other matter, the number of directors being set by the board of directors, super majority voting provisions respecting amendments to the Company's Amended and Restated Certificate of Incorporation and limitation of persons who may call special stockholders' meetings. The Delaware General Corporation Law requires super majority voting thresholds to approve certain "business combinations" between interested stockholders and the Company which may render more difficult or tend to discourage attempts to acquire the Company. In addition, the Company's board of directors has the authority to issue shares of preferred stock ("Preferred Stock") in one or more series and to fix the rights and preferences of the shares of any such series without stockholder approval. Any series of Preferred Stock is likely to be senior to the Common Stock with respect to dividends, liquidation rights and, possibly, voting rights. The ability to issue Preferred Stock could also have the effect of discouraging unsolicited acquisition proposals. See "Description of Capital Stock -- Preferred Stock" and "-- Certain Anti-Takeover and Other Provisions of the Amended and Restated Certificate of Incorporation."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the shares of Common Stock offered hereby are estimated to be approximately $62.5 million (approximately $72.0 million if the Underwriters' over-allotment option is exercised in full) assuming an initial public offering price of $ per share, after deducting the estimated underwriting discount and offering expenses. The Company will use the net proceeds of the Offering to repay borrowings incurred to provide funds for the acquisition of the Company in January 1996 under the credit agreement dated as of December 29, 1995 (the "Credit Facility") and under a $5 million subordinated note (the "Subordinated Note"), both with GE Capital. The Company will use approximately $30 million of the estimated net proceeds to repay the entire principal balance on the term notes portion of the Credit Facility and the Subordinated Note, and the remaining net proceeds will be used to repay a portion of the revolving credit portion of the Credit Facility.

As of June 30, 1996, the outstanding indebtedness under the Credit Facility was $96.1 million, consisting of $70.9 million under a $120 million revolving credit and letter of credit facility (the "Revolving Credit Facility") and $12.4 million under Term Loan A and $12.8 million under Term Loan B. Borrowings under the Revolving Credit Facility and Term Loans A and B generally bear interest at a London Interbank Offered Rate ("LIBOR") plus a margin of 2.75% on the Revolving Credit Facility, 3.0% on Term Loan A and 3.5% on Term Loan B, or GE Capital's prime rate plus a margin of 1.5% on the Revolving Credit Facility, 1.75% on Term Loan A and 2.25% on Term Loan B. At June 30, 1996, the effective interest rates applicable to borrowings under the Revolving Credit Facility and the Term Loans were 8.54%, 8.72% and 9.28%, respectively. Term Loan A requires quarterly principal payments of approximately $500,000, with final maturity on December 31, 2000. Term Loan B requires quarterly principal payments of approximately $62,500, with final maturity on December 31, 2001. Certain prepayments of the Term Loans from excess cash flow are also required. The Revolving Credit Facility has a term that expires on December 31, 2000. The Subordinated Note bears interest at GE Capital's prime rate plus a margin of 3.0% (11.25% at June 30, 1996) and is due December 31, 2002. Interest payments are deferred until Term Loans A and B are repaid and certain other operating performance requirements are satisfied. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources." At the closing of the Offering, the Credit Facility will be replaced with the New Credit Facility.

DIVIDEND POLICY

The Company currently intends to retain earnings to finance the growth and development of its business and does not anticipate paying a cash dividend on the Common Stock in the foreseeable future. Any future change in the Company's dividend policy will be made at the discretion of the board of directors of the Company and will depend upon the Company's operating results, financial condition, capital requirements, general business conditions and such other factors as the board of directors deem relevant. Under certain circumstances, the New Credit Facility will require the consent of the lenders prior to any payment of cash dividends on the Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and "Description of Capital Stock."

DILUTION

After giving effect to the conversion of all of the outstanding shares of Class A Common Stock into shares of Common Stock, exercise of the Warrant, the expense related to and the issuance of Common Stock in connection with the Company's Value Appreciation Plans, the write-off of deferred financing costs and the cost of termination of the Management Services Agreement, and assuming an initial public offering price of $17.00 per share (the midpoint of the estimated initial public offering price range), the pro forma net tangible book value (total assets less goodwill and other intangibles less liabilities) of the Company at June 30, 1996 was $1.31 per share of Common Stock. See "Description of Capital Stock" and "Management -- Employee Benefit Plans and Arrangements." After giving effect to the receipt of an assumed $62.5 million of net proceeds of the Company from the Offering (based on the sale of Common Stock pursuant to the Offering at an assumed initial public offering price of $17.00 per share and net of estimated underwriting discounts and commissions and offering expenses), pro forma net tangible book value per share would have been $4.57 per share of Common Stock outstanding after the Offering, representing an immediate increase in net tangible book value of $3.26 per share of Common Stock to the existing stockholders and an immediate dilution of $12.43 per share to the new investors purchasing Common Stock in the Offering. The following table illustrates the per share dilution:

Assumed initial public offering price per share		$17.00
Net tangible book value per share before adjustments	$1.56	
Decrease in net tangible book value per share due to:		
-- write-off of deferred financing costs and the cost of termination of the Management Services Agreement	(.08)	
-- effect of Value Appreciation Plans	(.17)	
Net tangible book value per share before the Offering	1.31	
Increase in net tangible book value per share attributable to sale of Common Stock by the Company in the Offering	3.26	
Pro forma net tangible book value per share after the Offering		4.57
Dilution in pro forma net tangible book value per share to new investors		$12.43

The following table sets forth, as of June 30, 1996, the number of shares of Common Stock purchased or to be purchased from the Company, the total consideration paid or to be paid to the Company and the average price per share paid or to be paid by existing stockholders, by Value Appreciation Plans recipients and by new investors, based on the assumed initial public offering price:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders	13,249,483	75.3%	$ 30,178,860	29.0%	$ 2.28
Value Appreciation Plans recipients	340,926	2.0	5,795,456	5.6	17.00
	13,590,409	77.3	35,974,316	34.6	2.65
New investors	4,000,000	22.7	68,000,000	65.4	17.00
Total	17,590,409	100.0%	$103,974,316	100.0%	

CAPITALIZATION

The following table sets forth the unaudited consolidated short-term debt and capitalization of the Company as of June 30, 1996, and as adjusted to give effect (assuming an initial public offering price of $17.00 per share) to the conversion of the Class A Common Stock into 1,902,543 shares of Common Stock, the exercise of the Warrant, the expense related to and the issuance of Common Stock in connection with the Company's Value Appreciation Plans, the write-off of deferred financing costs and the cost of termination of the Management Services Agreement and the Offering and the application of the net proceeds to the Company therefrom (assumed to be $62.5 million) as described under "Use of Proceeds." The actual number of shares of Common Stock to be outstanding after the Offering is dependent upon the per share initial public offering price due to the terms of conversion of the Class A Common Stock and the issuance of Common Stock pursuant to the Value Appreciation Plans. See "Description of Capital Stock" and "Management -- Employee Benefit Plans and Arrangements." This table should be read in conjunction with the Consolidated Financial Statements of the Company and related Notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Unaudited Pro Forma Condensed Consolidated Financial Statements and related Notes thereto included elsewhere in this Prospectus.

	AS OF JUNE 30, 1996	
	HISTORICAL	AS ADJUSTED
	(UNAUDITED, DOLLARS IN THOUSANDS)	
Short-term debt:		
Current maturities of long-term debt	$ 2,500	$ --
Long-term debt (less current maturities):		
Revolving Credit Facility	$ 70,865	$ 42,243
Term Notes	22,705	--
Subordinated debt	5,118	--
Seller Notes	20,000	20,000
Total long-term debt	118,688	62,243
Stockholders' equity:		
Class A Common Stock -- par value $.01; 13,288 shares outstanding (historical), no shares outstanding (as adjusted)	--	--
Common Stock -- par value $.01; 11,064,548 shares outstanding (historical), 17,590,409 shares outstanding (as adjusted)	111	176
Additional paid-in capital	30,068	98,341
Notes receivable from officers	(500)	--
Cumulative translation adjustment	303	303
Retained earnings	4,000	(10,802)
Total stockholders' equity	33,982	88,018
Total capitalization	$ 152,670	$ 150,261

SELECTED HISTORICAL FINANCIAL DATA

The following table sets forth selected historical consolidated financial data for the Company. The selected consolidated financial data as of and for each of the five years ended December 31, 1995 have been derived from the audited consolidated financial statements of the Company. The selected consolidated financial data as of and for each of the six months ended June 30, 1996 and 1995 have been derived from the Company's unaudited consolidated financial statements which, in the opinion of management, include all adjustments, consisting only of normal recurring accruals and adjustments, necessary for the fair presentation of the financial data for such periods. The results of operations for the six months ended June 30, 1996 should not be regarded as indicative of the results that may be expected for the full fiscal year. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related Notes thereto included elsewhere in this Prospectus.

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,				
	1996	1995	1995	1994	1993	1992	1991
	(UNAUDITED)		(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNT)				
STATEMENT OF OPERATIONS DATA:							
Revenues	$294,643	$266,443	$545,803	$562,053	$627,281	$569,911	$802,862
Cost of revenues	254,556	231,556	474,791	482,423	547,401	508,006	697,144
Gross profit	40,087	34,887	71,012	79,630	79,880	61,905	105,718
Selling, general and administrative	26,681	30,903	57,231	64,422	79,391	86,943	102,581
Special charges (credits)(1)	--	(7,500)	(8,458)	(13,916)	8,565	6,500	24,500
Operating income (loss)	13,406	11,484	22,239	29,124	(8,076)	(31,538)	(21,363)
Interest expense -- net	(6,418)	(1,063)	(1,261)	(4,731)	(7,276)	(4,790)	(8,153)
Other income (expense)	(321)	161	(1,401)	528	(240)	941	(277)
Income (loss) before taxes	6,667	10,582	19,577	24,921	(15,592)	(35,387)	(29,793)
Provision for income taxes(2)	2,667	1,204	1,937	1,041	1,871	876	677
	4,000	9,378	17,640	23,880	(17,643)	(36,263)	(30,470)
Cumulative benefit of net changes in accounting principles(3)	--	--	--	--	--	1,136	--
Net income (loss)	$ 4,000	$ 9,378	$ 17,640	$ 23,880	$(17,463)	$(35,127)	$(30,470)
Common shares outstanding	13,249						
Net income per share	$ .30						
OTHER DATA:							
EBITDA before special items(4)	$ 15,309	$ 6,156	$ 17,376	$ 21,235	$ 11,210	$(12,805)	$ 16,157
Depreciation and amortization	1,903	2,172	3,595	6,027	10,721	12,233	13,020
Capital expenditures	849	2,031	4,764	3,604	1,967	4,941	19,153
BALANCE SHEET DATA:							
Working capital	$125,580	$143,026	$177,365	$151,810	$171,632	$179,407	$239,369
Total assets	259,481	262,216	288,578	268,304	343,479	371,883	453,610
Long-term debt, less current maturities	118,688	--	9,128	--	69,816	56,467	94,850
Owners' equity	33,982	171,242	178,012	161,888	170,676	192,546	235,754

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(1) In 1995 and 1994, the Company recorded gains from the sales of certain non-core equipment manufacturing businesses, product lines and assets, net of other costs. In 1993, 1992 and 1991, the Company recorded charges primarily related to the disposal of manufacturing facilities and a product line. See Note 10 to the Consolidated Financial Statements included elsewhere in this Prospectus.

(2) Prior to January 1, 1996, the Company was a general partnership and therefore not subject to U.S. federal and state income taxes. See Note 9 to the Consolidated Financial Statements included elsewhere in this Prospectus.

(3) The Company changed its methods of accounting for income taxes and post-retirement benefits other than pensions effective January 1, 1992.

(4) EBITDA before special items means operating income (loss) plus depreciation and amortization plus special charges (credits) and is a supplemental financial measurement used by the Company in the evaluation of its business. EBITDA before special items is not intended to represent cash flow, an alternative to net income or any other measure of performance in accordance with generally accepted accounting principles. Reference is made to the Consolidated Statement of Cash Flows contained in the Consolidated Financial Statements of the Company included elsewhere in this Prospectus for a complete presentation of cash flows from operating, investing and financing activities prepared in accordance with generally accepted accounting principles.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated balance sheet as of June 30, 1996 and unaudited pro forma condensed consolidated statements of operations for the six months ended June 30, 1996 and for the year ended December 31, 1995 give effect to (i) the Pro Forma effect of completion of the Acquisition and (ii) the Adjusted Pro Forma effect of completion of the Offering and the application of the estimated net proceeds therefrom as described elsewhere in this Prospectus, as if each had occurred, in the case of the balance sheet data, on June 30, 1996, and in the case of the statement of operations data, on January 1, 1995. The June 30, 1996 balance sheet data has been adjusted only for the effect of completion of the Offering as the Acquisition adjustments are already reflected therein.

The following unaudited pro forma condensed consolidated financial data does not necessarily reflect the actual results that would have been achieved nor is such data necessarily indicative of future results for the Company. The following unaudited pro forma condensed consolidated information should be read in conjunction with the Consolidated Financial Statements and Notes thereto appearing elsewhere in the Prospectus.

The number of shares of Common Stock outstanding on a pro forma basis is dependent upon the per share initial public offering price due to the terms of conversion of the Class A Common Stock and the issuance of Common Stock pursuant to the Value Appreciation Plans. See "Description of Capital Stock -- Common Stock" and "Management -- Employee Benefit Plans and Arrangements."

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 1996
(DOLLARS IN THOUSANDS)

ASSETS

	HISTORICAL	OFFERING	ADJUSTED PRO FORMA
Current assets:			
Cash	$ 4,512	$	$ 4,512
Receivables	86,282		86,282
Inventories	121,907		121,907
Other	7,073		7,073
Total current assets	219,774		219,774
Property, plant and equipment, net	17,916		17,916
Goodwill	6,408		6,408
Deferred financing costs	6,916	(6,916)(C)	1,200
		1,200 (C)	
Other assets	8,467	1,815 (B)	13,545
		3,263 (D)	
Total assets	$ 259,481	$ (638)	$258,843
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	$ 2,500	$ (2,500)(A)	$ --
Accounts payable	67,576		67,576
Other accrued liabilities	24,118	1,000 (B)	21,822
		(2,628)(C)	
		(668)(D)	
Total current liabilities	94,194	(4,796)	89,398
Long-term debt	118,688	(60,040)(A)	62,243
		1,200 (C)	
		2,898 (D)	
		(500)(E)	
		(3)(F)	
Other liabilities	12,617	3,775 (B)	19,184
		2,792 (D)	
Total liabilities	225,499	(54,674)	170,825
Stockholders' equity:			
Common stock	111	40 (A)	176
		4 (D)	
		21 (F)	
Additional paid-in capital	30,068	62,500 (A)	98,341
		5,791 (D)	
		(18)(F)	
Notes receivable from officers	(500)	500 (E)	--
Cumulative translation adjustment	303		303
Retained earnings	4,000	(2,960)(B)	(10,802)
		(4,288)(C)	
		(7,554)(D)	
Total stockholders' equity	33,982	54,036	88,018
Total liabilities and stockholders' equity	$ 259,481	$ (638)	$258,843

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET (DOLLARS, EXCEPT PER SHARE AMOUNTS, IN THOUSANDS):

A -- To record the issuance of shares of Common Stock pursuant to the Offering and the application of the assumed net proceeds of $62,540 (4,000,000 shares at $17.00 per share less underwriting discount and expenses estimated at $5,460) to repay debt as described under "Use of Proceeds."

B -- To record the expense of $4,775 (after tax cost of $2,960) due to the termination of the Management Services Agreement as described under "Certain Transactions" which will be paid in quarterly payments of $250 through March 31, 2001, subject to certain accelerating events.

C -- To record the write-off of $6,916 in deferred financing costs (after tax cost of $4,288) associated with the Credit Facility that will be replaced at the time of the Offering and the incurrence of an estimated $1,200 of deferred financing costs that will result from the New Credit Facility.

D -- To record the effect of the Company's Value Appreciation Plans, based on the assumed $17.00 per share initial public offering price, of an expense of $12,183 (after tax cost of $7,554), payable by a cash payment of $2,898, liability for future cash payments of $3,490 and the issuance of 340,926 shares of restricted Common Stock valued at $5,795 as follows:

Retained earnings	$7,554	
Deferred tax asset	3,263	
Taxes payable	1,366	
Long-term debt		$2,898
Current liability		698
Long-term liability		2,792
Common stock		4
Paid-in capital		5,791

E -- To record the mandatory repayment of promissory notes to the Company.

F -- To record the exercise of the Warrant and the conversion of the Class A Common Stock.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 1996
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL	ACQUISITION	PRO FORMA FOR ACQUISITION	OFFERING	ADJUSTED PRO FORMA
Revenues	$294,643	$	$ 294,643	$	$294,643
Cost of revenues	254,556		254,556		254,556
Gross profit	40,087		40,087		40,087
Selling, general and administrative	26,681		26,681	(500)(B)	26,181
Special charges (credits)	--				
Operating income (loss)	13,406		13,406	500	13,906
Interest and financial costs, net	(6,418)	(650)(A)	(7,068)	3,407 (C)	(3,661)
Other income (expense)	(321)		(321)		(321)
Income (loss) before income taxes	6,667	(650)	6,017	3,907	9,924
Provision for income taxes	2,667	(247)(D)	2,420	1,485 (D)	3,905
Net income (loss)	$ 4,000	$(403)	$ 3,597	$2,422	$ 6,019
Average shares outstanding	13,249 (E)		13,249 (E)		17,590 (F)
Net income per share	$ .30		$ .27		$ .34

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A -- To record the estimated increase in interest expense that would have been incurred related to the Acquisition had the funding of the loans occurred on January 1, 1996.

B -- To record elimination of management fees as a result of the termination of the Management Services Agreement in connection with the Offering.

C -- To eliminate interest expense and adjust amortization of deferred financing costs related to debt that will be repaid with proceeds from the Offering.

D -- To reflect the income tax expense associated with the above adjustments.

E -- Reflects 11,346,940 shares of Common Stock after exercise of the Warrant and 1,902,543 shares of Common Stock issuable upon the conversion of the Class A Common Stock at the assumed $17.00 per share initial public offering price.

F -- Reflects an additional 340,926 shares of Common Stock issuable under the Value Appreciation Plans based upon the assumed $17.00 per share initial public offering price plus the issuance of 4,000,000 shares pursuant to the Offering.

Note -- The above adjustments do not consider the one-time expenses described at footnotes B, C and D on the Unaudited Pro Forma Condensed Consolidated Balance Sheet related to the expense to terminate the Management Services Agreement, the write-off of financing costs or the expense associated with the Value Appreciation Plans.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1995
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL	ACQUISITION	PRO FORMA FOR ACQUISITION	OFFERING	ADJUSTED PRO FORMA
Revenues	$545,803	$	$ 545,803	$	$545,803
Cost of revenues	474,791		474,791		474,791
Gross profit	71,012		71,012		71,012
Selling, general and administrative	57,231	1,000 (A)	58,231	(1,000)(D)	57,231
Special charges (credits)	(8,458)		(8,458)		(8,458)
Operating income (loss)	22,239	(1,000)	21,239	1,000	22,239
Interest and financial costs, net	(1,261)	(11,556)(B)	(12,817)	7,186 (E)	(5,631)
Other income (expense)	(1,401)	(162)(C)	(1,563)		(1,563)
Income (loss) before income taxes	19,577	(12,718)	6,859	8,186	15,045
Provision for income taxes	1,937	476 (F)	2,413	3,110 (F)	5,523
Net income (loss)	$ 17,640	$ (13,194)	$ 4,446	$ 5,076	$ 9,522
Average shares outstanding	13,249 (G)		13,249 (G)		17,590 (H)
Net income per share	$ 1.33		$ .34		$ .54

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A -- To record management fees incurred as a result of the Acquisition.

B -- To record the estimated increase in interest expense and amortization of deferred financing costs related to the long-term debt that would have been incurred because of the Acquisition.

C -- To record amortization of goodwill.

D -- To record elimination of management fees as a result of the termination of the Management Services Agreement in connection with the Offering.

E -- To eliminate interest expense and adjust amortization of deferred financing costs related to debt that will be repaid with proceeds from the Offering.

F -- To reflect the income tax expense associated with the above adjustments and to record the increase in tax expense that would have resulted had the Company been subject to U.S. federal and state income tax during 1995.

G -- Reflects 11,346,940 shares of Common Stock after exercise of Warrant and 1,902,543 shares of Common Stock issuable upon the conversion of the Class A Common Stock at the assumed $17.00 per share initial public offering price.

H -- Reflects an additional 340,926 shares of Common Stock issuable under the Value Appreciation Plans based upon the assumed $17.00 per share initial public offering price plus the issuance of 4,000,000 shares pursuant to the Offering.

Note -- The above adjustments do not consider the one-time expenses described at footnotes B, C and D on the Unaudited Pro Forma Condensed Consolidated Balance Sheet related to the expense to terminate the Management Services Agreement, the write-off of deferred financing costs or the expense associated with the Value Appreciation Plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Effective as of January 1, 1996, all of the Company's operations were acquired from subsidiaries of Armco Inc. and USX Corporation for $180 million plus approximately $12 million in transaction costs (the "Acquisition"). The Acquisition was funded from the sale of $30 million in equity, incurrence of $114 million of debt and the use of $48 million of acquired cash. In connection with the Acquisition, all assets and liabilities were recorded at their fair market values, resulting in no significant change from the historical net carrying values. The Acquisition resulted in deferred financing costs of $7.7 million and goodwill of $6.5 million. References herein to the Company refer to the predecessor partnership for periods prior to January 1, 1996 and to National-Oilwell, Inc. for subsequent periods.

The Company's revenues are directly related to the level of worldwide oil and gas drilling and production activities and the profitability and cash flow of oil and gas companies and drilling contractors, which in turn are affected by current and anticipated prices of oil and gas. While the price of oil and gas is generally a function of supply and demand, additional influences include costs of exploration and production, worldwide political and economic influences, environmental factors and governmental regulation.

As a result of a change in management and a redirection of the Company's strategy which began in 1993, the Company sold various product lines, consolidated certain manufacturing facilities and concentrated its operations within two business segments: Oilfield Equipment and Distribution Services.

RESULTS OF OPERATIONS

The following table and the financial information in the discussion of the Oilfield Equipment and Distribution Services segments provide certain information that segregates the results of operations of previously sold product lines and businesses in order to focus on ongoing operations:

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1996	1995	1995	1994	1993
	(UNAUDITED)				
	(DOLLARS IN MILLIONS)				
Revenues					
Oilfield Equipment	$ 81.0	$ 78.9	$146.5	$187.9	$179.7
Distribution Services	237.3	203.5	432.3	415.7	450.4
Eliminations	(23.7)	(16.0)	(33.0)	(60.0)	(67.7)
Ongoing Operations	294.6	266.4	545.8	543.6	562.4
Disposed Businesses	--	--	--	18.5	64.9
Total	$294.6	$266.4	$545.8	$562.1	$627.3
Operating Income					
Oilfield Equipment	$ 8.1	$ 3.1	$ 7.2	$ 7.0	$ .1
Distribution Services	7.3	2.5	9.4	9.0	13.9
Corporate	(2.0)	(1.6)	(2.9)	(2.9)	(2.3)
Ongoing Operations	13.4	4.0	13.7	13.1	11.7
Disposed Businesses	--	--	--	2.1	(11.2)
Special Charges (Credits)	--	(7.5)	(8.5)	(13.9)	8.6
Total	$ 13.4	$ 11.5	$ 22.2	$ 29.1	$ (8.1)

Oilfield Equipment

The Oilfield Equipment segment designs and manufactures a large line of proprietary products, including drawworks, mud pumps, power swivels and reciprocating pumps. A substantial installed base of these products

results in a recurring replacement parts and maintenance business. In addition, a full line of drilling pump expendable products are sold for maintenance of the Company's and other manufacturers' equipment.

Sales of new equipment manufactured by the Company can result in large fluctuations in volume between periods depending on the size and timing of the shipment of orders. Individual orders of machinery and equipment by foreign national oil companies can be particularly large (in excess of $10 million each). The Company recorded large sales of this nature in each of 1993 and 1994 but has not made similar sales in 1995 or in the first half of 1996.

Revenues and operating profits have been negatively impacted over the last several years by excess industry capacity that has prevented or reduced price increases. Accordingly, the Company has concentrated on controlling and reducing its costs by consolidating operations and streamlining selling and administrative functions. The Company believes it will benefit from any increased industry demand as additional activity can be achieved through its existing facilities.

During the second quarter of 1996, the Company experienced a significant increase in demand for its capital equipment, especially from offshore drilling contractors. Sales from orders already received will result in increased capital equipment revenues in the second half of 1996 as compared to the first six months. The Company believes that offshore drillers have begun to experience higher demand for and cash flows from their services that allow them to upgrade and repair machinery and equipment on existing rigs. Improvements to the existing fleet have been deferred for many years due to low cash flows caused by an excess supply of rigs relative to demand, and the need for such upgrades and repairs may be large. If utilization rates of the offshore mobile rig fleet remain above 90%, new demand for the construction of rigs could result in a further increase in demand for machinery and equipment manufactured by the Company.

Revenues during the first six months of 1996 increased $2.1 million (3%) over the comparable 1995 period as the increased demand for expendable and replacement parts more than offset the lack of sales to foreign national oil companies similar to the total of $9.5 million of such revenues recorded during the first six months of 1995. Revenues in 1995 were down $41.4 million (22%) from 1994, in large part due to the absence of $33 million in revenues associated with an international rig package that was sold in 1994. As compared to 1993, revenues in 1994 increased $8.2 million (5%) due to increased sales of drilling capital equipment and related spare parts.

Operating income for the Oilfield Equipment segment increased $5.0 million in the first half of 1996 as compared to the prior year as a result of higher revenues, improved product mix and the consolidation in late 1995 of the Company's United Kingdom manufacturing facility into its Houston location, thereby resulting in lower costs and a more efficient manufacturing process. Operating income increased slightly in 1995 in spite of the revenue decline primarily as a result of the consolidation of facilities and other cost reduction initiatives. In 1994, operating income increased substantially as compared to the prior year due to the increase in revenues and the cost reduction efforts initiated by new management.

Distribution Services

Distribution Services revenues result primarily from the sale of MRO products from the Company's network of 113 distribution service centers and from the sale of well casing and production tubing. These products are purchased from numerous manufacturers and vendors, including the Company's Oilfield Equipment segment. While the Company has increased revenues and improved its operating income by entering into alliances and outsourcing arrangements, improvements in operating results remain primarily dependent on attaining increased volumes of activity through its distribution service centers while controlling the fixed costs associated with numerous points of sale. Pricing is a lesser consideration on operating income from distribution services as most cost increases or reductions from the Company's suppliers are passed on to the customer.

Revenues for the six months ended June 30, 1996 increased by $33.8 million (17%) over the comparable 1995 period due to an overall increase in market activity, including a $14.2 million increase in tubular products sales and a $19.6 million increase primarily from MRO products sales. Distribution Services' revenues in 1995

were ahead of the 1994 level by $16.6 million (4%) due to improved general market conditions in North America. As compared to 1993, revenues in 1994 decreased $34.7 million (8%), primarily due to significantly lower revenues from tubular products.

Operating income increased $4.8 million during the first six months of 1996 as compared to the same period in 1995 due to the higher revenue levels. Operating income increased in 1995 as compared to 1994 by only $0.4 million due to a change in product mix, as revenues from lower margin tubular products increased as a percentage of segment revenues. A decrease in operating income of $4.9 million occurred in 1994 from 1993 as a result of the lower revenues.

Corporate

Corporate charges represent the unallocated portion of centralized and executive management costs. These costs were $2.9 million in each of 1995 and 1994, up from the 1993 level due to the addition of new executive personnel and costs necessary to refocus the direction of the Company. Corporate costs were up $0.5 million during the first six months of 1996 as compared to the first six months of 1995 due to the expense of the management fee paid pursuant to the Management Services Agreement that will be terminated in connection with the Offering.

Special Charges (Credits)

Special charges (credits) primarily relate to the sale of businesses and product lines in connection with a major restructuring and redirection of the Company that was completed in 1995. During 1995, the Company recorded gains of $8.5 million ($7.5 million of which were recorded in the first half of the year) from the sale of a non-oilfield centrifugal pump and switch valve product line and from the sale of excess property and equipment of closed manufacturing facilities in the United Kingdom and Canada. A net gain of $13.9 million was recorded in 1994 from the sales of several production equipment product lines offset in part by costs associated with the closure of the United Kingdom facility. In 1993 the Company recorded a net loss of $8.6 million primarily representing the loss on the sale of its wellhead business and related assets.

Interest Expense

Interest expense increased substantially during the first half of 1996 due to debt incurred in connection with the Acquisition. Prior to 1996, interest expense had declined in each of 1995 and 1994 as compared to the prior year due to reductions in debt made possible by operating profits and proceeds from the dispositions of various businesses, product lines and assets that generated over $75 million in cash.

Income Taxes

Due to its partnership status, the Company was not subject to U.S. federal or state income taxes prior to 1996 and accordingly the tax provision during such periods relates to foreign income taxes as computed under Statement of Financial Accounting Standard ("SFAS") No. 109. Beginning in 1996, the Company is subject to U.S. federal and state taxes and currently estimates the combined U.S. federal, state and foreign tax rate will approximate 40% of income before taxes for 1996 although actual taxes paid may be lower as a result of realization of deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1996, the Company had working capital of $126 million, a decrease of $52 million from December 31, 1995, primarily due to the use of cash in connection with the Acquisition. Working capital had increased by $26 million at December 31, 1995 from the prior year end primarily due to the retention of income from operations and proceeds of $6.9 million from the sale of a non-oilfield pumping product line.

Due to the size of the Company's distribution services business, significant components of the Company's assets are accounts receivable and inventories. Accounts receivable increased during the first six months of 1996 due to higher revenues during the period. Inventories also increased due to higher activity levels. Since

1993, the Company has focused significant internal attention and emphasis on accelerating the collection of accounts receivable and improving the Company's return on capital employed.

The Company's business has not required large expenditures for capital equipment. Total capital expenditures were $0.8 million during the first six months of 1996, $4.8 million in 1995, $3.6 million in 1994 and $2.0 million in 1993. Enhancements to data processing and inventory control systems represent a large portion of recent capital expenditures. Additional capital expenditures of as much as $6 million are anticipated over the next three years to further enhance the Company's information systems. The Company believes it has sufficient existing manufacturing capacity to meet current and anticipated demand for its products and services. Significant increases in demand for oilfield equipment products, to the extent qualified subcontracting and outsourcing are not available, could result in increases in capital expenditures.

The Company believes that cash generated from operations and amounts available under the New Credit Facility will be sufficient to fund operations, working capital needs, capital expenditure requirements and financing obligations. The Company also believes any significant increase in capital expenditures caused by any need to increase manufacturing capacity can be funded from operations or debt financing.

In connection with the Acquisition, the Company entered into a fully secured, five-year credit agreement (the "Credit Facility") with GE Capital which provides for revolving credit borrowings of up to $120 million and long-term debt of $30 million. At June 30, 1996, borrowings under the revolving portion of the Credit Facility were $70.9 million, plus the Company had incurred additional usage of $12.6 million for outstanding letters of credit, leaving $25.3 million of borrowing availability. The long-term portion of the Credit Facility was reduced from $30 million to $25.2 million at June 30, 1996, primarily due to the collection of proceeds from an insurance claim that existed at the time of the Acquisition. Long-term debt at June 30, 1996 also included a $5.1 million subordinated note and $20 million of debt financed by the sellers in connection with the Acquisition, neither of which requires current cash payments of principal or interest. In connection with the Credit Agreement, GE Capital received a warrant to purchase 282,392 shares of Common Stock from the Company for a nominal price (the "Warrant"). Concurrent with the Offering, the Warrant will be exercised. Debt obligations are more fully described in Note 5 to the Consolidated Financial Statements.

The Company plans to use the net proceeds from the Offering to repay the $25.2 million in term loans under the Credit Facility and the $5.1 million subordinated note. The remaining net proceeds will be used to reduce the revolving credit facility. The Company does not currently plan to repay the $20 million in seller notes from the net proceeds of the Offering. The seller notes bear interest at 9%, and at the Company's option, interest payments through January 16, 2003 may be deferred. One-half of the sum of the principal and any deferred interest is payable on January 16, 2004, and the balance is payable on January 16, 2005. The notes are subject to prepayment in certain events, including the sale of significant assets by the Company or the sale by the stockholders at the time of the Acquisition of more than 50% of their aggregate shares. Partial prepayments are also required in connection with certain sales of the Company's stock owned by The Inverness Group Incorporated or First Reserve Corporation.

Effective as of the closing of the Offering, the Company will enter into a new five-year senior secured revolving credit facility (the "New Credit Facility") with GE Capital that will be available for acquisitions and general corporate purposes. The New Credit Facility provides for a $120 million revolving loan ("the Revolver"), of which $25 million may be used for letters of credit. The Revolver is subject to a borrowing base limitation of 60% of eligible inventory plus 85% of eligible accounts receivable which would have totaled $108.7 million as of June 30, 1996. In connection with an acquisition during the first three years of the Revolver term, the Company can convert a total of $20 million of the Revolver availability to a term note that would mature contemporaneously with the Revolver. The term note would not be subject to a borrowing base limitation and would be repayable in quarterly installments equal to 5% of the outstanding balance.

The Revolver and any term note bear interest at prime plus .75% or LIBOR plus 2.0%, subject to adjustment based on the Company's total funded debt and operating profit. Depending on the Company's financial performance, the interest rate could be prime plus .25%, .75% or 1.25% or LIBOR plus 1.5%, 2.0% or 2.5%. The New Credit Facility is secured by substantially all of the Company's assets and contains certain financial covenants and ratios as well as a limitation on dividends.

The Company will pay GE Capital a fee of $ million on the closing of the New Credit Facility and is obligated to pay an unused facility fee of % per annum and an agency fee of $ per annum.

The Company may from time to time pursue acquisition opportunities. The timing, size or success of any acquisition effort and the related potential capital commitments cannot be predicted. The Company expects to fund future acquisitions primarily through cash flow from operations and borrowings, including the unborrowed portion of the New Credit Facility, as well as issuances of additional equity. There can be no assurance that additional financing for acquisitions will be available at terms acceptable to the Company.

Inflation has not had a significant effect on the Company's operating results or financial condition in recent years.

OFFERING RELATED EXPENSES

The Company will incur certain one-time expenses in connection with the Offering, as follows: (i) the Management Services Agreement will be terminated at a cost of $4.8 million ($3.0 million after tax) and will be paid in quarterly installments of $250,000 through March 31, 2001, subject to certain accelerating events; (ii) the Credit Facility will be replaced by the New Credit Facility, resulting in the write-off of $6.9 million in deferred financing costs related to the existing agreement (after tax cost of $4.3 million) and the incurrence of $1.2 million in deferred financing costs related to the New Credit Facility; and (iii) expenses and payout under the Company's Value Appreciation Plans. The Value Appreciation Plans are affected by the final offering price, and assuming an initial public offering price of $17.00 per share, the Company would incur an expense of $12.2 million ($7.6 million after tax) and would make a cash payment at the time of closing of $2.9 million, make future annual cash payments of $.7 million for five years beginning January 17, 1997 and issue 340,926 shares of restricted Common Stock valued at $5.8 million.

RECENTLY ISSUED ACCOUNTING STANDARDS

In March 1995, the Financial Accounting Standards Board (the, "FASB") issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The methodology required by SFAS No. 121 is not materially different from the Company's past practice and its adoption on January 1, 1996 did not have a material impact on the Company's consolidated financial statements.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation". SFAS No. 123 establishes alternative methods of accounting and disclosure for employee stock-based compensation arrangements. The Company has elected to continue the use of the intrinsic value based method of accounting for its employee stock option plan which does not result in the recognition of compensation expense when employee stock options are granted if the exercise price of the option equals or exceeds the fair market value of the stock at the date of grant. The Company will provide pro forma disclosure of net income and earnings per share in the notes to the consolidated financial statements as if the fair value based method of accounting had been applied.

FORWARD-LOOKING STATEMENTS

This Prospectus includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Certain statements contained herein are not based on historical facts, but are forward-looking statements that are based upon numerous assumptions about future conditions that could prove not to be accurate. Such forward-looking statements include, without limitation, the statements regarding the trends in the industry set forth in the Prospectus Summary and under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's anticipated future financial results and position. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ

materially from the Company's expectations are disclosed in this Prospectus, including but not limited to the matters described in "Risk Factors."

BUSINESS

GENERAL

The Company is a worldwide leader in the design, manufacture and sale of machinery and equipment and in the distribution of MRO products used in oil and gas drilling and production. The Company designs, manufactures and sells drawworks, mud pumps and power swivels (also known as "top drives"), which are the major mechanical components of rigs used to drill oil and gas wells. Many of these components are designed specifically for applications in offshore, extended reach and deep land drilling. These components are installed on new drilling rigs and used in the upgrade, refurbishment and repair of existing drilling rigs. A significant portion of the Company's business includes the sale of replacement parts for its own manufactured machinery and equipment. The Company estimates that approximately 65% of the mobile offshore rig fleet and the majority of the world's larger land rigs (2,000 horsepower and greater) operating today utilize drilling machinery manufactured by the Company. In addition, the Company manufactures and sells a complete line of centrifugal and reciprocating pumps used in oilfield and industrial applications.

The Company provides distribution services through its network of 113 distribution service centers located near major drilling and production activity worldwide, but principally in the United States and Canada. These distribution service centers have historically provided MRO products, including valves, fittings, flanges, replacement parts and miscellaneous expendable items. As oil and gas companies and drilling contractors have refocused on their core competencies and emphasized efficiency initiatives to reduce costs and capital requirements, the Company's distribution services have evolved to offer outsourcing and alliance arrangements that include comprehensive procurement, inventory management and logistics support. These arrangements have resulted in the Company working more closely with its customers in return for a more exclusive oilfield distribution arrangement.

The Company's business is dependent on and affected by the level of worldwide oil and gas drilling and production activity, the aging worldwide rig fleet which was generally constructed prior to 1982, and the profitability and cash flow of oil and gas companies and drilling contractors. Drilling activity has recently increased in the offshore and deeper land markets both of which are particularly well served by the drilling machinery and equipment manufactured by the Company. As of June 30, 1996, the worldwide offshore mobile drilling rig utilization rate was over 90% and the number of active U.S. land rigs had increased approximately 15% compared to June 30, 1995. As drilling activity has increased, the Company has experienced increased demand for its manufactured products and distribution services as existing rigs are upgraded, refurbished and repaired, new rigs are constructed and expendable parts are used.

The Company's oilfield equipment business and distribution services business accounted for 56% and 44%, respectively, of the Company's combined EBITDA for the six months ended June 30, 1996.

BUSINESS STRATEGY

Beginning in 1993, a new executive and operating team was assembled to manage the Company's business. In January 1996, that new management team, together with an investor group led by The Inverness Group Incorporated and First Reserve Corporation, purchased the business of the Company from its former owners, USX Corporation and Armco Inc. Since 1993, the business strategy of the Company has been to enhance its operating performance and build a platform for growth by focusing on markets in which its product lines are market leaders and which are believed by management to provide the most significant growth potential. As part of that strategy, the Company disposed of certain of its non-core equipment manufacturing businesses and product lines and reengineered its distribution business during the years 1993 through 1995. Since the completion of the redirection of the Company's business in 1995, the Company's performance has improved substantially, with EBITDA before special items increasing from $6.2 million for the six months ended June 30, 1995 to $15.3 million for the six months ended June 30, 1996.

The Company's current business strategy is to enhance its leading market positions and operating performance by:

Leveraging Its Market Leading Installed Base. The Company estimates that approximately 65% of the mobile offshore drilling rigs and the majority of the world's larger land drilling rigs operating today use drilling machinery manufactured by the Company. The Company believes this installed base and its reputation for performance and reliability present substantial opportunities to capture a significant portion of the increased level of expenditures by its customers for the construction of new drilling rigs as well as the upgrade and refurbishment of existing drilling rigs.

Capitalizing on Increasing Demand for Higher Horsepower Drilling Machinery. The Company believes the advanced age of the existing fleet of drilling rigs, coupled with increasing drilling activity involving greater water depths and extended reach, will increase the demand for new drilling rig construction and the upgrading and capacity enhancement of existing rigs. The Company's higher horsepower drawworks, mud pumps and power swivels provide, in many cases, the largest capacities currently available in the industry.

Building on Distribution Strengths. The Company has developed and implemented integrated information and process systems that are designed for more effective procurement, inventory management and logistics activities. A critical element of the Company's strategy has been to regionally centralize its procurement, inventory and logistics operations, thus gaining cost and inventory utilization efficiencies while retaining its responsiveness to local markets. In addition, the strategic integration of the Company's distribution expertise, extensive distribution network and growing base of customer alliances provides an increased opportunity for cost effective marketing of the Company's manufactured equipment.

Capitalizing on Alliance/Outsourcing Trends. As a result of efficiency initiatives, oil and gas companies and drilling contractors are frequently seeking alliances with suppliers, manufacturers and service providers, or outsourcing their procurement, inventory management and logistics requirements for equipment and supplies in order to achieve cost and capital improvements. The Company has entered into and is seeking alliance arrangements to better serve its customers, to better manage its own inventory, to increase the volume and scope of products sold to the customer without significantly increasing the Company's overhead costs, and to expand marketing opportunities to sell equipment manufactured by the Company. The Company believes that it is well positioned to provide broad procurement, inventory management and other services as a result of the Company's (i) large and geographically diverse network of distribution service centers in major oil and gas producing areas, (ii) purchasing leverage due to the volume of products sold, (iii) breadth of available product lines and (iv) information systems that offer customers enhanced online and onsite services.

OILFIELD EQUIPMENT

The Company's oilfield equipment business consists of the design, manufacture, sale and service of drilling and pumping products.

Products

The Company's line of drilling machinery and equipment includes drawworks, mud pumps, power swivels (also known as "top drives"), traveling equipment and rotary tables. This machinery constitutes the majority of the components involved in the primary functions of the drilling of oil and gas wells which consist of pumping fluids and hoisting, supporting and rotating the drill string. In addition to the manufacture of new drilling equipment and related spare parts, the Company also refurbishes used drilling machinery and equipment. The Company also services, refurbishes and manufactures spare parts for a line of proprietary marine equipment products.

Drilling machinery and equipment can be purchased as individual components or as a complete drilling rig package. The Company utilizes subcontractors for certain machine shop and fabrication work.

The Company is also a major designer and manufacturer of centrifugal and reciprocating pumps and pumping systems, as well as a wide variety of fluid-end accessories and expendable pump parts for oil and gas

drilling and oil production. The Company estimates that over 20,000 reciprocating pumps manufactured by the Company have been installed throughout the world.

Mission-Fluid King(R) centrifugal pumps are utilized in various oil and gas drilling applications including drilling mud mixing, low pressure fluid transport and charging reciprocating pumps. The Company also manufactures and sells a wide variety of fluid-end accessories for all major manufacturers' pumps under its Mission-Fluid King(R) brand name. Fluid-end accessories are expendables consumed on reciprocating mud pumps during the drilling and production process and include replacement parts such as liners, valves, seats, pistons, piston rods and packing accessories. These products are typically replaced at regular intervals and are essential to drilling and production operations.

Reciprocating pumps are used in a variety of artificial lift, oil transfer and industrial applications. A sizable aftermarket for repair parts for these pumps exists and the Company also provides fluid-end expendables under the Mission-Fluid King(R) name to this market. Most of the pumps sold are incorporated into systems (which generally consist of a reciprocating pump, a power source, piping, valves, meters and other fabricated parts installed on a skid) thereby providing the Company with an opportunity to offer the customer a complete turnkey package. The Company also sells reciprocating pumps to the refining, petrochemical, mining and steel industries.

Marketing of Company Products

Substantially all of the Company's drilling machinery, equipment and spare parts sales, and a large portion of the Company's pumps and parts, are sold through the Company's direct sales force and through the Company's distribution service centers. The Company also markets its pumps and parts through distribution networks not owned by the Company. Sales to foreign state-owned oil companies are typically made in conjunction with agent or representative arrangements. During the first half of 1996, management estimates that approximately 40% of oilfield equipment revenues was from products sold for delivery to destinations located outside North America.

The Company believes it is able to leverage its position as a manufacturer of leading oilfield products by marketing those products through the Company's distribution services business. During 1995, approximately 25% of oilfield equipment revenues was from products sold through the Company's established network of distribution service centers. Management believes that the Company has an advantage over its competitors in the oilfield equipment markets by virtue of its extensive distribution network making such products readily available from numerous locations.

Competition

The oilfield equipment industry is highly competitive and the Company's revenues and earnings can be affected by price changes, introduction of new products and improved availability and delivery. Over the last several years the market for oilfield services and equipment has experienced over capacity in some services and products provided by the Company, which has resulted in increased price competition in certain areas of the Company's business. The Company competes with a large number of companies some of which may offer certain more technologically advanced products or possess greater financial resources than the Company. Competition for drilling systems and machinery comes from Continental Emsco Company, Maritime Hydraulics U.S. Inc., Varco International, Inc. and Dreco Energy Services Ltd. The principal competitors with the Company's Mission-Fluid King(R) product line are Harrisburg/Woolley, Inc. and Southwest Oilfield Products, Inc. Competition for the Company's reciprocating pumps comes primarily from Wheatley-Gaso Inc. and Gardner Denver Machinery Inc.

Manufacturing and Backlog

Sales of the Company's products are made on the basis of written orders and oral commitments. In accordance with industry practice, such orders and commitments may not be considered firm backlog and the Company's backlog is therefore difficult to determine. The Company estimates that the value of its orders for new oilfield equipment (excluding spare parts orders) was approximately $26 million as of June 30, 1996 as

compared to orders of $8 million as of June 30, 1995. The total level of orders varies from time to time as work is completed and orders are received.

The Company's principal manufacturing facilities are located in Houston, Texas and McAlester, Oklahoma. See "-- Facilities." The Company also outsources the manufacture of parts or purchases components in finished form from qualified subcontractors.

The Company's manufacturing operations require a variety of components, parts and raw materials which the Company purchases from multiple commercial sources. The Company has not experienced nor expects any significant delays in obtaining deliveries of essential components, parts and raw materials.

Engineering

The Company maintains a staff of engineers and technicians to (i) design and test new products, components and systems for use in drilling and pumping applications, (ii) enhance the capabilities of existing products and (iii) assist the Company's sales organization and customers with special projects. The Company's product engineering efforts focus on developing technology to improve the economics and safety of drilling and pumping processes. The Company has recently developed a 750 ton capacity power swivel to complement its existing 650 ton, 500 ton and 350 ton capacity models. The Company has also introduced a 4,000 horsepower drawworks to increase customer efficiencies when drilling at extended depths and during horizontal drilling. A disc brake system for drawworks has been developed which can be operated remotely and provides higher braking torque capabilities than previous systems. The disc brake system can be adapted to upgrade drawworks previously sold by the Company.

Patents and Trademarks

The Company owns or has a license to use a number of patents covering a variety of products. Although in the aggregate these patents are of importance to the Company, the Company does not consider any single patent to be of a critical or essential nature. In general, the Company depends on technological capabilities, manufacturing quality control and application of its expertise rather than patented technology in the conduct of its business. The Company enjoys product name brand recognition, principally through its National-Oilwell(R), National(R), Oilwell(R) and Mission-Fluid King(R) trademarks, and considers such trademarks to be important to its business.

DISTRIBUTION SERVICES

The Company is a market leader in providing comprehensive services for the procurement, inventory management and logistics support of oilfield products to the oil and gas industry. The Company markets and distributes its products and services through several channels, including its network of oilfield distribution service centers, a direct sales force and sales representatives and agents. The Company's distribution services network includes 106 facilities located throughout the major oil and gas producing regions of the United States and Canada. In addition, the Company has international distribution service points in seven locations in the United Kingdom, South America and the Pacific Rim. The Company's distribution services customers are primarily major and large independent oil companies and drilling contractors. Since January 1, 1995, the Company's distribution services business has sold products to approximately 5,000 customers. Due to the nature of its distribution services business, the Company does not maintain a backlog for such operations.

The Company is able to leverage its position as a leading provider of distribution services by marketing products manufactured by the Company. For the twelve month period ended December 31, 1995, approximately $43 million of the Company's distribution services revenues resulted from the sale of the Company's oilfield equipment products. Management believes that the Company has a competitive advantage in the distribution services business by virtue of its ability to distribute leading products manufactured by the Company's oilfield equipment business.

Products

Maintenance, Repair and Operating Supplies and Equipment. The maintenance, repair and operating supplies and equipment stocked by the Company's distribution service centers vary by location. Each distribution point generally offers a complete line of oilfield products including valves, fittings, flanges, spare parts for oilfield equipment and miscellaneous expendable items. Most drilling contractors and oil and gas companies typically buy such supplies and equipment pursuant to non-exclusive contracts, which normally specify a discount from the Company's list price for each product or product category for a one-year period. As of June 30, 1996, the Company had approximately 1,300 active contracts for maintenance, repair and operating supplies and equipment with customers primarily located in North America. The sales volume of an individual distribution service center is dependent principally upon the level of oil and gas exploration and production activity in the area. Because of the strong service orientation of the distribution services business, Company personnel at distribution service centers generally provide customers with 24-hour per day availability.

As a result of efficiency initiatives that are taking place in the oil and gas industry, drilling contractors and oil and gas companies are more frequently seeking strategic alliances and outsourcing their procurement and inventory management requirements. These strategic alliances constitute a growing percentage of the Company's business and differ from standard agreements for MRO supplies and equipment in that the Company becomes the customer's primary supplier of those items. In addition, the Company may assume responsibility for procurement, inventory management and product delivery for the customer, in some cases by working directly out of the customer's facilities.

Oil Country Tubular Goods. The Company's tubular business is focused on the procurement, inventory management and delivery of oil country tubular goods manufactured by third parties. Tubular goods primarily consist of well casing and production tubing used in the drilling, completion and production of oil and gas wells. Well casing is used to line the walls of a wellbore to provide structural support. Production tubing provides the conduit through which the oil or gas will be brought to the surface upon completion of the well. Historically, sales of tubular goods have been concentrated in North America, although the Company makes occasional sales for shipment to foreign destinations. Substantially all of the Company's sales of tubular goods are made through the Company's direct sales force.

In response to customer demands for improved efficiency in tubular procurement and distribution, the Company has developed strategic alliances between the Company and its customers. These strategic alliances enable the Company to more efficiently source tubular goods for its customers, while decreasing the capital and personnel requirements of the customer. These alliance relationships currently constitute a majority of the Company's tubular sales. Since alliances provide additional consistency and predictability to the procurement process, the Company has also benefitted from improved utilization of its assets and from an increase in the turnover rate of its tubular inventory.

Competition

The oilfield distribution services business is highly competitive. The Company's revenues and earnings can be affected by competitive actions such as price changes, improved delivery and other actions by competitors. In addition, there are few barriers to entry for competitors to enter the distribution services business. The Company's principal competitors in the United States distribution services business include Continental Emsco Company, Wilson Supply Company, Red Man Pipe & Supply Co. and McJunkin Corporation. CE Franklin Ltd. and DOSCO Supply are major competitors of the Company's distribution services business in the Canadian market. The Company also competes with a number of regional or local oilfield supply stores in each geographic market. In the international markets, the Company's distribution services business competes with some of the above-named competitors as well as a number of regional or local suppliers. The Company's North American tubular goods distribution business competes with Vinson Supply Company, Sooner Pipe & Supply Corporation, Red Man Pipe & Supply Co., Continental Emsco Company and Wilson Supply Company as well as a number of regional distributors.

Suppliers

The Company obtains the MRO products it distributes from a number of suppliers. The Company does not believe that any one supplier of MRO products is material to the Company. For the year ended December 31, 1995 and for the six months ended June 30, 1996, the Company purchased approximately 36% and 28%, respectively, of its tubular requirements from the U.S. Steel Group of USX Corporation, and its remaining requirements from various suppliers. In connection with the Acquisition, in January 1996 the Company entered into a five year distribution agreement with the U.S. Steel Group on an arms length basis on generally the same terms that existed prior to the Acquisition. The Company is not obligated to purchase any minimum amount of tubular goods under the agreement with the U.S. Steel Group. The Company has not experienced and does not foresee experiencing a shortage in MRO products or tubular goods sold by the Company.

FACILITIES

The Company owned or leased 121 facilities worldwide as of August 25, 1996, of which the following are its principal manufacturing and administrative facilities:

LOCATION	APPROXIMATE BUILDING SPACE (SQ. FT.)	DESCRIPTION	STATUS
Houston, Texas.....	217,000	Manufactures drilling machinery and equipment	Leased
McAlester, Oklahoma.....	117,000	Manufactures pumps and expendable parts	Owned
Houston, Texas.....	116,000	Administrative offices	Leased

The manufacturing facilities listed above are used in the Company's oilfield equipment business. The Company also has five satellite repair and manufacturing facilities that refurbish and manufacture new equipment and parts. These facilities are strategically located to meet customer needs in Houston, Texas; Odessa, Texas; New Iberia, Louisiana; Aberdeen, Scotland and Singapore. The Company believes that the capacity of its manufacturing and repair facilities is suitable to meet demand for the foreseeable future.

The Company owns or leases approximately 113 distribution service centers worldwide to operate its distribution services business. No individual facility is significant to the distribution services business. The Company also leases space at a number of tubular storage locations for use in its tubular goods distribution business.

EMPLOYEES

As of August 28, 1996, the Company had a total of 1,384 employees, 1,158 of whom were salaried and 226 of whom were paid on an hourly basis. Of the Company's workforce, 316 of the employees are employed by the Company's foreign subsidiaries and are located outside the United States. As of August 28, 1996, the Company was a party to one collective bargaining agreement which applied to six employees located in Singapore. The Company considers its relationship with its employees to be good.

OPERATING RISKS AND INSURANCE

The Company's operations are subject to the usual hazards inherent in manufacturing products and providing services for the oil and gas industry. These hazards can cause personal injury and loss of life, business interruptions, property and equipment damage and pollution or environmental damage. The Company maintains comprehensive insurance covering its assets and operations at levels which management believes to be appropriate and in accordance with industry practice. However, no assurance can be given that

insurance coverage will be adequate in all circumstances or against all hazards, or that the Company will be able to maintain adequate insurance coverage in the future at commercially reasonable rates or on acceptable terms.

GOVERNMENTAL REGULATION AND ENVIRONMENTAL MATTERS

The Company's operations are subject to regulations by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over its foreign operations. Environmental laws and regulations have changed substantially and rapidly over the last 20 years, placing more restrictions and limitations on activities that may impact the environment, such as emissions of pollutants, generation and disposal of wastes and use and handling of chemical substances. Although compliance with various governmental laws and regulations has not materially adversely affected the Company's financial condition or results of operations, no assurance can be given that compliance with such laws or regulations will not have a material adverse impact on the Company's business in the future.

The Company has conducted a number of environmental audits of its major facilities to identify and categorize potential environmental exposures and to ensure compliance with applicable environmental laws, regulations and permit requirements. This effort has required and may continue to require operational modifications to the Company's facilities, including installation of pollution control devices and cleanups.

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons with respect to the release of a hazardous substance into the environment. These persons include the owner and operator of the disposal site or sites where the release occurred and companies that disposed or arranged for the disposal of the hazardous substances found at such site. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

The Company currently owns or leases, and has in the past owned or leased, numerous properties that for many years have been used for the manufacture and storage of products and equipment containing or requiring oil and/or hazardous substances. Although the Company has utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by the Company or on or under other locations where such wastes have been taken for disposal. In addition, many of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under the Company's control. These properties and the wastes disposed thereon may be subject to CERCLA, the Resource Conservation and Recovery Act and analogous state laws. Under such laws, the Company would be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators), property contamination (including groundwater contamination) or to perform remedial operations to prevent future contamination.

The Company and approximately 250 other potentially responsible parties ("PRPs") have received notices from the Environmental Protection Agency (the "EPA") that each is a PRP under CERCLA in connection with a waste oil recycling facility operated in the State of Texas by Voda Petroleum. It is alleged that the Company and its predecessors generated waste which was transported to a site operated by Voda Petroleum and that Voda Petroleum improperly disposed of the waste. The EPA has conducted a preliminary assessment of the site and determined that the contamination consists primarily of oil that is subject to the requirements of Oil Pollution Act of 1990 ("OPA") which subjects owners of facilities to strict joint and several liability for all containment and cleanup costs and certain other damages arising from a spill including, but not limited to, the costs of responding to a release of oil to surface waters. Liability under OPA is generally limited to the party responsible for the facility from which the spill or release actually occurred. The EPA also has determined that a small portion of the contamination at the site consists of hazardous substances that are subject to the provisions of CERCLA. The EPA has indicated that it intends to remediate

the Voda site and has established an initial site cleanup estimate of approximately $2 million. Management of the Company believes that the Company's liability, if any, to the extent not otherwise provided for, should not have a material adverse effect on the Company's consolidated financial statements.

Although the Company believes that it is in substantial compliance with existing laws and regulations, there can be no assurance that substantial costs for compliance will not be incurred in the future. Moreover, it is possible that other developments, such as stricter environmental laws, regulations and enforcement policies thereunder, could result in additional, presently unquantifiable, costs or liabilities to the Company.

AGREEMENT WITH PREVIOUS OWNERS

The Purchase Agreement entered into among the Company, USX Corporation and Armco Inc. in connection with the Acquisition of the Company's business from them provides that the Company will be responsible for (i) all of the liabilities, including environmental costs, disclosed and undisclosed, created after April 1, 1987 with respect to the business operations of the predecessor partnership as they were being conducted on the closing date ("Continuing Operations"), (ii) disclosed liabilities created after April 1, 1987 with respect to operations of the Company discontinued or sold prior to the closing date ("Discontinued Operations"), (iii) disclosed liabilities for environmental costs for conditions in existence as of April 1, 1987 ("Pre-1987 Environmental Costs"), (iv) fifty percent of the first $8.0 million of the aggregate of undisclosed Pre-1987 Environmental Costs and undisclosed liabilities related to Discontinued Operations and (v) taxes other than United States federal income taxes.

LEGAL PROCEEDINGS

There are various pending or threatened claims, lawsuits and administrative proceedings against the Company with respect to commercial, product liability and employee matters which seek remedies or damages. Although no assurance can be given with respect to the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have on the Company, management believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for, will not have a material adverse effect on the Company's consolidated financial statements.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

Set forth below are the Company's executive officers and directors, together with their positions and ages.

NAME	AGE	POSITION WITH THE COMPANY	DIRECTOR'S TERM EXPIRING
Joel V. Staff(1)	52	Chairman of the Board, President and Chief Executive Officer	1999
C. R. Bearden	50	Executive Vice President, President of Distribution Services and Director	1998
Lynn L. Leigh	71	Senior Vice President -- Marketing	--
Steven W. Krablin	46	Vice President and Chief Financial Officer	--
James J. Fasnacht	41	Vice President and General Manager of Pumping Systems	--
Merrill A. Miller, Jr	46	Vice President and General Manager of Drilling Systems	--
Jerry N. Gauche	48	Vice President -- Organizational Effectiveness	--
Paul M. Nation	41	Vice President, Secretary and General Counsel	--
W. McComb Dunwoody(1)	51	Director	1999
William E. Macaulay(1)(3)	51	Director	1999
Howard I. Bull(3)	56	Director	1998
James T. Dresher(2)	77	Director	1997
James C. Comis III(2)	32	Director	1998
Bruce M. Rothstein(2)	44	Director	1997

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(1) Member of Executive Committee.

(2) Member of Audit Committee.

(3) Member of Compensation Committee.

The Amended and Restated Certificate of Incorporation of the Company classifies the board of directors into three classes having staggered terms of three years each. The number of directors is fixed from time to time by resolution of the board of directors and consists of not less than three directors. The board of directors is currently set at eight members. The executive officers named above were elected to serve in such capacities until the next annual meeting of the board of directors, or until their respective successors have been duly elected and qualified, or until their earlier death, resignation, disqualification or removal from office.

Set forth below is a brief description of the business experience of the executive officers and directors of the Company.

Joel V. Staff has served as the President and Chief Executive Officer of the Company since July 1993 and Chairman of the Board since January 1996. Prior to joining the Company, Mr. Staff served as a Senior Vice President of Baker Hughes Incorporated from October 1983 to May 1993. Mr. Staff also serves as a director of Destec Energy Inc., an independent power company.

C. R. Bearden has served as Executive Vice President of the Company and President of Distribution Services since January 1995 and as a Director since January 1996. Mr. Bearden served in various executive capacities including President and Chief Executive Officer of Chiles Offshore Corporation from 1979 until that company's 1994 acquisition by a subsidiary of Noble Drilling Corporation, an offshore drilling contractor, where he served as President and Chief Operating Officer until joining the Company.

Lynn L. Leigh has served as a Senior Vice President since October 1993. Prior to joining the Company, Mr. Leigh served as the President and Chief Executive Officer of Hydril Company from January 1992 to July 1993. Prior thereto, he provided consulting and project management support services to Grasso Oilfield Services, Inc. from March 1989 to December 1991 and served as President of Unit Rig and Equipment Company from November 1987 to February 1989. Mr. Leigh also serves as a director of Global Marine, Inc., a marine drilling contractor.

Steven W. Krablin has served as Vice President and Chief Financial Officer since January 1996. Mr. Krablin served in various capacities including Vice President-Finance and Chief Financial Officer of Enterra Corporation, a NYSE-listed, international oilfield service company, from 1986 to October 1995.

James J. Fasnacht has served as Vice President and General Manager of Pumping Systems since November 1993, as Human Resources Manager from 1991 to November 1993 and in various other capacities since joining the Company in 1979.

Merrill A. Miller, Jr. has served as Vice President and General Manager of Drilling Systems since July 1996 and as Vice President of Marketing, Drilling Systems from February 1996 to July 1996. From May 1980 to January 1995, Mr. Miller served in various capacities including Vice President/U.S. Operations of Helmerich & Payne International Drilling Co., a drilling contractor.

Jerry N. Gauche has served as Vice President -- Organizational Effectiveness since joining the Company in January 1994. Prior thereto, Mr. Gauche was employed by BP Exploration, Inc., an oil and gas exploration and production company, where he served as General Manager of Central Services from January 1990 to September 1992 and Director of Public Affairs and Executive Coordination from May 1988 to December 1989.

Paul M. Nation has served as Secretary and General Counsel of the Company since 1987 and Vice President since 1994.

W. McComb Dunwoody has served as a Director of the Company since January 1996. Mr. Dunwoody has been Chief Executive Officer since 1981 of The Inverness Group Incorporated, which sponsors and invests in private equity transactions. Additionally, he has served as President and Chief Executive Officer of Duff & Phelps/Inverness LLC since 1994.

William E. Macaulay has served as a Director of the Company since January 1996. Mr. Macaulay has been the President and Chief Executive Officer of First Reserve Corporation since 1983. Mr. Macaulay serves as a director of Weatherford Enterra, Inc., an oilfield service company, Maverick Tube Corporation, a manufacturer of steel pipe and casing, Transmontaigne Oil Company, an oil products distribution and refining company, and Hugoton Energy Corporation, an independent oil and gas exploration and production company.

Howard I. Bull has served as a Director of the Company since January 1996. Since April 1994, Mr. Bull has been President, Chief Executive Officer and a director of Dal-Tile International, Inc. which is the largest tile manufacturer and distributor in North America. Prior to joining Dal-Tile International, Inc., Mr. Bull spent 10 years with Baker Hughes Incorporated, a worldwide diversified oil services company, where he became Chief Executive Officer for Baker Hughes Drilling Equipment Company. Additionally, he served York International Corporation, a worldwide manufacturer and distributor of air conditioner and refrigeration equipment, as President of its Applied Systems Division and Air Conditioning Business Group. Mr. Bull is a director of Marine Drilling Companies, Inc.

James T. Dresher has served as a Director of the Company since January 1996. Mr. Dresher has been Chairman/Chief Executive Officer and principal owner of Unidata, Inc., a Denver-based software company, since December 1991 and has been Chairman and owner of Glenangus, a residential real estate development company, since 1972. In addition, Mr. Dresher served as Chairman/CEO of York International Corporation from 1988 to 1993. Prior thereto, Mr. Dresher served as a director, Chief Financial Officer and Executive Vice President of Baker International Corporation.

James C. Comis III has served as a Director of the Company since January 1996. Mr. Comis has served as Managing Director of Duff & Phelps/Inverness LLC since August 1994. From August 1990 to August 1994, Mr. Comis was engaged in sponsoring and investing in private equity transactions with Mr. Dunwoody.

Bruce M. Rothstein has served as a Director of the Company since May 1996. Mr. Rothstein is Vice President of First Reserve Corporation, which he joined in 1991. Prior to joining First Reserve, he served as Treasurer and Chief Accounting Officer of Computer Factory, Inc.

COMMITTEES

The Company has the following standing committees of the board of directors:

Executive Committee. The Executive Committee consists of Messrs. Dunwoody, Staff and Macaulay, with Mr. Dunwoody serving as Chairman. The Executive Committee has the full power and authority to exercise all the powers of the board of directors in the management of the business except the power to fill vacancies in the board of directors and the power to amend the Bylaws.

Audit Committee. The Audit Committee consists of Messrs. Dresher, Comis and Rothstein, with Mr. Dresher serving as Chairman. The Audit Committee has responsibility for, among other things, (i) recommending the selection of the Company's independent accountants, (ii) reviewing and approving the scope of the independent accountants' audit activity and extent of non-audit services, (iii) reviewing with Management and the independent accountants the adequacy of the Company's basic accounting systems and the effectiveness of the Company's internal audit plan and activities, (iv) reviewing with Management and the independent accountants the Company's financial statements and exercising general oversight of the Company's financial reporting process and (v) reviewing the Company's litigation and other legal matters that may affect the Company's financial condition and monitoring compliance with the Company's business ethics and other policies.

Compensation Committee. The Compensation Committee consists of Messrs. Bull and Macaulay, with Mr. Bull serving as Chairman. This committee has general supervisory power over, and the power to grant options under, the Stock Award and Long-Term Incentive Plan and the Value Appreciation Plans. The Compensation Committee has responsibility for, among other things, (i) reviewing the recommendations of the Chief Executive Officer as to appropriate compensation of the Company's principal executive officers and certain other key personnel and establishing the compensation of such key personnel and the Chief Executive Officer, (ii) examining periodically the general compensation structure of the Company and (iii) supervising the welfare and pension plans and compensation plans of the Company.

DIRECTOR COMPENSATION

Directors who are full-time employees of the Company do not receive a retainer or fees for service on the board of directors or on committees of the board. Members of the board of directors who are not full-time employees of the Company receive an annual fee of $15,000, a fee of $1,000 for attendance at each meeting of the board of directors and at each meeting of its committees or any special committee established by the board, and a fee of $1,000 per day for any special assignments. The chairmen of the audit and compensation committees receive a fee of $1,250 for attendance at each meeting of the committee they chair. In addition, directors of the Company are eligible for grants of stock options, although no grants have been made, pursuant to the Stock Award and Long-Term Incentive Plan.

EXECUTIVE COMPENSATION

The following Summary Compensation Table sets forth certain information concerning the compensation payable by the Company to its Chief Executive Officer and its other most highly compensated executive officers for the year ended December 31, 1995 and includes executive officers who joined the Company in 1996.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION SALARY	BONUS	ALL OTHER COMPENSATION
Joel V. Staff..... Chairman, President and Chief Executive Officer	$275,016	--	--
C. R. Bearden..... Executive Vice President	215,625	--	--
Lynn L. Leigh..... Senior Vice President	195,000	--	--
Steven W. Krablin(1)..... Vice President and Chief Financial Officer	--	--	--
Merrill A. Miller, Jr.(1) ..... Vice President	--	--	--

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(1) Messrs. Krablin and Miller joined the Company in January 1996 and February 1996, respectively.

EMPLOYMENT AND COMPENSATION ARRANGEMENTS

Effective as of January 1, 1996, the Company entered into an employment agreement with each of the executive officers providing for a base salary, participation in the Company's Incentive Plan and employee benefits as generally provided to all employees for a continuing term of two years for Mr. Staff and one year for each of the other executive officers. The Company is not obligated to pay any amounts pursuant to the employment agreements upon (i) voluntary termination; (ii) termination for cause (as defined); (iii) death; (iv) long-term disability; or (v) employee's refusal to accept comparable employment with a successor corporation. If the employment relationship is terminated by the Company for any other reason, or by the employee due to an uncorrected material breach of the employment agreement by the Company, the employee is entitled to receive his base salary and current year targeted bonus amount either as a lump sum payment or over the one or two year term, as applicable, as determined by the employment agreement under the circumstances. The employment agreements with executive officers provide for the following base salaries for 1996: Joel V. Staff -- $300,000; C. R. Bearden -- $240,000; Lynn L. Leigh -- $195,000; Steven W. Krablin -- $150,000; and Merrill A. Miller, Jr. -- $150,000. The executive officers are entitled to bonuses as provided in the Company's 1996 Employee Incentive Plan. See "-- Employee Benefit Plans and Arrangements -- Employee Incentive Plan." The named executive officers are also entitled to certain benefits upon termination pursuant to the Stock Incentive Plan and Value Appreciation Plans, as described herein. Termination payments to each of the named executive officers would be as follows: Joel V. Staff -- $727,500; C. R. Bearden -- $324,000; Lynn L. Leigh -- $263,250; Steven W. Krablin -- $202,500; and Merrill A. Miller, Jr. -- $202,500. During the period of employment and for a period after termination of two years for Mr. Staff and one year for each of the other executive officers, the employees are generally prohibited from competing or assisting others to compete with the Company in its existing or recent business, or inducing any other employee to terminate employment with the Company.

LONG-TERM STOCK INCENTIVE PLAN

In 1996, the Company adopted a Stock Award and Long-Term Incentive Plan ("Stock Incentive Plan"), which provides for the award of restricted stock, incentive stock options, stock appreciation rights, performance share awards, stock value equivalent awards or any combination of the above, to certain key employees of the Company (the "Plan Participants"). Awards are granted to Plan Participants by the Compensation

Committee of the board of directors of the Company. The Stock Incentive Plan authorizes the issuance of up to an aggregate of 1,941,303 shares of Common Stock of the Company to the Plan Participants. As of August 28, 1996, 941,303 shares of Common Stock of the Company had been awarded as restricted stock to seven recipients, each of whom is an executive officer of the Company, pursuant to Restricted Stock Agreements. Those Restricted Stock Agreements provide for the purchase of Common Stock of the Company for $.001 per share (the "Restricted Stock"). Although any of the 941,303 shares of Restricted Stock which are forfeited can be reawarded to new participants by the Company, any forfeited shares of Restricted Stock not reawarded as of January 17, 2001 shall automatically be awarded pro rata among the then existing holders of Restricted Stock. The Restricted Stock is subject to forfeiture restrictions, which prohibit the stock from being sold, assigned, pledged, exchanged or otherwise transferred until the forfeiture restrictions have lapsed. The Restricted Stock Agreements also provide that the Restricted Stock must be resold to the Company for $.001 per share if the recipients' employment with the Company is terminated for any reason prior to the lapse of the forfeiture restrictions. The forfeiture restrictions lapse each year on 20% of the total number of shares of Restricted Stock awarded to each Plan Participant and on an additional twenty percent of the Restricted Stock awarded to a Plan Participant upon an involuntary termination of employment without cause. The Stock Incentive Plan is administered by the Compensation Committee.

Under certain circumstances, the accelerated lapsing of the forfeiture provisions of the Restricted Stock might be deemed an "excess parachute payment" for purposes of the golden parachute tax provisions of Section 280G of the Internal Revenue Code. To the extent it is so considered, the Company may be denied a tax deduction. In addition, the Restricted Stock Agreements provide for the Company to pay the Plan Participants a bonus which is equal to two-thirds of the amount of any excess parachute tax payments which may be made by the Plan Participants (the "Parachute Bonuses"), plus an additional amount equal to the additional income taxes to be paid by the participants related to the Parachute Bonuses.

EMPLOYEE BENEFIT PLANS AND ARRANGEMENTS

The following are descriptions of certain of the Company's employee benefit plans and arrangements under which employees, officers and directors of the Company may participate.

Employee Incentive Plan. In 1996, the Company established the 1996 National-Oilwell Employee Incentive Plan (the "Employee Incentive Plan") in which all employees, including executive officers, are eligible to receive cash bonus payments. The amount of the bonus payment is determined by the Company's performance objectives based on measures of EBITDA and the ratio of EBITDA to capital employed. A minimum performance level must be achieved by the Company before any bonus is earned, and higher levels of achievement are rewarded with increasing bonus payments based upon an established progression. A participant's bonus opportunity varies depending upon the level of his or her position. The maximum bonus opportunity for the President is approximately 65% of annual base salary and for the other executive officers is approximately 50%. The board of directors may adjust the award by as much as 25% of the target award.

Value Appreciation and Incentive Plan A. The Company has adopted an incentive plan, the Value Appreciation and Incentive Plan A ("VAP A"), which provides for certain key employees of the Company ("VAP A Participants") to qualify for an award upon the occurrence of certain events, including an initial public offering. The Company grants VAP A Participants awards in the form of Value Appreciation Units ("VAUs"), of which a maximum of 80 can be awarded under VAP A. As of August 26, 1996 there were 27 participants in VAP A, and 63 of the 80 VAUs available had been awarded to those VAP A Participants. In the event of an initial public offering, the maximum amount to be awarded to VAP A Participants (the "Maximum VAP A Award"), which assumes all 80 VAUs have been awarded, is calculated by multiplying the value of the total number of issued and outstanding shares of Common Stock of the Company immediately prior to the Offering (valued at the initial public offering price, less underwriters' discount) times 0.04.

The amount of the award to be distributed to an individual VAP A Participant (an "Individual Distribution Award") is calculated by multiplying the Maximum VAP A Award by a fraction, the numerator of which is the number of VAUs awarded to the individual VAP A Participant, and the denominator of which is 80. At the time of an initial public offering participants will receive one-third of their Individual Distribution

Amount in cash and the remaining two-thirds in restricted Common Stock of the Company (the "VAP A Stock"), valued at the initial public offering price. The VAP A Stock is subject to forfeiture restrictions, which prohibit the stock from being sold, assigned, pledged, exchanged or otherwise transferred until the forfeiture restrictions have lapsed. The forfeiture restrictions lapse on one-half of the VAP A Stock on the first anniversary date of the initial public offering, and on the other one-half of the VAP A Stock on January 17, 1999.

Under certain circumstances, the amounts payable under VAP A might be deemed an "excess parachute payment" for purposes of the golden parachute tax provisions of Section 280G of the Internal Revenue Code. To the extent it is so considered, the Company may be denied a tax deduction. In addition, VAP A provides for the Company to pay the VAP A Participants a bonus which is equal to two-thirds of the amount of any excess parachute tax payments which may be made by the VAP A Participants (the "VAP A Parachute Bonuses"), plus an additional amount equal to the additional income taxes to be paid by the VAP A Participants related to the VAP A Parachute Bonuses.

Value Appreciation and Incentive Plan B. The Company has adopted another incentive plan, the Value Appreciation and Incentive Plan B ("VAP B", and collectively with VAP A, the "Value Appreciation Plans"), which provides for certain executive officers of the Company to qualify for an award upon the occurrence of certain events, including an initial public offering. Only executive officers who have received an award of restricted stock under the Company's Stock Incentive Plan as of the date of an initial public offering ("VAP B Participants") participate in VAP B. As of August 26, 1996 there were seven participants in VAP B. Awards to VAP B Participants consist of a Pool A Award and a Pool B Award. The total Pool A Award is calculated by multiplying the value of the total number of issued and outstanding shares of Common Stock of the Company immediately prior to the public offering (valued at the initial public offering price, less underwriters' discount) times 0.01. The total Pool B Award is $3,490,000.

The portion of the Pool A Award to be distributed to an individual VAP B Participant is calculated by multiplying the Pool A Award by a fraction, the numerator of which is the number of shares of stock of the Company awarded to the individual VAP B Participant, and the denominator of which is the total number of shares of stock of the Company awarded to all VAP B Participants. At the time of an initial public offering, VAP B Participants will receive one-third of the Pool A Award in cash and the remaining two-thirds in restricted Common Stock of the Company (the "VAP B Stock"), valued at the initial public offering price. The VAP B Stock is subject to forfeiture restrictions, which prohibit the stock from being sold, assigned, pledged, exchanged or otherwise transferred until the forfeiture restrictions have lapsed. The forfeiture restrictions lapse on one-half of the VAP B Stock on the first anniversary date of the initial public offering, and on the other one-half of the VAP B Stock on January 17, 1999.

The portion of the Pool B Award to be distributed to an individual VAP B Participant is calculated by multiplying the Pool B Award by a fraction, the numerator of which is the number of shares of restricted stock of the Company awarded to the individual VAP B Participant under the Company's Stock Incentive Plan, and the denominator of which is the total number of shares of restricted stock of the Company awarded to all VAP B Participants under the Company's Stock Incentive Plan. The timing of the distribution of the Pool B Awards is tied to the date upon which an initial public offering occurs, but if such event occurs prior to January 1, 1997, the Pool B Award will be paid in five equal installments on January 17 in 1997, 1998, 1999, 2000 and 2001. Pool B Awards are payable in cash.

Under certain circumstances, the amounts payable under VAP B might be deemed an "excess parachute payment" for purposes of the golden parachute tax provisions of Section 280G of the Internal Revenue Code. To the extent it is so considered, the Company may be denied a tax deduction. In addition, VAP B provides for the Company to pay the VAP B Participants a bonus which is equal to two-thirds of the amount of any excess parachute tax payments which may be made by the VAP B Participants (the "VAP B Parachute Bonuses"), plus an additional amount equal to the additional income taxes to be paid by the VAP B Participants related to the VAP B Parachute Bonuses.

Supplemental Savings Plan. The Supplemental Savings Plan is a non-qualified deferred compensation plan, which permits certain employees (31 as of June 30, 1996) to defer receipt of regular and/or incentive compensation. Participants are not entitled to receive any deferred amounts prior to termination of

employment, at which time payments will be made in a lump sum or in monthly payments over a prespecified period not to exceed 10 years.

The Supplemental Savings Plan also provides for the Company to make contributions on behalf of the participants whose contributions to the Company's Retirement and Thrift Plan are limited by various Internal Revenue Code regulations. The Supplemental Savings Plan assets are held in a trust whose assets may be reached by creditors, but which are unavailable to the Company. Shares of the Company's Common Stock held in trust pursuant to this plan are voted by a party unaffiliated with the Company or the trustee of the plan.

CERTAIN TRANSACTIONS

STOCKHOLDERS AGREEMENT

The Company and the holders of 100% of the Company's Class A Common Stock and Common Stock outstanding prior to the Offering have entered into a Stockholders Agreement dated January 16, 1996, as amended (the "Stockholders Agreement"). The Stockholders Agreement contains provisions for management of the Company, voting of shares, election of directors and restrictions on transfer of shares. Among other things, the Stockholders Agreement provides that four members of the Company's board of directors would be designated by DPI Oil Service Partners Limited (of which Duff & Phelps/Inverness LLC serves as the managing general partner), two members of the board would be designated by partnerships of which First Reserve Corporation serves as the managing general partner, and the Chief Executive Officer and Executive Vice President would serve as the remaining two directors of the Company's eight member board of directors. All of the existing members of the Company's board of directors were designated and elected pursuant to the terms of the Stockholders Agreement. The terms of the Stockholders Agreement concerning rights to designate members of the board of directors, management of the Company, and restrictions on transfer of shares all will terminate automatically upon the completion of the Offering. In addition, the Stockholders Agreement provides the Inverness Investors and the First Reserve Investors, after the Offering, the right on four occasions to require the Company to register all or part of their registerable shares under the Securities Act, and the Company is required to use its best efforts to effect such registration, subject to certain conditions and limitations. The Stockholders Agreement also provides all the parties to the Stockholders Agreement with piggyback registration rights on any offering by the Company of any of its securities to the public except a registration on Forms S-4 or S-8. The Company will bear the expenses of all registrations under the Stockholders Agreement. The parties to the Stockholders Agreement have waived their registration rights with respect to a Registration Statement filed by the Company with respect to the Offering.

AGREEMENTS WITH INVERNESS

The Company entered into a Management Services Agreement dated January 16, 1996 (the "Management Services Agreement") with Duff & Phelps/Inverness LLC, a Connecticut limited liability company ("Inverness"). This agreement will be terminated and replaced with a Deferred Payment Agreement immediately prior to the Offering.

The Management Services Agreement provides that Inverness perform management services as directed by the Company's board of directors, including (i) assisting executive management; (ii) identifying and negotiating acquisitions and dispositions for the Company; (iii) negotiating and analyzing financing alternatives in connection with acquisitions, capital expenditures, and refinancings; (iv) financial modeling and analysis; (v) assisting in executive searches and (vi) other services as agreed with the Company's board of directors.

The Management Services Agreement provides that Inverness receive fees of $1,000,000 per year, payable quarterly commencing in January 1996 and a transaction fee in connection with each acquisition or disposition by the Company of an existing business of 1% of the aggregate transaction value of each such transaction.

Prior to the Offering, the Management Services Agreement will be terminated and replaced by a Deferred Payment Agreement with Duff & Phelps/Inverness LLC and First Reserve Corporation. Under the terms of the Deferred Payment Agreement, Duff & Phelps/Inverness LLC will be paid $250,000 in advance quarterly beginning on the first day of the calendar quarter following the Offering through December 31, 1999. In addition, Duff & Phelps/Inverness LLC and First Reserve Corporation will be paid fees aggregating $1,050,000 and $225,000, respectively, on the first date and to the extent such payment would not be an event of default under the Seller Notes. The Seller Notes provide that an event of default would occur if aggregate management or similar fees are paid to Duff & Phelps/Inverness LLC and First Reserve Corporation in any calendar year in excess of $1,000,000, or if transaction fees in excess of 1% of the aggregate transaction value of any merger, acquisition, consolidation or divesture involving the Company (a "transaction") are paid to Duff & Phelps/Inverness LLC and/or First Reserve Corporation. If a transaction occurs prior to January 1, 2000, a portion of the $1,275,000 shall be considered, and paid as, a transaction fee to the extent that such payment does not cause an event of default under the Seller Notes with respect to the $1,275,000, all amounts remaining unpaid as of January 1, 2000, shall be considered as a management or similar fee and shall be payable quarterly in advance in the aggregate amount of $250,000 (proportionally to Duff & Phelps/Inverness LLC and First Reserve Corporation) beginning on January 1, 2000, until the remaining unpaid portion of the $1,275,000 has been paid.

For its assistance in the acquisition of the National-Oilwell partnership and subsidiaries that the Company acquired in January 1996, Inverness was paid a transaction fee of $1,800,000.

FIRST RESERVE FEE AGREEMENT

In connection with the acquisition by the Company of the National-Oilwell partnership and subsidiaries in January 1996, the Company paid First Reserve Corporation a $1,200,000 transaction fee.

MANAGEMENT NOTES

In connection with the Acquisition, four of the Company's executive officers issued promissory notes (the "Officer Notes") to the Company in an aggregate amount of approximately $500,000 in exchange for Class A Common Stock of the Company. The Officer Notes bear interest until maturity at 1.5% above the prime interest rate, payable annually, and the principal is due on January 15, 2001 unless extended at the option of the Company. The Officer Notes were issued by the following executive officers: James J. Fasnacht -- $150,000; Paul M. Nation -- $199,999; C. R. Bearden -- $100,000; and Lynn L. Leigh -- $49,999. In accordance with their terms, the Officer Notes will be prepaid immediately prior to the Offering.

GE CAPITAL FEE

In connection with the acquisition of the National-Oilwell partnerships and business, GE Capital provided the Credit Facility, Subordinated Note and equity capital and received transaction fees totalling $4.7 million.

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of Common Stock by (i) each beneficial owner of more than five percent of the Company's Common Stock, (ii) each director of the Company, (iii) each of the executive officers of the Company named in the Summary Compensation Table and (iv) all executive officers and directors of the Company as a group. At June 30, 1996, there were 13,249,483 shares of Common Stock outstanding, after giving effect to the issuance of 282,392 shares upon the exercise of the Warrant.

	BENEFICIAL OWNERSHIP BEFORE OFFERING		BENEFICIAL OWNERSHIP AFTER OFFERING(1)	
NAME OF BENEFICIAL OWNER	SHARES	PERCENTAGE	SHARES	PERCENTAGE
The Inverness Investors(2)..... 666 Steamboat Road Greenwich, Connecticut 06830	5,101,800	38.5%	5,101,800	29.0%
The First Reserve Investors(3)..... 475 Steamboat Road Greenwich, Connecticut 06830	4,185,247	31.6	4,185,247	23.8
GE Capital..... 105 W. Madison Street, Suite 1600 Chicago, Illinois 60602	1,593,902	12.0	1,593,902	9.1
Joel V. Staff.....	363,075	2.7	387,720	2.2
Staff Trust(4).....	528,814	4.0	528,814	3.0
C. R. Bearden.....	419,697	3.2	436,127	2.5
Steven W. Krablin.....	171,275	1.3	179,490	1.0
Lynn L. Leigh.....	154,295	1.2	203,583	1.2
Merrill A. Miller, Jr.....	94,127	*	102,342	*
W. McComb Dunwoody.....	--(5)	--	--(5)	--
William E. Macaulay.....	--(6)	--	--(6)	--
Howard I. Bull.....	--	--	--	--
James T. Dresher.....	--	--	--	--
James C. Comis III.....	--	--	--	--
Bruce M. Rothstein.....	--	--	--	--
All directors and executive officers as a group (14 persons)(5)(6).....	1,839,721	13.9	1,971,159	11.2

- ---

* Less than 1%.

(1) Includes shares of Common Stock issued pursuant to the Company's Value Appreciation Plans (340,926 shares of Common Stock based on an assumed initial public offering price of $17.00 per share).

(2) The "Inverness Investors" consist of two limited partnerships, DPI Oil Service Partners Limited Partnership and DPI Partners II, of which Duff & Phelps/Inverness LLC, is, in each case, the managing general partner.

(3) The "First Reserve Investors" consist of three limited partnerships, First Reserve Fund V, Limited Partnership, First Reserve Fund V-2 and First Reserve Fund V1, Limited Partnership, of which First Reserve Corporation is, in each case, the managing general partner.

(4) These shares are owned by the trust created by that certain Trust Agreement dated April 12, 1989 by and among Joel V. Staff and Mary Martha Staff, as Trustors, and Richard Staff, as Trustee. Mr. Staff does not vote nor exercise investment power over these shares.

(5) Mr. Dunwoody may be deemed a beneficial owner of shares owned by the Inverness Investors by reason of his position with Duff & Phelps/Inverness LLC, which is the managing general partner of the partnerships that are the record owners of the shares owned by the Inverness Investors. Mr. Dunwoody disclaims beneficial ownership of these shares.

(6) Mr. Macaulay may be deemed a beneficial owner of shares owned by the First Reserve Investors by reason of his ownership of the capital stock and position with First Reserve Corporation, which is the managing general partner of the partnerships that are the record owners of the shares owned by the First Reserve Investors. Mr. Macaulay disclaims beneficial ownership of these shares.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 40,000,000 shares of common stock and 10,000,000 shares of preferred stock, par value $.01 per share ("Preferred Stock").

COMMON STOCK

As of June 30, 1996, the Company's outstanding Common Stock consisted of 11,064,548 shares of Common Stock and 13,288 shares of the Company's Class A Common Stock. All outstanding shares of Class A Common Stock will have been automatically converted into shares of Common Stock on the effective date of the Registration Statement of which this Prospectus is a part. Upon completion of the Offering, 17,590,409 shares of Common Stock will be outstanding after giving effect to (i) the mandatory conversion of all outstanding shares of Class A Common Stock into 1,902,543 shares of Common Stock, (ii) the exercise of the Warrant to purchase 282,392 shares of Common Stock and (iii) the issuance of 340,926 shares of Common Stock under the Company's Value Appreciation Plans (assuming an initial public offering price of $17.00 per share).

The holders of Common Stock are entitled to one vote per share on all matters voted on by the stockholders, including the election of directors. Holders of Common Stock are not entitled to cumulate their votes in elections of directors. Common stockholders have no preemptive rights or other rights to subscribe for additional shares.

Upon the effectiveness of the Registration Statement of which this Prospectus is a part, each share of Class A Common Stock will be automatically converted into shares of Common Stock pursuant to the Company's Charter. Each holder of Class A Common Stock will be entitled to receive the number of shares of Common Stock equal to the Original Cost divided by the net public offering price per share of the Common Stock being sold in the Offering (143.18 shares for each share of Class A Common Stock, based on an assumed initial public offering price of $17.00 per share). Pursuant to the Charter, the number of shares of Common Stock issuable upon conversion of the Class A Common Stock is determined by dividing $30,079,200 by the initial public offering price per share, less underwriting discount. Based on the range of the estimated initial public offering price of $16.00 per share to $18.00 per share (less estimated underwriting discount), the total number of shares of Common Stock which will be issued upon conversion of Class A Common Stock will range from 2,021,452 shares of Common Stock to 1,796,846 shares of Common Stock. At the conclusion of the Offering no shares of Class A Common Stock will remain outstanding.

After retirement of the Class A Common Stock upon consummation of the Offering, holders of Common Stock will have an equal and ratable right to receive dividends when, as and if declared by the board of directors out of funds legally available therefor subject only to any payment requirements or other restrictions imposed by any series of Preferred Stock that may be issued in the future. See "Dividend Policy."

The transfer agent and registrar for the Common Stock is American Stock Transfer & Trust Company.

PREFERRED STOCK

The board of directors of the Company, without any action by the stockholders of the Company, is authorized to issue up to 10,000,000 shares of Preferred Stock, in one or more series and to determine the voting rights (including the right to vote as a series on particular matters), preferences as to dividends and in liquidation and the conversion and other rights of each such series. There are no shares of Preferred Stock outstanding. See "Certain Anti-Takeover and Other Provisions of the Amended and Restated Certificate of Incorporation -- Preferred Stock."

CERTAIN ANTI-TAKEOVER AND OTHER PROVISIONS OF THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

The Amended and Restated Certificate of Incorporation (the "Charter") and the Bylaws of the Company contain provisions that could have an anti-takeover effect. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the board of directors of the Company and in the policies formulated by the board of directors and to discourage certain types of transactions which may

involve an actual or threatened change of control of the Company. The provisions are designed to reduce the vulnerability of the Company to an unsolicited proposal for a takeover of the Company that does not contemplate the acquisition of all of its outstanding shares or an unsolicited proposal for the restructuring or sale of all or part of the Company. The provisions are also intended to discourage certain tactics that may be used in proxy fights. The board of directors believes that, as a general rule, such takeover proposals would not be in the best interest of the Company and its stockholders. Set forth below is a description of such provisions in the Charter and the Bylaws. The description of such provisions set forth below is intended only as a summary and is qualified in its entirety by reference to the pertinent sections of the Charter and the Bylaws, forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The board of directors has no current plans to formulate or effect additional measures that could have an anti-takeover effect.

Classified Board of Directors. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of the board of directors. At least two annual meetings of stockholders generally will be required to effect a change in a majority of the board of directors. Such a delay may help ensure that the Company's directors, if confronted by a stockholder attempting to force a proxy contest, a tender or exchange offer or an extraordinary corporate transaction, would have sufficient time to review the proposal as well as any available alternatives to the proposal and to act in what they believe to be the best interests of the stockholders. The classification provisions will apply to every election of directors, however, regardless of whether a change in the composition of the board of directors would be beneficial to the Company and its stockholders and whether a majority of the Company's stockholders believes that such a change would be desirable. Pursuant to the Charter, the provisions relating to the classification of directors may only be amended by the affirmative vote of eighty percent of the then outstanding shares of capital stock entitled to vote thereon ("Voting Stock").

Removal of Directors Only for Cause. Pursuant to the Charter, directors can be removed from office, only for cause (as defined therein), by the affirmative vote of eighty percent of the Voting Stock, other than at the expiration of their term of office. Vacancies on the board of directors may be filled only by the remaining directors and not by the stockholders.

Number of Directors. The Charter provides that the entire board of directors will consist of not less than three members, the exact number to be set from time to time by resolution of the board of directors. Accordingly, the board of directors, and not the stockholders, has the authority to determine the number of directors and could delay any stockholder from obtaining majority representation on the board of directors by enlarging the board of directors and filling the new vacancies with its own nominees until the next stockholder election.

No Written Consent of Stockholders. The Charter also provides that any action required or permitted to be taken by the stockholders of the Company must be taken at a duly called annual or special meeting of stockholders and may not be taken by written consent. In addition, special meetings may only be called by (i) the Chairman of the Board, (ii) the President or (iii) the board of directors pursuant to a resolution adopted by a majority of the then-authorized number of directors.

Charter and Bylaws. The Charter provides that the board of directors, by a majority vote, may adopt, alter, amend or repeal provisions of the Bylaws.

Business Combinations under Delaware Law. The Company is subject to section 203 of the Delaware General Corporation Law ("DGCL"), which prohibits certain transactions between a Delaware corporation and an "interested stockholder," which is defined as a person who, together with any affiliates and/or associates of such person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting shares of a Delaware corporation. This provision prohibits certain business combinations (defined broadly to include mergers, consolidations, sales or other dispositions of assets having an aggregate value in excess of 10% of the consolidated assets of the corporation, and certain transactions that would increase the interested stockholder's proportionate share ownership in the corporation) between an interested stockholder and a corporation for a period of three years after the date the interested stockholder acquired its stock, unless (i) the business combination is approved by the corporation's board of directors prior to the date the interested

stockholder acquired shares; (ii) the interested stockholder acquired at least 85% of the voting stock of the corporation in the transaction in which it became an interested stockholder; or (iii) the business combination is approved by a majority of the board of directors and by the affirmative vote of two-thirds of the votes entitled to be cast by disinterested stockholders at an annual or special meeting.

Preferred Stock. The Charter authorizes the board of directors of the Company, without any action by the stockholders of the Company, to issue up to 10,000,000 shares of Preferred Stock, in one or more series and to determine the voting rights (including the right to vote as a series on particular matters), preferences as to dividends and in liquidation and the conversion and other rights of each such series. Because the terms of the preferred stock may be fixed by the board of directors of the Company without stockholder action, the preferred stock could be issued quickly with terms designed to make more difficult a proposed takeover of the Company or the removal of its management. The board of directors will make any determination to issue such shares based on its judgment as to the best interests of the Company and its stockholders.

LIABILITY OF OFFICERS AND DIRECTORS -- INDEMNIFICATION

Delaware law authorizes corporations to limit or eliminate the personal liability of officers and directors to corporations and their stockholders for monetary damages for breach of officers' and directors' fiduciary duty of care. The duty of care requires that, when acting on behalf of the corporation, officers and directors must exercise an informed business judgment based on all material information reasonably available to them. Absent the limitations authorized by Delaware law, officers and directors are accountable to corporations and their stockholders for monetary damages for conduct constituting gross negligence in the exercise of their duty of care. Delaware law enables corporations to limit available relief to equitable remedies such as injunction or rescission. The Charter limits the liability of officers and directors of the Company to the Company or its stockholders to the fullest extent permitted by Delaware law. Specifically, officers and directors of the Company will not be personally liable for monetary damages for breach of an officer's or director's fiduciary duty in such capacity, except for liability (i) for any breach of the officers and directors duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL, or (iv) for any transaction from which the officer and director derived an improper personal benefit.

The inclusion of this provision in the Charter may have the effect of reducing the likelihood of derivative litigation against officers and directors, and may discourage or deter stockholders or management from bringing a lawsuit against officers and directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefitted the Company and its stockholders. Both the Company's Charter and Bylaws provide indemnification to the Company's officers and directors and certain other persons with respect to certain matters to the maximum extent allowed by Delaware law as it exists now or may hereafter be amended.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offering, 17,590,409 shares of Common Stock will be outstanding. The shares of Common Stock sold in the Offering will be freely tradeable without restriction or further registration under the Securities Act, except for any shares purchased by an "affiliate" of the Company (as that term is defined under the Securities Act), which will be subject to the resale limitations of Rule 144 under the Securities Act. The remaining shares of Common Stock, which are held by the Company's current stockholders, will be "restricted securities" (within the meaning of Rule 144) and, therefore, will not be eligible for sale to the public unless they are sold in transactions registered under the Securities Act or pursuant to an exemption from registration, including pursuant to Rule 144 or an offshore transaction pursuant to Regulation S under the Securities Act. The 1,168,310 shares of Common Stock, beneficially owned by the Inverness Investors, which were issued on July 15, 1995 are restricted from resale pursuant to Rule 144 under the Securities Act until July 15, 1997. The remaining shares of Common Stock, held by the Company's existing stockholders, were issued in 1996 and are restricted from resale under Rule 144 until various dates in 1998. The Stockholders Agreement provides the Inverness Investors and the First Reserve Investors four demand registrations after the Offering and provides the parties to the Stockholders Agreement with piggyback registration rights. Such stockholders have waived their registration rights with respect to a Registration Statement filed by the Company with respect to the Offering. See "Certain Transactions -- Stockholders Agreement."

The Company intends to file a registration statement on Form S-8 under the Securities Act to register the shares of Common Stock reserved or to be available for issuance pursuant to the Stock Incentive Plan. Shares of Common Stock issued pursuant to such plan generally will be available for sale in the open market by holders who are not affiliates of the Company and, subject to the volume and other limitations of Rule 144, by holders who are affiliates of the Company.

In general, under Rule 144 as currently in effect, if a minimum of two years has elapsed since the later of the date of acquisition of the restricted securities from the issuer or from an affiliate of the issuer, a person (or persons whose shares of Common Stock are aggregated), including persons who may be deemed "affiliates" of the Company, would be entitled to sell within any three-month period a number of shares of Common Stock that does not exceed the greater of (i) 1% of the then outstanding shares of Common Stock (i.e., 175,900 shares immediately after consummation of the Offering) and (ii) the average weekly trading volume during the four calendar weeks preceding the date on which notice of the sale is filed with the Commission. Sales under Rule 144 are also subject to certain provisions as to the manner of sale, notice requirements, and the availability of current public information about the Company. In addition, under Rule 144(k), if a period of at least three years has elapsed since the later of the date restricted securities were acquired from the Company or the date they were acquired from an affiliate of the Company, a stockholder who is not an affiliate of the Company at the time of sale and has not been an affiliate for at least three months prior to the sale would be entitled to sell shares of Common Stock in the public market immediately without compliance with the foregoing requirements under Rule 144. Rule 144 does not require the same person to have held the securities for the applicable periods. The foregoing summary of Rule 144 is not intended to be a complete description thereof. The Commission has proposed an amendment to Rule 144 that would shorten the three- and two-year holding periods described above to two years and one year, respectively.

The Company, each of its directors and executive officers and all existing stockholders have agreed with the Underwriters that they will not offer, sell, contract to sell, sell any option or contract to purchase any option or contract to sell, grant any option, right or warrant for the sale of, pledge, or otherwise dispose of or transfer any shares of Common Stock, with certain exceptions, for a period of 180 days after the date of this Prospectus without the prior written consent of Merrill Lynch, as representative of the Underwriters. See "Underwriting."

Prior to the Offering, there has been no public market for the Common Stock, and no prediction can be made of the effect, if any, that sales of Common Stock or the availability of shares for sale will have on the market price prevailing from time to time. Following the Offering, sales of substantial amounts of Common

Stock in the public market or otherwise, or the perception that such sales could occur, could adversely affect the prevailing market price for the Common Stock.

UNDERWRITING

Subject to the terms and conditions set forth in the Purchase Agreement (the "Purchase Agreement") among the Company and each of the underwriters named below (the "Underwriters"), the Company has agreed to sell to each of the Underwriters, and each of the Underwriters, for whom Merrill Lynch, Goldman, Sachs & Co. and Simmons & Company International are acting as representatives (the "Representatives"), has severally agreed to purchase from the Company the number of shares of Common Stock set forth below opposite their respective names. The Underwriters are committed to purchase all of such shares if any are purchased. Under certain circumstances, the commitments of non-defaulting Underwriters may be increased as set forth in the Purchase Agreement.

UNDERWRITERS	NUMBER OF SHARES
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Goldman, Sachs & Co.	
Simmons & Company International	
Total	

The Representatives have advised the Company that the Underwriters propose to offer the shares of Common Stock to the public initially at the public offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not in excess of $ per share. The Underwriters may allow, and such dealers may reallow, a discount not in excess of $ per share on sales to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The Company has granted the Underwriters an option, exercisable by the Representatives, to purchase up to 600,000 additional shares of Common Stock at the initial public offering price, less the underwriting discount. Such option, which expires 30 days after the date of this Prospectus, may be exercised solely to cover over-allotments. To the extent that the Representatives exercise such option, each of the Underwriters will be obligated, subject to certain conditions, to purchase approximately the same percentage of the option shares that the number of shares to be purchased initially by that Underwriter bears to the total number of shares to be purchased initially by the Underwriters.

Prior to the Offering, there has been no public market for the Common Stock. There can be no assurance that an active market for the Common Stock will develop upon completion of the Offering or, if developed, that such market will be sustained. The initial public offering price of the Common Stock will be determined through negotiations between the Company and the Representatives and may bear no relationship to the market prices of the Common Stock after this offering. Prices for the Common Stock after this offering may be influenced by a number of factors, including the depth and liquidity of the market for the Common Stock, investor perceptions of the Company and the oil and gas industry in general, and general economic and other conditions.

The Company has agreed to indemnify the Underwriters against certain liabilities including liabilities under the Securities Act, or to contribute to payments the Underwriters may be required to make in respect thereof.

In connection with the Offering, the Company's directors and officers and certain of its stockholders have agreed that, during a period of 180 days from the date of this Prospectus, such holders will not, without the prior written consent of the Representatives, offer, sell, contract to sell, sell any option or contract to purchase any option or contract to sell, grant any option, right or warrant for the sale of, pledge, or otherwise dispose of or transfer any shares of Common Stock. In addition, the Company will not, without the prior written consent of Merrill Lynch, as representative of the Underwriters, directly or indirectly, offer, contract to sell, sell, grant any option with respect to, pledge, hypothecate or otherwise dispose of any shares of Common Stock except for (i) sales of the shares of Common Stock offered hereby, (ii) issuances pursuant to the exercise of outstanding warrants, stock options and convertible securities, (iii) grants of options or shares of Common Stock pursuant to the Stock Incentive Plan, (iv) bona fide gifts by stockholders to certain donees who agree to be bound by a similar agreement, (v) certain transfers in private transactions to affiliates of such stockholder who agree to be bound by a similar agreement and (vi) pledges by certain officers in connection with loans for the repayment of the Officer Notes to the Company.

Goldman, Sachs & Co. was paid ordinary and customary fees by the Company for its services as syndication agent under the Credit Facility.

LEGAL MATTERS

The validity of the issuance of the shares of Common Stock offered hereby will be passed upon for the Company by Vinson & Elkins L.L.P., Houston, Texas. Certain legal matters relating to the Common Stock offered hereby will be passed upon for the Underwriters by Andrews & Kurth L.L.P., Houston, Texas.

EXPERTS

The consolidated balance sheet of National-Oilwell, Inc. as of January 1, 1996 and the consolidated financial statements of National-Oilwell and subsidiaries, the predecessor, at December 31, 1995 and 1994 and for each of the three years in the period ended December 31, 1995, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

AVAILABLE INFORMATION

The Company has not previously been subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act, with respect to the offer and sale of Common Stock pursuant to this Prospectus. This Prospectus, filed as a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement or the exhibits and schedules thereto in accordance with the rules and regulations of the Commission and reference is hereby made to such omitted information. Statements in this Prospectus as to the contents of any contract, agreement or other document filed as an exhibit to the Registration Statement are summaries of the terms of such contracts, agreements or documents and are not necessarily complete. Reference is made to each such exhibit for a more complete description of the matters involved and such statements shall be deemed qualified in their entirety by such reference. The Registration Statement and the exhibits and schedules thereto may be inspected, without charge, and copies may be obtained at prescribed rates, at the public reference facilities maintained by the Commission at its principal office at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and the regional offices of the Commission located at Northwestern Atrium Center, 500 West Madison Street, 14th Floor, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. The Registration Statement and other information filed by the Company with the Commission are also available at the web site of the Commission at http://www.sec.gov.

The Company intends to furnish its stockholders with annual reports containing audited financial statements certified by independent auditors and quarterly reports for the first three quarters of each fiscal year containing unaudited financial statements.

INDEX TO FINANCIAL STATEMENTS

REPORTS OF INDEPENDENT AUDITORS

Board of Directors
National-Oilwell, Inc.

We have audited the accompanying consolidated balance sheet of National-Oilwell, Inc. and subsidiaries as of January 1, 1996. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of National-Oilwell, Inc. and subsidiaries at January 1, 1996, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Houston, TX
August 29, 1996

Partners
National-Oilwell

We have audited the accompanying consolidated balance sheets of National-Oilwell, a general partnership, and subsidiaries, the Partnership, as of December 31, 1995 and 1994, and the related consolidated statements of operations, owners' equity, and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of National-Oilwell, a general partnership, and subsidiaries at December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Houston, Texas
January 31, 1996

NATIONAL-OILWELL, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

ASSETS

	JUNE 30, 1996	JANUARY 1, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994
	(UNAUDITED)			
Current assets:				
Cash and cash equivalents	$ 4,512	$ 17,371	$ 65,452	$ 9,418
Receivables, less allowance of $3,369, $4,015, $4,015 and $1,023	86,282	77,767	74,986	102,368
Inventories	121,907	116,107	120,686	124,096
Prepaids and other current assets	7,073	6,033	4,543	4,119
Total current assets	219,774	217,278	265,667	240,001
Property, plant and equipment, net	17,916	18,936	18,877	22,397
Deferred taxes	7,759	8,464	1,450	1,959
Goodwill	6,408	6,489	--	--
Deferred financing costs	6,916	7,684	1,089	730
Other assets	708	788	1,495	3,217
	$ 259,481	$ 259,639	$288,578	$268,304
LIABILITIES AND OWNERS' EQUITY				
Current liabilities:				
Current portion of long-term debt	$ 2,500	$ 2,250	$ --	$ --
Accounts payable	67,576	67,008	66,665	60,340
Customer prepayments	1,181	7,500	7,500	1,506
Accrued compensation	4,319	3,071	3,071	4,492
Other accrued liabilities	18,618	16,177	11,066	21,853
Total current liabilities	94,194	96,006	88,302	88,191
Long-term debt	118,688	121,128	9,128	--
Insurance reserves	6,456	6,201	6,201	8,524
Other liabilities	6,161	6,935	6,935	9,701
Total liabilities	225,499	230,270	110,566	106,416
Commitments and contingencies				
Owners' equity:				
Class A common stock -- par value $.01; 13,288 shares issued and outstanding	--	--	--	--
Common stock -- par value $.01; 11,064,548 shares issued and outstanding	111	111	--	--
Additional paid-in capital	30,068	29,608	--	--
Notes receivable from officers	(500)	(350)	--	--
Partners' capital	--	--	185,506	169,784
Cumulative translation adjustment	303	--	(7,494)	(7,896)
Retained earnings	4,000	--	--	--
Total owners' equity	33,982	29,369	178,012	161,888
	$ 259,481	$ 259,639	$288,578	$268,304

The accompanying notes are an integral part of these statements.

NATIONAL-OILWELL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1996	1995	1995	1994	1993
	(UNAUDITED)				
Revenues	$294,643	$266,443	$545,803	$562,053	$627,281
Cost of revenues	254,556	231,556	474,791	482,423	547,401
Gross profit	40,087	34,887	71,012	79,630	79,880
Selling, general, and administrative	26,681	30,903	57,231	64,422	79,391
Special charges (credits)	--	(7,500)	(8,458)	(13,916)	8,565
Operating income (loss)	13,406	11,484	22,239	29,124	(8,076)
Interest and financial costs	(6,738)	(1,437)	(2,358)	(5,777)	(8,277)
Interest income	320	374	1,097	1,046	1,001
Other income (expense)	(321)	161	(1,401)	528	(240)
Income (loss) before income taxes	6,667	10,582	19,577	24,921	(15,592)
Provision for income taxes	2,667	1,204	1,937	1,041	1,871
Net income (loss)	$ 4,000	$ 9,378	$ 17,640	$ 23,880	$(17,463)
Weighted average shares outstanding	13,249				
Net income per share	$ 0.30				
Pro forma -- unaudited					
Historical income before income taxes			$ 19,577		
Pro forma adjustments other than income taxes			(4,532)		
Pro forma income before income taxes			15,045		
Pro forma provision for income taxes			5,523		
Pro forma net income			$ 9,522		
Pro forma common shares outstanding			17,590		
Pro forma net income per share			$ 0.54		

The accompanying notes are an integral part of these statements.

NATIONAL-OILWELL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1996	1995	1995	1994	1993
	(UNAUDITED)				
Cash flow from operating activities:					
Net income (loss)	$ 4,000	$ 9,378	$17,640	$ 23,880	$(17,463)
Adjustments to reconcile net income(loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	2,752	2,172	3,595	6,027	10,721
Provision for losses on receivables	304	2,401	2,855	545	1,237
Provision for deferred income taxes	705	316	509	909	893
Gain on sale of assets	(192)	(513)	(662)	(910)	(867)
Foreign currency transaction (gain) loss	(57)	102	1,170	54	160
Special charges (credits)	--	(7,500)	(8,458)	(13,916)	8,565
Changes in operating assets and liabilities:					
Decrease (increase) in receivables	(8,795)	9,445	24,583	491	(5,245)
Decrease (increase) in inventories	(5,804)	(2,610)	2,205	12,483	19,558
Decrease (increase) in prepaids and other current assets	(1,046)	(7,877)	(4,730)	4,287	(3,453)
Increase (decrease) in accounts payable	582	(12,185)	6,959	7,614	(21,423)
Increase (decrease) in other assets/liabilities, net	(3,001)	3,055	(3,996)	(3,913)	(7,172)
Net cash provided (used) by operating activities	(10,552)	(3,816)	41,670	37,551	(14,489)
Cash flow from investing activities:					
Purchases of property, plant and equipment	(849)	(2,031)	(4,764)	(3,604)	(1,967)
Proceeds from sale of assets	272	3,885	6,865	1,731	4,947
Proceeds from disposition of businesses	--	6,944	6,944	69,821	--
Acquisition of predecessor company, net of cash acquired	(106,598)	--	--	--	--
Other	--	(218)	(218)	251	(108)
Net cash provided (used) by investing activities	(107,175)	8,580	8,827	68,199	2,872
Cash flow from financing activities:					
Principal (payments) on long-term debt	(11,318)	--	9,128	(69,842)	13,334
Proceeds from issuance of common stock	30,179	--	--	--	--
Borrowings proceeds from Acquisition debt	103,378	--	--	--	--
Principal payments under capital lease obligations	--	--	--	(911)	(996)
Cash distribution to partners	--	(1,918)	(1,918)	(31,000)	--
Net cash provided (used) by financing activities	122,239	(1,918)	7,210	(101,753)	12,338
Effect of exchange rate losses on cash	--	--	(1,673)	(595)	(154)
Increase in cash and equivalents	4,512	2,846	56,034	3,402	567
Cash and cash equivalents, beginning of period	--	9,418	9,418	6,016	5,449
Cash and cash equivalents, end of period	$ 4,512	$ 12,264	$65,452	$ 9,418	$ 6,016

The accompanying notes are an integral part of these statements.

NATIONAL-OILWELL, INC.

CONSOLIDATED STATEMENTS OF OWNERS' EQUITY
(IN THOUSANDS)

	CLASS A COMMON STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	NOTES RECEIVABLE FROM OFFICERS	PARTNERS' CAPITAL	CUMULATIVE TRANSLATION ADJUSTMENT	RETAINED EARNINGS	TOTAL
Balance at December 31, 1992					$ 194,367	$(1,821)		$ 192,546
Net loss					(17,463)	--		(17,463)
Translation adjustment					--	(4,407)		(4,407)
Balance at December 31, 1993					176,904	(6,228)		170,676
Net income					23,880	--		23,880
Translation adjustment					--	(1,668)		(1,668)
Distribution					(31,000)	--		(31,000)
Balance at December 31, 1994					169,784	(7,896)		161,888
Net income					17,640	--		17,640
Translation adjustment					--	402		402
Distribution					(1,918)	--		(1,918)
Balance at December 31, 1995					185,506	(7,494)		178,012
Issuance of 13,288 shares	--		$ 30,068	$(500)				29,568
Issuance of 11,064,548 shares		$111	--					111
Elimination of partners' interests					(185,506)	7,494		(178,012)
Net income							$4,000	4,000
Translation adjustment						303		303
Balance at June 30, 1996 (Unaudited)	--	$111	$ 30,068	$(500)	$ --	$ 303	$4,000	$ 33,982

The accompanying notes are an integral part of these statements.

NATIONAL-OILWELL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

National-Oilwell, Inc. was formed to acquire National-Oilwell, a general partnership between National Supply Company, Inc., a subsidiary of Armco Inc., and Oilwell, Inc., a subsidiary of USX Corporation, and subsidiaries, (the "Partnership"). Effective as of January 1, 1996, National-Oilwell, Inc. acquired the Partnership for a purchase price of $180 million, which approximated book value (the "Acquisition"). The closing date of the transaction was January 17, 1996, with an effective date of January 1, 1996. The accompanying consolidated balance sheet as of January 1, 1996 reflects the accounts of National-Oilwell, Inc. as if the acquisition of the Partnership had occurred on that date. The transaction was accounted for under the purchase method of accounting and accordingly all assets and liabilities of the Partnership were recorded at their fair values resulting in only minimal basis adjustments. The purchase price and related expenses were financed by new equity, existing cash, a new credit facility consisting of a revolving credit line totaling $120 million and term debt of $30 million, a $5 million subordinated note and seller notes of $20 million. Approximately $67 million of the revolving credit line was utilized to consummate the transaction. The consolidated financial information of the Partnership, as predecessor, has been included with the consolidated financial information of National-Oilwell, Inc. and subsidiaries for purposes of comparability. References herein to the "Company" refer to the Partnership for periods prior to January 1, 1996 and to National-Oilwell, Inc. for subsequent periods.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. Actual results could differ from those estimates.

In the opinion of management, the unaudited consolidated financial statements include all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the financial position as of June 30, 1996, and the results of operations and cash flows for each of the six-month periods ended June 30, 1996 and 1995. Although management believes the disclosures in these financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in annual audited financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The results of operations and the cash flows for the six-month period ended June 30, 1996 are not necessarily indicative of the results to be expected for the full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, receivables, payables, and debt instruments. Cash equivalents include only those investments having a maturity of three months or less at the time of purchase. The carrying values of these financial instruments approximate their respective fair values.

Inventories

Inventories consist of (a) oilfield products and oil country tubular goods, (b) manufactured equipment and (c) spare parts for manufactured equipment. Inventories are stated at the lower of cost or market using the first-in, first-out (FIFO) or average cost methods.

Property, Plant and Equipment

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

Intangible Assets

Deferred financing costs are amortized on a straight-line basis over the five year life of the related debt security and accumulated amortization was $768,000 at June 30, 1996. Goodwill is amortized on a straight-line basis over its estimated life of 40 years. The Company's policy is to periodically evaluate goodwill and all long-lived assets to determine whether there has been any impairment in value. Accumulated amortization was $81,000 at June 30, 1996.

Foreign Currency

The functional currency for the Company's Canadian, United Kingdom and Australian subsidiaries is the local currency. The cumulative effects of translating the balance sheet accounts from the functional currency into the U.S. dollar at current exchange rates are included in cumulative foreign currency translation adjustments. The U.S. dollar is used as the functional currency for the Singapore and Venezuelan subsidiaries. For all operations, gains or losses from remeasuring foreign currency transactions into the functional currency are included in income.

Revenue Recognition

Revenue from the sale of products is recognized upon passage of title to the customer.

Income Taxes

The Company provides for income taxes under the liability method pursuant to Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax reporting basis of assets and liabilities.

Net Income Per Share

Average shares outstanding includes 11,064,548 issued shares of common stock, 282,392 shares of common stock pursuant to exercisable warrants and 1,902,543 shares of common stock associated with the conversion of Class A common stock at an assumed initial public offering price of $17.00 as discussed at Note 8.

Concentration of Credit Risk

The Company grants credit to its customers which operate primarily in the oil and gas industry. The Company performs periodic credit evaluations of its customers' financial condition and generally does not

require collateral. Receivables are generally due within 30 days. The Company maintains reserves for potential losses and such losses have historically been within management's expectations.

Long-Lived Assets

In March 1995, SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, was issued which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and estimated future undiscounted cash flows indicate the carrying value of those assets may not be recoverable. The Company implemented SFAS No. 121 on January 1, 1996 and the adoption did not have a material effect on the financial statements.

3. INVENTORIES

Inventories consist of (in thousands):

	JUNE 30, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994
	(UNAUDITED)		
Raw materials and supplies	$ 10,092	$ 11,528	$ 12,486
Work in process	5,195	4,842	5,112
Finished goods and purchased products	106,620	104,316	106,498
	$ 121,907	$120,686	$124,096

Foreign inventories were approximately 18%, 21% and 20% of total inventories at June 30, 1996, December 31, 1995 and December 31, 1994, respectively.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of (in thousands):

	ESTIMATED USEFUL LIVES	JUNE 30, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994
		(UNAUDITED)		
Land and improvements	2-20 Years	$ 2,017	$ 2,509	$ 5,718
Buildings	5-31 Years	4,920	10,404	10,772
Machinery and equipment	5-12 Years	7,262	31,139	53,886
Computer and office equipment	3-10 Years	5,620	19,079	21,366
		19,819	63,131	91,742
Less accumulated depreciation		(1,903)	(44,254)	(69,345)
		$17,916	$ 18,877	$ 22,397

5. LONG-TERM DEBT

Long-term debt consists of (in thousands):

	JUNE 30, 1996 (UNAUDITED)	DECEMBER 31, 1995
Credit Agreement		
Revolving Credit Facilities	$ 70,865	$ --
Term Loan A	12,415	--
Term Loan B	12,790	--
Previous credit agreement	--	9,128
Subordinated Note	5,118	--
Seller Notes	20,000	--
	121,188	9,128
Less current portion	2,500	--
	$ 118,688	$9,128

Credit Agreement

The Credit Agreement provides for Revolving Credit Facilities totaling $120,000,000 in the United States, Canada and United Kingdom through December 31, 2000 and replaced the Company's previous credit agreement. In addition to borrowings, the Revolving Credit Facilities provide for the issuance of letters of credit, of which $12,600,000 were outstanding at June 30, 1996. Borrowing availability is determined based on a percentage of eligible accounts receivable and inventory. The interest rate on the Revolving Credit Facility is prime plus 1.5% or LIBOR plus 2.75% (9.75% and 8.19% at June 30, 1996). A commitment fee of 0.5% is charged on the unused portion.

The Credit Agreement also provides for Term Loan A, payable quarterly through December 31, 2000 and Term Loan B, payable quarterly through December 31, 2001. Interest rates on the term loans are at prime plus 1.75% and 2.25%, respectively, or at LIBOR plus 3.0% and 3.5%, respectively. The term loans require prepayments from certain asset disposal proceeds and from up to 80% of excess cash flow (as defined).

The Credit Agreement is secured by essentially all assets of the Company and contains financial covenants regarding minimum net worth, maximum capital expenditures, minimum current ratio, minimum interest and fixed charge coverage ratios and a maximum funded debt coverage ratio. The Credit Agreement also restricts the Company's ability to, among other things, pay dividends, make acquisitions and investments, incur debt and liens, and change its capital structure or business.

Subordinated Note

The Subordinated Note bears interest at prime plus 3.0%, is due December 31, 2002 and is secured by a lien on essentially all assets of the Company. Interest payments are deferred until the aggregate balance outstanding under Term Loans A and B is $15,000,000 or less and certain other conditions are met. Mandatory prepayments must be made from 50% of excess cash flow (as defined) after Term Loans A and B are repaid.

Seller Notes

The Company owes $10,000,000 to each of the two Sellers in connection with the Acquisition. The notes are subordinate to other existing debt and bear interest at the rate of 9.0%. At its option, the Company may defer payment of interest due prior to January 16, 2003. One-half of the sum of the principal and any deferred interest is payable on January 16, 2004, and the balance is payable on January 16, 2005. The notes are subject

to prepayment in certain events, including the sale of significant assets by the Company or the sale by the stockholders at the time of the Acquisition of more than 50% of their aggregate shares. Partial prepayments are also required in connection with certain sales of the Company's stock owned by Duff & Phelps/Inverness LLC or First Reserve Corporation.

Scheduled maturities of long-term debt outstanding at June 30, 1996 are as follows: six months ending December 31, 1996 -- $1,125,000; years ending December 31, 1997 -- $3,000,000; 1998 -- $3,250,000; 1999 -- $3,250,000; 2000 -- $75,865,000; 2001 -- $9,130,000.

6. PENSION PLANS

The Company and its consolidated subsidiaries have several pension plans covering substantially all of its employees. Defined-contribution pension plans cover most of the U.S. and Canadian employees and are based on years of service and a percentage of current earnings. For the years ended December 31, 1995, 1994 and 1993, pension expense for defined-contribution plans was $1,512,000, $1,914,000 and $2,005,000, respectively, and the funding is current.

The Company's subsidiary in the United Kingdom has a defined-benefit pension plan whose participants are primarily retired and terminated employees who are no longer accruing benefits. The pension plan assets are invested primarily in equity securities, United Kingdom government securities, overseas bonds and cash deposits. The plan assets at fair market value were $32,104,000 at December 31, 1995 and $27,389,000 at December 31, 1994. The projected benefit obligation was $23,131,000 at December 31, 1995 and $20,630,000 at December 31, 1994. Net periodic pension cost (benefit) recognized as expense (income) for the years ended December 31, 1995, 1994 and 1993 was $379,000, ($69,000) and $699,000, respectively.

7. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases land, buildings and storage facilities, vehicles and data processing equipment under operating leases extending through various dates up to the year 2004. Rent expense for the years ended December 31, 1995, 1994 and 1993 was $9,714,000, $8,691,000 and $10,372,000, respectively. The Company's minimum rental commitments for operating leases at December 31, 1995 were as follows (in thousands): 1996 -- $6,372; 1997 -- $4,046; 1998 -- $1,796; 1999 -- $1,312; 2000 -- $1,159; thereafter -- $6,096.

Contingencies

The Company is involved in various claims, regulatory agency audits and pending or threatened legal actions involving a variety of matters. The total liability on these matters at December 31, 1995 cannot be determined; however, in the opinion of management, any ultimate liability, to the extent not otherwise provided for, should not materially affect the financial position, liquidity or results of operations of the Company.

Environmental

The Company's business is affected both directly and indirectly by governmental laws and regulations relating to the oilfield service industry in general, as well as by environmental and safety regulations that specifically apply to the Company's business. Laws and regulations protecting the environment have generally become more expansive and stringent in recent years and the Company believes the trend will continue. Although the Company has not incurred material costs in connection with its compliance with such laws, there can be no assurance that other developments, such as stricter environmental laws, regulations and enforcement policies thereunder, could not result in additional, presently unquantifiable, costs or liabilities to the Company.

8. COMMON STOCK

The Company has authorized 40,000,000 shares, $.01 par value, common stock and 13,288 shares, $.01 par value, Class A common stock. The Class A common stock has preference over common stock to receive dividends or any other distribution until the holders of Class A common stock have received in the aggregate the original cost of $30,079,200 paid for the Class A shares. Upon the occurrence of an initial public offering, the Class A common stock converts into the number of shares of common stock determined by dividing the unreturned original cost of the Class A common stock by the net public offering price. The Company has also authorized 10,000,000 shares of $.01 par value preferred stock, none of which is issued or outstanding.

Seven executive officers of the Company participated in the Acquisition by acquiring common stock and Class A common stock at fair market value. In connection therewith, four of the executives issued promissory notes to the Company for an aggregate of $500,000. Interest on the notes is at 1.5% over prime and is paid annually. The notes are due on January, 15, 2001 unless extended at the option of the Company, and are secured by shares of common stock and Class A common stock. The notes must be prepaid under certain conditions including the occurrence of a public offering or from cash proceeds from dividends, distributions or sale of any of the shares. The promissory notes are reflected in the accompanying balance sheet as a reduction of owners' equity.

The Stock Award and Long-Term Incentive Plan allows grants of incentive options, nonqualified options, restricted stock, stock appreciation rights, performance share awards, stock value equivalent awards or any combination of the above. In connection with the Acquisition, 941,303 shares of restricted common stock were purchased by executive officers for $.001 per share under this plan. These shares are subject to restriction on transferability and are not entitled to receive dividends or distributions. Restrictions lapse annually regarding 20% of these shares beginning one year from acquisition or in their entirety upon the occurrence of certain events, including the sale of the Company. Restrictions will lapse on an additional 20% of those shares upon an involuntary termination of employment without cause. Any restricted shares may be repurchased by the Company for $.001 per share upon termination of the executive officers' employment. On August 27, 1996, the Company's board of directors approved the amendment and restatement of the plan to authorize the issuance of up to 1,000,000 additional shares of common stock pursuant to awards made thereunder. The Company has not made any additional awards pursuant this plan.

In connection with the Acquisition, the Company entered into a warrant agreement granting a significant debt holder and stockholder the right to purchase 282,392 shares of common stock at an exercise price of $.01 per share. The warrants may be exercised at any time through January 16, 2006. The warrant agreement also provides for an additional 196,438, 100,815 and 102,586 shares to be issued on the fifth, sixth and seventh anniversary of the Acquisition date in the event the $5 million subordinated note has not been repaid on or prior to such dates.

In January 1996, the Company established Value Appreciation Plans that are intended to reward participants for enhancing the value of the Company common stock. If target internal rates of return are achieved as of a triggering event such as a qualified public offering, the 34 participants will be paid in cash or common stock over time a percentage of the equity value as of such occurrence. Based upon an initial public offering price of $17.00 (the midpoint of the range of offering prices), the Value Appreciation Plans would result in a one-time charge before taxes of $12.2 million. The Company currently expects to pay $2.9 million of this amount in cash at the time of the Offering, $3.5 million in cash in five annual installments beginning January 17, 1997 and issue 340,926 shares of restricted stock. The restrictions will be removed on one-half of the shares one year after the Offering and on the remaining one-half on January 17, 1999.

9. INCOME TAXES

Prior to 1996, the Company was a partnership for U.S. federal tax purposes and provided for foreign taxes but did not provide for U.S. federal or state taxes on its income.

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

	JUNE 30,				
	1996	1995	1995	1994	1993
	(UNAUDITED)				
Domestic	$4,702	$ 7,235	$14,194	$22,840	$(16,446)
Foreign	1,965	3,347	5,383	2,081	854
	$6,667	$10,582	$19,577	$24,921	$(15,592)

The components of the provision for income taxes consisted of (in thousands):

	JUNE 30,				
	1996	1995	1995	1994	1993
	(UNAUDITED)				
Current:					
Federal	$1,090	$ --	$ --	$ --	$ --
State	99	--	--	--	--
Foreign	773	888	1,428	132	978
	1,962	888	1,428	132	978
Deferred:					
Federal	507	--	--	--	--
State	112	--	--	--	--
Foreign	86	316	509	909	893
	705	316	509	909	893
	$2,667	$ 1,204	$ 1,937	$ 1,041	$ 1,871

The difference between the effective tax rate reflected in the provision for income taxes and the U.S. federal statutory rate was as follows (in thousands):

	JUNE 30,				
	1996	1995	1995	1994	1993
	(UNAUDITED)				
Federal income tax at statutory rate	$2,333	$ 3,704	$ 6,852	$ 8,722	$(5,457)
Foreign income tax rate differential	26	12	184	368	338
U.S. partnership income for which no tax is provided	--	(2,532)	(4,968)	(7,994)	5,756
Nondeductible expenses	341	247	398	293	157
Foreign operating loss for which no benefit is recognized	--	412	1,037	278	2,211
Change in deferred tax valuation allowance	--	(639)	(1,577)	(809)	(1,303)
Other	(33)	--	11	183	169
	$2,667	$ 1,204	$ 1,937	$ 1,041	$ 1,871

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

	JUNE 30, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994
	(UNAUDITED)		
Deferred tax assets:			
Book over tax depreciation	$ 288	$ 1,153	$ 1,729
Accrued liabilities	9,201	1,205	2,887
Net operating loss carryforwards	6,738	6,780	7,268
Other	6,620	1,070	508
Total deferred tax assets	22,847	10,208	12,392
Valuation allowance for deferred tax assets	(13,277)	(8,310)	(9,887)
	9,570	1,898	2,505
Deferred tax liabilities:			
Tax over book depreciation	1,569	448	346
Other	242	--	200
Total deferred tax liabilities	1,811	448	546
Net deferred tax assets	$ 7,759	$ 1,450	$ 1,959

In connection with the Acquisition, the Company restated its deferred tax assets and liabilities as of January 1, 1996. The deferred tax valuation allowance increased (decreased) ($1,577) and $4,967 for the periods ending December 31, 1995 and June 30, 1996, respectively. The decrease in the valuation allowance is related to the realization of foreign net operating losses that were previously deferred. The increase in the valuation allowance is related to the Company's current estimate of deferred tax assets that may not be realized. Any future decrease in the valuation allowance recorded at January 1, 1996 will reduce goodwill. The Company's deferred tax assets are expected to be realized principally through future earnings.

Undistributed earnings of the Company's foreign subsidiaries amounted to $9,898,000 at June 30, 1996 and $9,125,000 at December 31, 1995. Those earnings are considered to be permanently reinvested and, accordingly, no provision for U.S. federal and state income taxes has been made. Distribution of these earnings in the form of dividends or otherwise would result in both U.S. federal taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable in various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable; however, unrecognized foreign tax credit carryforwards would be available to reduce some portion of the U.S. liability. Withholding taxes of approximately $910,000 would be payable upon remittance of all previously unremitted earnings at December 31, 1995.

The Company made income tax payments of $332,000, $557,000 and $392,000 during the years ended December 31, 1995, 1994 and 1993, respectively.

10. SPECIAL CHARGES (CREDITS)

Special charges (credits) consist of the following (in thousands):

	1995	1994	1993
Sale of product lines and assets	$(8,458)	$(15,648)	$10,000
Employee terminations and other costs	--	3,817	--
Reversal of reserves	--	(2,085)	(1,435)
Total	$(8,458)	$(13,916)	$ 8,565

Sale of Product Lines and Assets. During the second quarter of 1995 the Company completed the sale of the Wilson-Snyder centrifugal pump and switch valve product line. Proceeds of approximately $6.9 million from that sale resulted in a gain of $5.5 million. In addition, the Company recorded a net gain of approximately $3.0 million related to the final closure of a facility in the United Kingdom and the sale of related property and equipment.

During 1994, the Company completed the sales of certain production equipment product lines not considered part of its core businesses resulting in a gain of $15.6 million. Proceeds received in 1994 totaled $41.0 million and were used to reduce debt.

During 1993, the Company implemented a business strategy to focus on its core businesses and divest marginal or unprofitable product lines. In the fourth quarter of 1993, the Company recorded a $10.0 million charge for the estimated loss on the sale of its wellhead business under an asset sales agreement signed in December 1993. This charge included an $8.5 million writedown of inventories and property, plant and equipment to estimated net realizable values and $1.5 million for transition and other direct costs of disposal. Proceeds from the wellhead business sale of $28.7 million were used to reduce debt.

Employee Terminations and Other Costs. In conjunction with the formal announced shutdown of a manufacturing facility in the United Kingdom, the Company expensed approximately $3.2 million in 1994 relating to employee termination benefits. These benefits are calculated pursuant to the terms of the United Kingdom preexisting employee benefit plan and were paid in the fourth quarter of 1994 and in 1995. The consolidation of the Company's Houston, Texas manufacturing operations resulted in lease termination and other costs of $0.6 million which were paid in 1994.

Reversal of Reserves. The reversal of reserves in 1994 and 1993 primarily relate to an $18.5 million reserve initially recorded in 1991 to accrue for the estimated loss on the shutdown and disposition of a manufacturing facility and related machinery and equipment at Garland, Texas. The $1.4 million reversal in 1993 primarily related to excess machinery, equipment and inventory relocation accruals no longer needed after movement to the Company's other facilities was completed in 1993. The $2.1 million reversal in 1994 primarily related to excess accruals for potential demolition and environmental cleanup not required after the facility was sold.

11. RELATED PARTY TRANSACTIONS

In connection with the Acquisition, the Company entered into a five year Management Services Agreement with the Company's largest stockholder, Duff & Phelps/Inverness LLC, whereby the Company would pay $1,000,000 per year for senior management assistance and other services as agreed. The agreement also provides that Duff & Phelps/Inverness LLC will receive 1% of the aggregate transaction value in connection with each acquisition or disposition completed during the five year period. A management fee of $500,000 was recorded during the first half of 1996 of which $200,000 was unpaid at June 30, 1996. The Company and Duff & Phelps/Inverness LLC have agreed to terminate this agreement upon the date of execution of a definitive underwriting agreement relating to the anticipated public offering discussed in Note 13.

The Company paid and recorded as a cost of the Acquisition transaction fees of $1,800,000 to the Inverness Group, Inc. and $1,200,000 to First Reserve Corporation, the Company's second largest stockholder. Fees of $4,800,000 were also paid to General Electric Capital Corporation in connection with the provision of the Credit Agreement entered into in connection with the Acquisition.

12. BUSINESS SEGMENTS AND GEOGRAPHIC AREAS

The Company's operations consist of the Oilfield Equipment segment and the Distribution Services segment. The Oilfield Equipment segment designs and manufactures a variety of oilfield equipment for use in oil and gas drilling, completion and production activities. The Distribution Services segment distributes an extensive line of oilfield supplies, oilfield equipment and tubular products. The Disposed Businesses information includes the results of operations disposed of in prior years. Intersegment sales and transfers are accounted for at commercial prices.

Summarized financial information with respect to business segments and geographic areas is as follows:

Business Segments (in thousands)

	OILFIELD EQUIPMENT(1)	DISTRIBUTION SERVICES	CORPORATE(2)	ELIMINATIONS	DISPOSED BUSINESSES(3)	TOTAL
1995						
Revenues from:						
Unaffiliated customers.....	$113,511	$432,292	$ --	$ --	$ --	$545,803
Intersegment sales.....	33,006	--	--	(33,006)	--	--
Total revenues.....	146,517	432,292	--	(33,006)	--	545,803
Operating income (loss).....	10,443	9,435	(2,866)	--	5,227	22,239
Capital expenditures.....	3,540	1,157	67	--	--	4,764
Depreciation and amortization.....	1,899	1,662	34	--	--	3,595
Identifiable assets.....	93,287	128,321	69,761	(2,791)	--	288,578
1994						
Revenues from:						
Unaffiliated customers.....	$127,854	$415,722	$ --	$ --	$ 18,477	$562,053
Intersegment sales.....	60,041	--	--	(60,041)	--	--
Total revenues.....	187,895	415,722	--	(60,041)	18,477	562,053
Operating income (loss).....	5,314	9,036	(2,898)	--	17,672	29,124
Capital expenditures.....	1,690	1,832	44	--	38	3,604
Depreciation and amortization.....	1,922	2,564	8	--	1,533	6,027
Identifiable assets.....	99,298	162,170	12,150	(5,314)	--	268,304
1993						
Revenues from:						
Unaffiliated customers.....	$111,948	$450,455	$ --	$ --	$ 64,878	$627,281
Intersegment sales.....	67,780	--	--	(67,780)	--	--
Total revenues.....	179,728	450,455	--	(67,780)	64,878	627,281
Operating income (loss).....	1,482	13,955	(2,308)	--	(21,205)	(8,076)
Capital expenditures.....	899	455	21	--	592	1,967
Depreciation and amortization.....	4,380	2,370	2	--	3,969	10,721
Identifiable assets.....	99,371	188,312	12,402	(10,265)	53,659	343,479

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(1) Operating income/(loss) of the oilfield equipment segment includes special charges (credits) of $(3,231), $1,732 and $(1,435) for 1995, 1994 and 1993, respectively.

(2) Corporate identifiable assets in 1995 included $65.5 million of cash and cash equivalents.

(3) Operating income/(loss) of the disposed businesses includes special charges (credits) of $(5,227), $(15,648) and $10,000 for 1995, 1994 and 1993, respectively. Operating results prior to the disposal date for the business sold in 1995 were immaterial.

Geographic Areas (in thousands)

	UNITED STATES	CANADA	UNITED KINGDOM	OTHER	ELIMINATIONS	TOTAL
1995						
Revenues from:						
Unaffiliated customers	$430,671	$59,390	$35,776	$ 19,966	$ --	$545,803
Interarea sales	34,416	878	16,285	233	(51,812)	--
Total revenues	465,087	60,268	52,061	20,199	(51,812)	545,803
Operating income (loss)	18,707	2,003	(1,383)	2,912	--	22,239
Export sales of U.S.	--	1,700	1,539	80,075	--	83,314
Identifiable assets	228,817	23,851	17,789	18,121	--	288,578
1994						
Revenues from:						
Unaffiliated customers	$442,555	$73,052	$29,708	$ 16,738	$ --	$562,053
Interarea sales	26,144	579	9,726	106	(36,555)	--
Total revenues	468,699	73,631	39,434	16,844	(36,555)	562,053
Operating income (loss)	27,166	1,872	(314)	400	--	29,124
Export sales of U.S.	--	1,436	635	102,265	--	104,336
Identifiable assets	186,634	34,567	32,136	14,967	--	268,304
1993						
Revenues from:						
Unaffiliated customers	$485,988	$68,766	$49,419	$ 23,108	$ --	$627,281
Interarea sales	33,750	552	8,395	961	(43,658)	--
Total revenues	519,738	69,318	57,814	24,069	(43,658)	627,281
Operating income (loss)	(4,865)	(321)	(3,980)	1,090	--	(8,076)
Export sales of U.S.	--	1,386	389	115,464	--	117,239
Identifiable assets	257,597	29,662	39,391	16,829	--	343,479

13. PRO FORMA NET INCOME AND NET INCOME PER SHARE (UNAUDITED)

On August 27, 1996, in anticipation of a proposed initial public offering of the Company's common stock, the Company's board of directors approved resolutions to authorize the filing of a Registration Statement on Form S-1 with the Securities and Exchange Commission. The following table sets forth for the year ended December 31, 1995: (a) summarized historical consolidated income statement data and (b) summarized pro forma consolidated income statement data reflecting the acquisition of the Partnership and the anticipated initial public offering of the Company's common stock as if each had occurred on January 1, 1995 (in thousands).

	HISTORICAL	PRO FORMA
Revenues	$ 545,803	$ 545,803
Operating income	$ 22,239	$ 22,239
Interest and financial costs, net	1,261	5,631(A)
Other (income) expense	1,401	1,563(B)
Income (loss) before income taxes	19,577	15,045
Provision for income taxes	1,937	5,523(C)
Net income	$ 17,640	$ 9,522(D)
Earnings per share		$ 0.54
Average shares outstanding		17,590

- ---------------

(A) Increase in interest costs reflects the incremental interest expense associated with the debt incurred with the acquisition of the partnership, net of the proceeds of the anticipated initial public offering used to pay down the acquisition debt, at the Company's 1995 effective interest rate of 9.5%, adjusted for the difference in the amortization of deferred financing fees associated with the credit facilities.

(B) Increase in other (income) expense reflects the amortization of goodwill incurred in connection with the acquisition of the Partnership.

(C) Increase in income taxes reflects the provision for U.S. federal and state income taxes that were previously not recorded because of the partnership status and as a result of the above pro forma adjustments.

(D) Pro Forma net income does not include the one-time expenses directly attributable to the anticipated public offering, including (a) triggering the Company's Value Appreciation Plans discussed in Note 8,(b) the write-off of deferred financing costs of the existing Credit Agreement that will be replaced concurrently with the anticipated public offering of $6,916,000 ($4,288,000 net of tax) and (c) the termination of the Management Services Agreement discussed in Note 11 for $4,775,000 ($2,960,000 net of tax).

Pro forma net income per share data is based upon (a) 11,346,940 shares of common stock and common stock equivalents currently outstanding, (b) the anticipated initial public offering of 4,000,000 shares of the Company's common stock and, based upon an initial public offering price of $17.00 per share, (c) the conversion of the Class A shares into 1,902,543 shares of common stock and (d) an additional 340,926 shares of common stock issued pursuant to the Value Appreciation Plans.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE COMMON STOCK IN ANY JURISDICTION WHERE, OR TO ANY PERSONS TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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UNTIL , 1996 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

4,000,000 SHARES

[NATIONAL-OILWELL, INC. LOGO]

NATIONAL-OILWELL, INC.

COMMON STOCK

PROSPECTUS

MERRILL LYNCH & CO.

GOLDMAN, SACHS & CO.

SIMMONS & COMPANY
INTERNATIONAL

, 1996

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The expenses of the Offering are estimated to be as follows:

Securities and Exchange Commission registration fee	$ 28,552
NASD filing fee	8,780
New York Stock Exchange listing fee	130,000
Blue Sky fees and expenses	10,000
Printing expenses	135,000
Legal fees and expenses	200,000
Accounting fees and expenses	150,000
Transfer Agent fees	3,000
Miscellaneous	34,668
Total	$700,000

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* To be filed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article Sixth, Part II, Section 1 of the Company's Charter, a copy of which is filed as Exhibit 3.1, and Article VI of the Company's Bylaws, a copy of which is filed as Exhibit 3.2 to this Registration Statement, each provide that directors, officers, employees and agents shall be indemnified to the fullest extent permitted by Section 145 of the DGCL.

Section 145 of the DGCL authorizes, inter alia, a corporation to indemnify any person ("indemnitee") who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that such person is or was an officer or director of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. A Delaware corporation may indemnify past or present officers and directors of such corporation or of another corporation or other enterprise at the former corporation's request, in an action by or in the right of the corporation to procure a judgment in its favor under the same conditions, except that no indemnification is permitted without judicial approval if such person is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in defense of any action referred to above, or in defense of any claim, issue or matter therein, the corporation must indemnify him against the expenses (including attorney's fees) which he actually and reasonably incurred in connection therewith. Section 145 further provides that any indemnification shall be made by the corporation only as authorized in each specific case upon a determination by the (i) stockholders, (ii) board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding or (iii) independent counsel if a quorum of disinterested directors so directs. Section 145 provides that indemnification pursuant to its provisions is not exclusive of other rights of indemnification to which a person may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Section 145 of the DGCL also empowers the Company to purchase and maintain insurance on behalf of any person who is or was an officer or director of the Company against liability asserted against or incurred by him in any such capacity, whether or not the Company would have the power to indemnify such officer or director against such liability under the provisions of Section 145. The Company intends to purchase and maintain a directors' and officers' liability policy for such purposes.

The form of Purchase Agreement filed as Exhibit 1.1 to this Registration Statement contains certain provisions for indemnification of directors and officers of the Company and the Underwriters against civil liabilities under the Securities Act.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The shares of Class A Common Stock which have been sold by the Company in the following transactions will be converted into shares of Common Stock.

On July 15, 1995, the Company sold an aggregate of 1,168,310 shares of Common Stock at $.01 per share to two investors. The Company relied on an exemption under Section 4(2) of the Securities Act in effecting these transactions.

On January 16, 1996, the Company sold an aggregate of 8,806,479 shares of Common Stock at $.01 per share, 753,049 shares of Common Stock at $.001 per share, an aggregate of 13,085.6 shares of Class A Common Stock at $2,264 per share to investors and members of management in connection with the closing of the Acquisition, and the Company issued a warrant to GE Capital to purchase 282,392 shares of Common Stock for $.01 per share in connection with the Credit Facility. The Company relied on an exemption under Section 4(2) of the Securities Act in effecting these transactions.

On July 24, 1996, the Company completed the sale of an aggregate of 148,456 shares of Common Stock at $.01 per share, 282,381 shares of Common Stock at $.001 per share and an aggregate of 202.4 shares of Class A Common Stock at $2,264 per share to two members of management in connection with certain transactions which were related to the closing of the Acquisition. The Company relied on an exemption under Section 4(2) of the Securities Act in effecting these transactions.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) EXHIBITS.

EXHIBIT NUMBER	DESCRIPTION
*1.1	-- Form of Purchase Agreement.
2.1	-- Purchase Agreement by and among Oilwell, Inc., National Supply Company, Inc., USX Corporation, Armco Inc. and the Company dated September 22, 1995, as amended.
3.1	-- Amended and Restated Certificate of Incorporation of the Company.
3.2	-- Bylaws of the Company.
*4.1	-- Specimen Common Stock certificate.
*5.1	-- Opinion of Vinson & Elkins L.L.P.
10.1	-- Employment Agreement dated as of January 16, 1996 between Joel V. Staff and the Company.
10.2	-- Employment Agreement effective as of January 17, 1996 between C. R. Bearden and the Company, with similar agreements with Lynn L. Leigh, Jerry N. Gauche, Paul M. Nation, James J. Fasnacht and Steven W. Krablin, a similar agreement effective as of February 5, 1996 between and Merrill A. Miller, Jr. and the Company.
10.3	-- Stockholders Agreement among the Company and its stockholders dated as of January 16, 1996.
10.4	-- Waiver and First Amendment to Stockholders Agreement dated as of July 24, 1996.
10.5	-- Employee Incentive Plan.
10.6	-- Stock Award and Long-Term Stock Incentive Plan.

EXHIBIT NUMBER	DESCRIPTION
10.7	-- First Amendment to Stock Award and Long-Term Stock Incentive Plan.
10.8	-- Value Appreciation and Incentive Plan A.
10.9	-- Value Appreciation and Incentive Plan B.
10.10	-- Restricted Stock Agreement between the Company and Joel V. Staff, with similar agreements with C. R. Bearden, Jerry N. Gauche, Steven W. Krablin, Merrill A. Miller, Jr., James J. Fasnacht and Paul M. Nation.
10.11	-- Management Services Agreement.
10.12	-- Supplemental Savings Plan.
*10.13	-- New Credit Facility.
*10.14	-- Deferred Fee Agreement.
21.1	-- Subsidiaries of the Company.
23.1	-- Consent of Ernst & Young LLP.
*23.2	-- Consent of Vinson & Elkins L.L.P. (included in Exhibit 5.1 hereto).
24.1	-- Powers of Attorney (included in the signature pages of the Registration Statement).
27.1	-- Financial Data Schedule.

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* To be filed by amendment.

(B) CONSOLIDATED FINANCIAL STATEMENT SCHEDULES.

All schedules are omitted because they are not applicable or the required information has been provided in the consolidated financial statements or the notes thereto.

ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registration pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes to provide at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act, each post-effective amendment that contained a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on the 29th day of August 1996.

NATIONAL-OILWELL, INC.

By: /s/ JOEL V. STAFF
Joel V. Staff
Chairman of the Board, President and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS that each person whose signature appears below constitutes and appoints Steven W. Krablin and Paul M. Nation, or either of them, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and any additional registration statement pursuant to Rule 462(b), and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ JOEL V. STAFF Joel V. Staff	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	August 29, 1996
/s/ STEVEN W. KRABLIN Steven W. Krablin	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	August 29, 1996
/s/ C. R. BEARDEN C. R. Bearden	Director	August 29, 1996
/s/ JAMES C. COMIS III James C. Comis III	Director	August 29, 1996
/s/ W. McCOMB DUNWOODY W. McComb Dunwoody	Director	August 29, 1996
/s/ HOWARD I. BULL Howard I. Bull	Director	August 29, 1996
/s/ JAMES T. DRESHER James T. Dresher	Director	August 29, 1996
/s/ WILLIAM E. MACAULAY William E. Macaulay	Director	August 29, 1996
/s/ BRUCE M. ROTHSTEIN Bruce M. Rothstein	Director	August 29, 1996

INDEX TO EXHIBITS

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*23.2	-- Consent of Vinson & Elkins L.L.P. (included in Exhibit 5.1 hereto).
24.1	-- Powers of Attorney (included in the signature pages of the Registration Statement).
27.1	-- Financial Data Schedule.

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* To be filed by amendment.

EXHIBIT 2.1

==========

PURCHASE AGREEMENT

BY AND AMONG

OILWELL, INC.

(a wholly owned subsidiary of USX Corporation)

NATIONAL SUPPLY COMPANY, INC.
(a wholly owned subsidiary of Armco Inc.)

USX CORPORATION

ARMCO INC.

AND

NOW HOLDINGS, INC.

Dated as of September 22, 1995

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EXHIBITS:

PURCHASE AGREEMENT

This PURCHASE AGREEMENT (this "Agreement") is made and entered into as of September 22, 1995, by and among OILWELL, INC., a Delaware corporation ("Oilwell") and a wholly owned subsidiary of USX CORPORATION, a Delaware corporation ("USX"), USX, NATIONAL SUPPLY COMPANY, INC., a Delaware corporation ('National Supply") and a wholly owned subsidiary of ARMCO INC., a Ohio corporation ("Armco"), Armco (Oilwell and National Supply are individually and collectively referred to herein as "Seller" and "Sellers" and USX and Armco are individually and collectively referred to herein as "Parent" and "Parents"), and NOW HOLDINGS, INC., a Delaware corporation ("Buyer").

W I T N E S S E T H:

WHEREAS, Buyer desires to purchase from Sellers, and Parents and Sellers desire to sell to Buyer, all of the partnership interests (the "Interests"), in National-Oilwell, a Delaware general partnership (the "Company"), and all of the issued and outstanding capital stock (the "Shares") of National-Oilwell Pte. Ltd, a Singapore corporation ("NOW Singapore") and National-Oilwell Pty. Ltd., an Australia corporation ("NOW Australia"), which shares are beneficially owned by the Company but legally held by Seller, upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the representations, warranties, covenants, agreements and conditions contained herein, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

PURCHASE AND SALE OF THE INTERESTS AND THE SHARES

1.1 PURCHASE AND SALE OF THE INTERESTS AND THE SHARES. Upon the terms and subject to the conditions of this Agreement, at the closing provided for in Section 1.3 hereof (the "Closing"), Sellers shall sell, assign, transfer and deliver to Buyer and Buyer shall purchase, acquire and accept from Seller all of the Interests and the Shares.

1.2 CONSIDERATION. At the Closing, upon the terms and subject to the conditions of this Agreement, in consideration of the aforesaid sale, assignment, transfer and delivery of the Interests and the Shares, Buyer shall pay and/or deliver to Sellers aggregate consideration (the "Purchase Price") consisting of $160,000,000 in cash, $83,000,000 of which shall be paid to Oilwell and $77,000,000 of

which shall be paid to National Supply, and $20,000,000 in aggregate original principal amount of subordinated notes issued by Buyer in the form attached hereto as Exhibit L, to be split equally into two separate notes in the original principal amount of $10,000,000 per note, one of which will be issued to each Seller (such notes being herein collectively referred to as the "Buyer Notes" and singularly as a "Buyer Note"). The Purchase Price shall be allocated in accordance with Section 6.1(i) and Exhibit C.

1.3 CLOSING. Subject to the termination provision of Article IX, the Closing of the transactions contemplated by this Agreement shall take place at the offices of Vinson & Elkins L.L.P., 1001 Fannin, Houston, Texas, or at such other location as Buyer shall determine and notify Sellers, at 10 a.m. local time on the date that is five business days after the date of the fulfillment of all of the conditions to Closing set forth in Article VII and Article VIII hereof, or such other date and time as shall be agreed upon in writing by the parties hereto. The date on which the Closing actually occurs is referred to herein as the "Closing Date."

1.4 DELIVERIES BY SELLER. At the Closing, Seller shall deliver or cause to be delivered to Buyer (unless delivered previously) the following:

(a) an assignment of the Interests, duly executed by each of the Sellers and in substantially the form of Exhibit B hereto, and any other documents that are necessary to transfer title to the Interests to Buyer;

(b) stock certificates representing the Shares, duly endorsed or accompanied by stock powers duly executed in blank or duly executed instruments of transfer, and any other documents that are necessary to transfer title to the Shares to Buyer;

(c) the compliance certificate referred to in Subsection 8.1(c) hereof;

(d) the opinions of counsel to Sellers referred to in Subsection 8.1(d) hereof; and

(e) all other documents, certificates, instruments or writings required to be delivered by Sellers at or prior to the Closing pursuant to this Agreement or otherwise reasonably requested by Buyer in connection herewith.

1.5 DELIVERIES BY BUYER. At the Closing, Buyer shall deliver or cause to be delivered to Sellers (unless delivered previously) the following:

(a) the cash portion of the Purchase Price payable to the Sellers as provided in Section 1.2, by wire transfer of immediately available funds in United States dollars, to respective bank accounts designated by each Seller not less than two days prior to the Closing;

(b) the Buyer Notes;

(c) the officer's certificate referred to in Subsection 7.1(c) hereof;

(d) the opinion of counsel to Buyer referred to in Subsection 7.1(d) hereof;

(e) Releases of Sellers from any obligations under that certain Credit Agreement dated February 28, 1995, among the Company, Citibank USA, Inc. and BA Business Credit, Inc. (the "Existing Credit Agreement"); and

(f) all other documents, certificates, instruments or writings required to be delivered by Buyer at or prior to the Closing pursuant to this Agreement or otherwise reasonably requested by Sellers in connection herewith.

ARTICLE II

RELATED MATTERS

2.1 ANCILLARY AGREEMENT. At the Closing, Sellers and Buyer shall enter into an agreement concerning the matters set forth in Exhibit A as the Sellers and Buyer shall mutually agree.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

OF PARENTS AND SELLERS

Parents and Sellers, jointly and severally, represent and warrant to Buyer as set forth in this Article III; provided, however, that with respect to any representations and warranties contained in this Article III that refer to matters relating to an individual Parent or Seller (i.e., by use of the singular term "Parent" or "Seller"), each individual Parent or Seller, as the case may be, shall be deemed to have made the portion of such representation and warranty that covers matters relating to it on a several (and not joint and several) basis and shall have no liability with respect to the portion of such representation and warranty that covers matters relating to any other Parent or Seller, as the case may be.

3.1 ORGANIZATION OF SELLERS; AUTHORITY. USX and each Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Armco is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio. Each Parent and Seller has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of each Parent and Seller. This Agreement has been duly executed and delivered by each Parent and Seller and constitutes a valid and binding obligation of each Parent and Seller, enforceable against each Parent and Seller in accordance with its terms.

3.2 TITLE TO THE INTERESTS AND THE SHARES. Except as set forth in Section 3.2 of the disclosure schedule being delivered by Sellers to Buyer concurrently herewith (the "Disclosure Schedule"), each

Seller represents that (i) it has good and valid title to the portion of the Interests and the Shares reflected as being owned by such Seller in Section 3.2 of the Disclosure Schedule free and clear of all liens, encumbrances, options, claims, security interests, charges, voting trusts or partners' agreements, equities, conditional sale or title retention agreements, restrictions or other burdens and (ii) at Closing, valid title to such portion of the Interests and the Shares, free and clear of all such liens, encumbrances, options, claims, security interests, voting trusts or partners' agreements, equities, conditional sale or title retention agreements, restrictions or other burdens (including those set forth in Section 3.2 of the Disclosure Schedule), shall pass to Buyer.

3.3 ORGANIZATION AND QUALIFICATION OF THE COMPANY. The Company is a general partnership duly formed and validly existing under the laws of the State of Delaware and has all requisite power and authority to own, lease and operate its properties and to conduct its business as it is now being conducted. The Company is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary.

The Company has heretofore delivered to Buyer complete and correct copies of the partnership agreement of the Company, as currently in effect.

3.4 PARTNERSHIP INTERESTS AND SHARES. Sellers are the holders of all of the partnership interests in the Company and all of the issued and outstanding shares of capital stock or other equity interests of NOW Singapore and NOW Australia. Other than the partnership interests owned by the Sellers, there are no other interests in the Company granting the holder thereof the right to receive distributions of cash or property, or allocations of income, gain, loss or deduction. Such Interests and Shares have not been issued in violation of, and except for statutory preemption rights are not subject to, any preemptive or subscription rights. Except for the matters that are the subject of the waivers referenced in Section 11.10 hereof, there are no outstanding warrants, options, agreements, convertible or exchangeable securities or other commitments pursuant to which the Company or a Parent or Seller is or may become obligated to issue, sell, purchase, return or redeem any partnership interests in the Company or any shares of capital stock of NOW Singapore or NOW Australia.

3.5 EQUITY INTERESTS. (a) Except as set forth in Section 3.5 of the Disclosure Schedule and except for immaterial investments in less than five percent (5%) of the outstanding stock or other equity interests of other entities, the Company does not own, directly or indirectly, any capital stock or other equity interests of any corporation, partnership, joint venture or other entity. None of such capital stock and equity interests has been issued in violation of, and except for statutory preemption rights is not subject to, any preemptive or subscription rights. There are no outstanding warrants, options,

agreements, convertible or exchangeable securities or other commitments to which any of such entities is or may become obligated to issue, sell, purchase, return or redeem any of such capital stock or equity interests. Except as set forth in Section 3.5 of the Disclosure Schedule, the Company is the owner of all of the issued and outstanding capital stock or other equity interests of each of the Subsidiaries.

(b) Each of the Subsidiaries (as such term is defined below) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization or incorporation, has all requisite power and authority to own, lease and operate its properties and to conduct its business as it is now being conducted, and is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary. The Company has heretofore delivered to Buyer complete and correct copies of the constituent organizational documents, as currently in effect, for each of the entities described in Section 3.5 of the Disclosure Schedule (excluding those entities listed in Section 3.5 of the Disclosure Schedule that have an asterisk (*) adjacent to their names), and such entities, together with NOW Australia and NOW Singapore, but excluding such entities marked with an asterisk (*) in Section 3.5 of the Disclosure Schedule, are referred to herein individually and collectively as "Subsidiary" or "Subsidiaries."

3.6 NO VIOLATION; CONSENTS AND APPROVALS. Except as set forth in Section 3.6 of the Disclosure Schedule, to the knowledge of the Sellers, the Parents, the Company or any Subsidiary, the execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby and compliance with the terms hereof will not, conflict with, result in any violation of or default of, or require any consent or approval of, or notice to, any private nongovernmental party under, (a) any provision of the charter or bylaws, or other constituent organizational documents, of any Seller or the Company or any of the Subsidiaries, (b) any judgment, order or decree, or statute, law, ordinance, rule or regulation applicable to any Parent, Seller, the Company, or any Subsidiary or the property or assets of any Parent, Seller, the Company, or any Subsidiary or (c) any Material Contracts (as such term is defined in Section 3.14). No consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental entity, authority or instrumentality, domestic or foreign, is required to be obtained or made by or with respect to any Parent, Seller, the Company, or any Subsidiary or their affiliates in connection with the execution and delivery of this Agreement or the consummation by either Seller of the transactions contemplated hereby, other than (i) compliance with and filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), if applicable, (ii) compliance with and filings under Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (iii) compliance

with and filings under federal or state environmental, tax, employment or workers compensation statutes, if applicable, (iv) those which may be required solely by reason of the participation of Buyer or any party other than Parents, Sellers, the Company or the Subsidiaries in the transactions contemplated hereby, and (v) foreign ownership, competition or title registration statutes of Australia, Canada, Singapore, United Kingdom, Venezuela, Malaysia, Brazil and Thailand, if applicable.

3.7 FINANCIAL STATEMENTS. Section 3.7 of the Disclosure Schedule sets forth the unaudited balance sheet of the Company as of June 30, 1995 (the "Balance Sheet"), and the unaudited consolidated operating statements of the Company and the Subsidiaries for the six-month period ended June 30, 1995, and the audited consolidated balance sheets and consolidated statements of operations of the Company and the Subsidiaries as of, and for the three fiscal years ended, December 31, 1994, December 31, 1993 and December 31, 1992 reported on by Ernst & Young LLP (together, the "Financial Statements"). The Financial Statements have been prepared in conformity with generally accepted accounting principles ("GAAP") consistently applied and fairly present the financial condition and the results of operations of the Company and the Subsidiaries as at the dates and for the periods indicated. During the period covered by the Financial Statements, there have been no changes in the accounting methods, principles or practices followed by the Company or the Subsidiaries or the depreciation or amortization policies or rates of the Company or the Subsidiaries, except as disclosed in the notes to the Financial Statements.

3.8 ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as set forth in Section 3.8 of the Disclosure Schedule and as otherwise contemplated by this Agreement, during the period from July 1, 1995 to the date hereof, there has not been:

(a) to the knowledge of Sellers, Parents, the Company or any Subsidiary, any adverse changes or, any threatened adverse changes in the consolidated financial condition of the Company and the Subsidiaries, or in the properties, assets, liabilities, business or prospects of the Company and the Subsidiaries, which exceed, or which reasonably could be expected to exceed, in the aggregate $1,000,000, except normal and usual changes in the ordinary course of business of the Company and the Subsidiaries consistent with past practices;

(b) any amendment or waiver of the terms of the Partnership Agreement of the Company;

(c) any approval by the Management Committee of the Company of any of the actions specified by Section 4.4 of the Partnership Agreement of the Company;

(d) any action by either or both Partners-as opposed to actions by the Company through its officers, employees and agents-on behalf of the Company;

(e) any amendment of the constituent organizational documents of NOW Australia or NOW Singapore;

(f) any (i) incurrence or commitment to any capital expenditures, obligations or liabilities in connection therewith other than capital expenditures, obligations or liabilities that were included in the annual capital budget approved by the Management Committee of the Company or if not so included that do not exceed in the aggregate $200,000; or (ii) acquisitions by merger, consolidation or purchase of assets of any person;

(g) to the knowledge of Sellers, Parents, the Company or any Subsidiary, any physical damage as a result of fire, flood, explosion or other casualty, destruction or loss (whether or not covered by insurance) which adversely affects properties or assets of the Company and the Subsidiaries having an aggregate book value or market value in excess of $500,000; or

(h) any declaration or payment of any dividends or other distributions with respect to the partnership interests in the Company or the Shares.

3.9 TITLE TO ASSETS. (a) Except with respect to the Real Property Interests (title to which is covered by subparagraph (b) immediately below), the Company and the Subsidiaries have good and valid title to all assets reflected on the Balance Sheet or thereafter acquired (except those since sold or otherwise disposed of in the ordinary course of business and accounts, bills and notes receivable subsequently collected), and all of their other assets, tangible and intangible, in each case free and clear of all mortgages, liens, security interests or encumbrances, other than (i) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business, (ii) liens for taxes, assessments and other governmental charges which are not due and payable or which may hereafter be paid without penalty or which are being contested in good faith by appropriate proceedings and (iii) other imperfections of title or encumbrances, if any, that do not materially impair the use of the assets to which they relate in the businesses of the Company and the Subsidiaries as presently conducted (the mortgages, liens, security interests and encumbrances described in clauses (i), (ii) and (iii) above are hereinafter referred to collectively as "Permitted Liens").

(b) Section 3.9(b) of the Disclosure Schedule sets forth a complete list of all real property owned in fee by the Company or a Subsidiary and all real property leasehold interests owned by the Company or a Subsidiary (collectively, the "Real Property Interests"). Except as set forth in Section 3.9(b) of the Disclosure Schedule, the Company and the Subsidiaries have (i) good and indefeasible title to and the unrestricted right to sell, the Real Property Interests, in each case free and clear of all mortgages, liens, security interests, charges, easements, covenants, rights-of-way and other

encumbrances or restrictions of any nature whatsoever ("Encumbrances"), except (A) Permitted Liens, (B) all conditions that a physical inspection or survey would show, (C) all Encumbrances of record, (D) all Encumbrances for public utilities to provide service to facilities located on such property or to provide service to adjacent property, whether or not of record, (E) all farming or grazing agreements, whether or not of record, (F) all zoning or other governmentally-imposed Encumbrances and (G) unrecorded easements, covenants, rights of way or other restrictions, none of which unrecorded items materially impair the use of the property to which they relate in the businesses of the Company and the Subsidiaries as presently conducted.

(c) Except as set forth in Section 3.9(c) of the Disclosure Schedule, to the knowledge of the Sellers, the Parents, the Company and the Subsidiaries, the material buildings, facilities, machinery, equipment and tools currently used in the ordinary course of business of the Company and the Subsidiaries have been maintained in accordance with the Company's and the Subsidiaries' customary maintenance practices and are in a state of repair (normal wear and tear excepted) which the Company believes to be adequate for the normal use of such facilities in the ordinary course of their businesses. The Company and the Subsidiaries have all of the machinery, equipment and tools which are necessary for the conduct of their businesses as they are now being conducted.

(d) The property and assets owned and leased by the Company and the Subsidiaries constitute all of the tangible and intangible property and assets used in the business operations of the Company and the Subsidiaries as conducted as of the date of this Agreement. The Company and the Subsidiaries do not own or lease any property or asset (i) which is not used or held for use in their businesses and/or is used by any other person or (ii) which is used in their businesses but use of which is made available to other persons for matters unrelated to the businesses of the Company and the Subsidiaries.

3.10 PATENTS, TRADEMARKS, TRADE NAMES, ETC. (a) Section 3.10(a) of the Disclosure Schedule sets forth a complete list of all patents, registered trademarks, trade names, service marks, assumed names, copyrights and all applications therefor and all invention disclosures, title and goodwill of "National-Oilwell" (collectively, the "Intellectual Property") owned, filed or licensed by the Company and the Subsidiaries and used in or held for use in the conduct of the businesses of the Company and the Subsidiaries and, with respect to patents and registered trademarks, all jurisdictions in which such trademarks are registered. To the knowledge of the Sellers, the Parents, the Company or any Subsidiary, the Company and the Subsidiaries are not infringing and have not infringed on any patent, trademark, service mark, trade name or copyright and have not misappropriated or improperly disclosed any trade secret or confidential information.

(b) Except as set forth in Section 3.10(b) of the Disclosure Schedule, the Company and the Subsidiaries have the full right to use the Intellectual Property, and all trade secrets and confidential information used by the Company and the Subsidiaries, in the conduct of their businesses, as currently conducted, and no claims have been asserted of which the Company or the Subsidiaries have been given notice by any person with respect to the use by the Company or the Subsidiaries of the Intellectual Property or any trade secrets or confidential information used by the Company or any Subsidiary.

3.11 LITIGATION. Except as set forth in Section 3.11 of the Disclosure Schedule, there is no claim, action, suit, investigation or proceeding pending or to the knowledge of the Company, the Subsidiaries, Sellers or Parents threatened against or affecting the Company or the Subsidiaries before any court, administrative body, tribunal, administrative board or panel, federal, state, foreign or local. Neither the Company nor any Subsidiary is aware of any default with respect to any judgment, order, writ, injunction, decree, award, rule or regulation of any court, arbitrator or governmental agency or instrumentality applicable to them, or any event that has occurred which with notice or lapse of time or both would constitute such a default.

3.12 EMPLOYEE BENEFIT MATTERS. (a) Section 3.12(a) of the Disclosure Schedule sets forth a complete list of each of the following which is sponsored, maintained or contributed to by the Company, the Subsidiaries, or any Seller for the benefit of the employees of the Company and the Subsidiaries as of the Closing Date:

(i) each "employee benefit plan," as such term is defined in Section 3(3) of the Employee Retirement Security Act of 1974, as amended ("ERISA"), including, but not limited to, employee benefit plans, such as foreign plans, which are not subject to the provisions of ERISA ("Plan"); and

(ii) each personnel policy, stock option plan, collective bargaining agreement, bonus plan or arrangement, incentive award plan or arrangement, vacation policy, severance pay plan, policy or agreement, deferred compensation agreement or arrangement, executive compensation or supplemental income arrangement, executive perquisite arrangement, consulting agreement, employment agreement and each other employee benefit plan, agreement, arrangement, program, practice or understanding which is not described in Section 3.12(a)(i) ("Benefit Program or Agreement").

(b) True, correct and complete copies of each of the Plans, and related trusts, if applicable, including all amendments thereto, have been furnished to Buyer. There has also been furnished to Buyer, with respect to each Plan required to file such report and description, the most recent report on

Form 5500 and the summary plan description. True, correct and complete copies or descriptions of all Benefit Programs and Agreements have also been furnished to Buyer.

(c) Except as otherwise set forth in Section 3.12(c) of the Disclosure Schedule,

(i) neither the Company nor the Subsidiaries contribute to or have an obligation to contribute to, and have not at any time within six years prior to the Closing Date contributed to or had an obligation to contribute to, a multi-employer plan within the meaning of Section 3(37) of ERISA;

(ii) the Company, the Subsidiaries and each Seller have substantially performed all obligations, whether arising by operation of law or by contract, required to be performed by them in connection with the Plans and the Benefit Programs and Agreements, and, to the knowledge of the Company, the Subsidiaries, each Seller and each Parent, there have been no defaults or violations by any other party to the Plans or Benefit Programs and Agreements;

(iii) all reports and disclosures relating to the Plans required to be filed with or furnished to governmental agencies, Plan participants or Plan beneficiaries have been filed or furnished in accordance with applicable law in a timely manner, and each Plan and each Benefit Program or Agreement has been administered in substantial compliance with all laws applicable thereto and its governing documents;

(iv) each of the Plans intended to be qualified under Section 401 of the Code has received a favorable determination letter from the IRS regarding such qualified status and has not, since receipt of the most recent favorable determination letter, been amended or, to the knowledge of the Company, each Seller and each Parent, operated in a way which would adversely affect such qualified status;

(v) there are no actions, suits or claims pending (other than routine claims for benefits) or, to the knowledge of the Company, the Subsidiaries, each Seller and each Parent, threatened against, or with respect to, any of the Plans or Benefit Programs and Agreements or their assets;

(vi) all contributions required to be made to the Plans pursuant to their terms and provisions have been made timely;

(vii) as to any Plan subject to Title IV of ERISA, there has been no event or condition which presents the risk of Plan termination, no accumulated funding deficiency, whether or not waived, within the meaning of Section 302 of ERISA or Section 412 of the Code has been incurred, no reportable event within the meaning of Section 4043 of ERISA (for which the disclosure requirements or the penalties under applicable regulatory authority promulgated by

the Pension Benefit Guaranty Corporation ("PBGC") have not been waived) has occurred, no notice of intent to terminate the Plan has been given under Section 4041 of ERISA, no proceeding has been instituted under Section 4042 of ERISA to terminate the Plan, there has been no termination or partial termination of the Plan within the meaning of Section 411(d)(3) of the Code, no liability to the PBGC has been incurred, and the assets of the Plan equal or exceed the actuarial present value of the benefit liabilities, within the meaning of Section 4041 of ERISA, under the Plan, based upon reasonable actuarial assumptions and the asset valuation principles established by the PBGC;

(viii) none of the Plans, nor any trust created thereunder or with respect thereto, has engaged in any "prohibited transaction" or "party-in-interest transaction" as such terms are defined in section 4975 of the Code and Section 406 of ERISA which would subject the Company or any Subsidiary to a tax or penalty on prohibited transactions or party-in-interest transactions pursuant to section 4975 of the Code or Section 502(i) of ERISA and no act, omission or transaction has occurred which would result in imposition on the Company or any Subsidiary of breach of fiduciary duty liability damages under Section 409 of ERISA or a civil penalty assessed pursuant to Section 502(c) or (l) of ERISA;

(ix) to the knowledge of the Company, the Subsidiaries, each Seller and each Parent, there is no matter pending (other than routine qualification determination filings) with respect to any of the Plans before the IRS, the Department of Labor or the PBGC;

(x) each trust funding a Plan, which trust is intended to be exempt from federal income taxation pursuant to section 501(c)(9) of the Code, has received a favorable determination letter from the IRS regarding such exempt status and has not, since receipt of the most recent favorable determination letter, been amended or, to the knowledge of the Company, the Subsidiaries, each Seller and each Parent, operated in a way which would adversely affect such exempt status;

(xi) with respect to any employee benefit plan, within the meaning of Section 3(3) of ERISA, which is not set forth in Section 3.12(a) of the Disclosure Schedule but which is sponsored, maintained or contributed to, or has been sponsored, maintained or contributed to within six years prior to the Closing Date, by the Company or by any corporation, trade business or entity under common control with the Company, within the meaning of section 415(b), (c) or (m) of the Code or Section 4001 of ERISA, (A) no withdrawal liability, within the meaning of Section 4201 of ERISA, has been incurred, which withdrawal liability has not been satisfied, (B) no liability to the PBGC has been incurred which liability has not been satisfied, (C) no

accumulated funding deficiency, whether or not waived, within the meaning of Section 302 of ERISA or section 412 of the Code has been incurred, and (D) all contributions (including installments) to such plan required by Section 302 of ERISA and section 412 of the Code have been timely made;

(xii) the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (A) require the Company or any Subsidiary to make a larger contribution to, or pay greater benefits under, any Plan, Benefit Program or Agreement than it otherwise would or (B) create or give rise to any additional vested rights or service credits under any Plan, Benefit Program or Agreement, except as otherwise specifically provided herein;

(xiii) each nongovernmental Plan outside of the United States ("Foreign Plan") has no unfunded liabilities, and each Foreign Plan covers only employees or former employees of the Subsidiaries; and

(d) Section 3.12(d) of the Disclosure Schedule. sets forth a complete list of employee benefit plans, arrangements or programs sponsored, maintained or contributed to by any Parent for the benefit of the employees of the Company or the Subsidiaries as of the Closing Date.

(e) In connection with the consummation of the transactions contemplated by this Agreement, no payments have been or will be made under the Plans, Benefit Programs and Agreements which, in the aggregate, would result in imposition of the sanctions imposed under sections 280G and 4999 of the Code.

(f) Except as otherwise set forth in Section 3.12(f) of the Disclosure Schedule, each Plan which is an "employee welfare benefit plan," as such term is defined in Section 3(1) of ERISA, reserves the right to be unilaterally amended or terminated in its entirety respecting benefits accrued thereunder on or after such amendment or termination.

3.13 TAXES. (a) The Company is a partnership for federal income tax purposes within the meaning of section 7701(a)(2) of the Internal Revenue Code of 1986, as amended (the "Code") and applicable Treasury Regulations and is not an association taxable as a corporation within the meaning of section 7701(a)(3) of the Code and applicable Treasury Regulations.

(b) All items of income, gain, loss, deduction and credit or any other item of the Company or any Subsidiary ("Tax Items") required by law to be included in any return and report of or with respect to any Tax ("Tax Return") of the Sellers or Parents that is required to be filed on or before the Closing Date have been or will be included in such Tax Returns and all Taxes payable thereunder have been or will be paid by the Sellers or Parents.

(c) Except as set forth in Section 3.13(c) of the Disclosure Schedule, all Tax sharing agreements or similar arrangements with respect to or involving the Company or any Subsidiary have been or will be terminated prior to the Closing Date, and after the Closing Date the Company and the Subsidiaries shall not have any obligation under any such agreement for any past, current or future period;

(d) Except as set forth in Section 3.13(d) of the Disclosure Schedule, there is no claim against the Company or any Subsidiary for any Taxes, and no assessment, deficiency or adjustment has been asserted or proposed with respect to any Tax Return of the Company or any Subsidiary. None of the property of the Company or any Subsidiary is subject to any lien for any Tax.

(e) Except as set forth in Section 3.13(e) of the Disclosure Schedule, neither the Company nor any Subsidiary is obligated to take any action or refrain from taking any action in connection with any agreement with any Taxing Authority involving an abatement of any Tax.

(f) Except as set forth in Section 3.13(f) of the Disclosure Schedule, there is not in force any extension of time with respect to the due date for the filing of any Tax Return of the Company or any Subsidiary or any waiver or agreement for any extension of time for the assessment or payment of any Tax of, or with respect to, the Company or any Subsidiary or any Tax Items.

(g) For purposes of this Agreement, "Tax" or "Taxes" shall mean any tax of any kind, including, without limitation, all income, property, sales, use, occupation, franchise, excise, value added, employees' income withholding and social security taxes, and related to such taxes, charges, fees, levies, penalties or other assessments, imposed by the United States or by any foreign country or by any state, municipality, subdivision or instrumentality of the United States or of any foreign country, or by any other taxing authority.

3.14 CERTAIN CONTRACTS AND ARRANGEMENTS. Except as set forth in Section 3.14 of the Disclosure Schedule and except for purchase contracts and orders for inventory in the ordinary course of business, neither the Company nor any Subsidiary is, as of the date of this Agreement, a party to or bound by any of the following (collectively, the "Material Contracts"):

(a) employment agreement or severance agreement that is not terminable at will by the Company or any Subsidiary;

(b) collective bargaining agreement or other contract with any labor union;

(c) covenant not to compete (other than pursuant to any lease, reciprocal easement agreement, development agreement, operating agreement or construction agreement);

(d) agreement or contract with any Seller or Parent or any of their respective affiliates (other than the Company NOW Singapore or NOW Australia) or any officer, director

or employee of the Company, any Subsidiary, any Seller or any Parent or any of such affiliates (other than employment and severance agreements covered by clause (a) above);

(e) agreement or contract under which the Company or any Subsidiary has borrowed or loaned money, or any note, bond, indenture or other evidence of indebtedness or any guarantee of indebtedness, in each case relating to amounts in excess of $100,000 (other than endorsements for the purpose of collection in the ordinary course of business);

(f) agreements or contracts under which the Company and the Subsidiaries have, in the aggregate, sold or agreed to sell properties and assets having an aggregate net book value of more than $250,000; or

(g) other agreement, contract, lease, license, commitment or instrument to which the Company or any Subsidiary is a party which (i) involves sales of products of the Company and its Subsidiaries, or purchases by the Company and the Subsidiaries of products and services, in excess of $100,000, (ii) involves future expenditures in excess of $200,000, and is not terminable by the Company or the Subsidiary on 30 days' or fewer notice without penalty, or (iii) is otherwise material to the business, assets, earnings, properties, operations or condition, financial or otherwise, of the Company and the Subsidiaries taken as a whole.

Except as set forth in Section 3.14 of the Disclosure Schedule, to the knowledge of Sellers, Parents, the Company or any Subsidiary, neither the Company nor any Subsidiary is in breach of or in default under any Material Contract. To the knowledge of the Sellers, Parents, the Company or any Subsidiary, the other parties to each Material Contract have performed in all material respects all obligations required to be performed by them to date and are not in default under or in violation of, and no event has occurred which with notice, lapse of time or both, would constitute a default thereunder.

3.15 COMPLIANCE WITH LAWS, LICENSES ETC. To the knowledge of Sellers, Parents, the Company or any Subsidiary, the businesses of the Company and the Subsidiaries are being operated in compliance in all material respects with all applicable laws, statutes, ordinances, rules, regulations and orders (collectively, "laws") of all governmental entities, authorities and instrumentalities, except for (a) ERISA and other laws applicable to the Plans, which are addressed in Section 3.12 hereof; (b) laws regarding the payment of Taxes, which are addressed in Section 3.13 hereof; (c) laws regarding employment and employment practices, which are addressed in Section 3.19 hereof; and (d) Environmental Laws, which are addressed in Section 3.20 hereof. To the knowledge of Sellers, Parents, the Company or any Subsidiary, the Company and the Subsidiaries have all material permits, certificates, licenses, approvals and other authorizations ("Permits") required in connection with the

current operation of their businesses under applicable laws (other than those referred to in clauses (a)-(d) above).

3.16 INSURANCE. The Company and the Subsidiaries maintain policies of fire and casualty, liability and other forms of insurance in such amounts, with such deductibles and against such risks and losses as are listed in Section 3.16 of the Disclosure Schedule.

3.17 BROKERS. Neither the Company, nor any Subsidiary, Seller or Parent, has retained any broker, finder or financial advisor or other person who is or will be entitled to any brokerage fees, commissions, finders' fees or financial advisory fees in connection with the transactions contemplated hereby for which Buyer, the Company or any Subsidiary is or will be liable.

3.18 CUSTOMER ACCOUNTS RECEIVABLE; INVENTORIES. Section 3.18 of the Disclosure Schedule sets forth certain information with respect to the accounts receivable and inventories of the Company and the Subsidiaries.

3.19 LABOR MATTERS. Section 3.19 of the Disclosure Schedule sets forth by number and employment classification the approximate number of employees employed by the Company and the Subsidiaries as of the date of this Agreement, and, except as set forth therein, none of said employees are subject to union or collective bargaining agreements with the Company or any Subsidiary. Except as set forth in Section 3.19 of the Disclosure Schedule, (a) to the knowledge of Sellers, Parents, the Company or any Subsidiary, the Company and the Subsidiaries are in compliance with all applicable laws respecting employment and employment practices, (b) there is no unfair labor practice charge or complaint against the Company or any Subsidiary pending or, to the knowledge of the Company, the Subsidiaries, Sellers or Parents, threatened, before the National Labor Relations Board or other governmental agency nor is there any grievance nor any arbitration proceeding arising out of or under collective bargaining agreements pending or, to the knowledge of the Company, the Subsidiaries, Sellers or Parents, threatened, with respect to the businesses of the Company and the Subsidiaries, (c) there is no labor strike, slowdown or work stoppage pending or threatened against the Company or any Subsidiary and (d) there is no charge or complaint pending or threatened against the Company or any Subsidiary before the Equal Employment Opportunity Commission or any state, local or foreign agency responsible for the prevention of unlawful employment practices. Neither the Company nor any Subsidiary has received notice of the intent of any foreign, federal, state or local agency responsible for the enforcement of labor or employment laws to conduct an investigation of or relating to the Company or any Subsidiary, and no such investigation is in progress. No union is known to the Company to be organizing or attempting to organize any employees of the Company or any Subsidiary.

3.20 ENVIRONMENTAL. Except as set forth in Section 3.20 of the Disclosure Schedule:

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(a) Schedule 3.20 of the Disclosure Schedule sets forth a list of all assessments, studies, reports or appraisals ("Environmental Reports") possessed by the Company, any Subsidiary, Seller or Parent relating to the environmental condition of any real property currently or formerly owned or leased by the Company or any Subsidiary (the "Company Property") or relating to the compliance by the Company or any Subsidiary with any Environmental Laws.

(b) To the knowledge of Sellers, Parents, the Company or any Subsidiary, the Company Property and the operations conducted thereon do not violate in any material respect any Environmental Laws and there are no conditions existing on or resulting from the operation of any Company Property that could give rise to any on-site or off-site remedial obligations under any Environmental Laws.

(c) The Company Property and the operations conducted thereon by the Company and the Subsidiaries or the operations by any prior owner or operator of the Company Property, are not subject to any existing, pending or, to the knowledge of any Seller or Parent, threatened action, suit, investigation, inquiry or proceeding by or before any Governmental Authority.

(d) All notices, permits, licenses or similar authorizations, if any, required to be obtained or filed in connection with the current operation or use of the Company Property, including without limitation treatment, storage, disposal or release of a hazardous substance or solid waste into the environment, if any, have been duly obtained or filed, and the Company and the Subsidiaries are in compliance with the terms and conditions of all such notices, permits, licenses and similar authorizations.

(e) To the knowledge of Sellers, Parents, the Company or any Subsidiary, neither the Company nor any Subsidiary is subject to any contingent liability in connection with any exposure of any person or property to or any release or threatened release of any hazardous substance or solid waste into the environment on or at the Company Property or from the operations conducted thereon.

(f) For purposes of this Agreement, "Environmental Laws" shall mean any and all laws, statutes, ordinances, rules, regulations, orders, or determinations of any Governmental Authority pertaining to health or the environment in effect on the date of this Agreement in any and all jurisdictions in which the Company Property is located, including without limitation, the Clean Air Act, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1989 ("CERCLA"), as amended, the Federal Water Pollution Control Act, as amended, the Resource Conservation and Recovery Act of 1976 ("RCRA"), as amended, the

Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, and other environmental conservation or protection laws. The terms "hazardous substance" and "release" (or "threatened release") have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") have the meanings specified in RCRA; provided, however, that (i) to the extent the laws of the state in which the Company Property is located are applicable and establish a meaning for "hazardous substance," "release," "solid waste" or "disposal" which is broader than that specified in either CERCLA or RCRA, such broader meaning shall apply in such state, and (ii) the terms "hazardous substance" and "solid waste" shall include all oil and gas exploration and production wastes that may present an endangerment to public health or welfare or the environment, even if such wastes are specifically exempt from classification as hazardous substances or solid wastes pursuant to CERCLA or RCRA or the state analogues to those statutes. As used herein, "Environmental Laws" shall not include the Occupational Safety and Health Act of 1970, as amended (together with any rules and regulations promulgated thereunder, "OSHA"), it being the intent of the parties that OSHA shall constitute a "law" within the meaning of the definition of such term set forth in Section 3.15.

(g) For purposes of this Section 3.20, "Governmental Authority" shall mean any foreign countries, the United States, the state, county, city and political subdivisions in which the Company Property is located or which exercises jurisdiction over any such Company Property and any court, agency, department, commission, board, bureau or instrumentality or any of them which exercises jurisdiction over any such Company Property.

3.21 NO ILLEGAL OR IMPROPER TRANSACTIONS. Neither the Company nor any Subsidiary has, nor has any director, officer or employee of the Company or any Subsidiary, directly or indirectly, used funds or other assets of the Company or any Subsidiary, or made any promise or undertaking in such regards, for (a) illegal contributions, gifts, entertainment or other expenses relating to political activity; (b) illegal payments to or for the benefit of governmental officials or employees, whether domestic or foreign, (c) illegal payments to or for the benefit of any person, firm, corporation or other entity, or any director, officer, employee, agency or representative thereof; or (d) the establishment or maintenance of a secret or unrecorded fund; and there have been no knowingly false or fictitious entries made in the books or records of the Company or any Subsidiary.

3.22 PRODUCT LIABILITY. Section 3.22 of the Disclosure Schedule sets forth a description of the policy of the Company and its Subsidiaries with respect to the giving of warranties to third parties

with respect to any products rented or sold by them, excluding any warranties imposed by the provisions of applicable law.

3.23 MISCELLANEOUS OTHER INFORMATION. Section 3.23 of the Disclosure Schedule sets forth the following information:

(a) the name and current annual compensation of each officer, employee and agent of the Company or any Subsidiary to whom the Company or any Subsidiary has agreed to pay annual compensation for the current year of at least $100,000 and showing separately for each such person the amounts paid or payable as salary, bonus payments and any indirect compensation, and any employment agreement with respect to each such person, and the name and compensation of each person to whom the Company or any Subsidiary paid consulting fees as reflected in the Company's Financial Statements;

(b) the name of each bank in which the Company or any Subsidiary has an account or safe deposit box, the number of any such accounts, the name in which the account or box is held and the names of all persons authorized to draw thereon or to have access thereof; and

(c) the names of all persons, if any, holding tax or other powers of attorney from the Company, any Subsidiary, Seller, or Parent that relate to the Company or any Subsidiary.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Sellers and Parents as follows:

4.1 ORGANIZATION; AUTHORITY. Buyer is a Corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer and constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

4.2 NO VIOLATION: CONSENTS AND APPROVALS. The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby and compliance with the terms hereof will not, conflict with, result in any violation of or default of, or require any consent or approval of, or notice to, any private nongovernmental party under, (a) any provision of the charter or by-laws of Buyer, (b) any judgment, order or decree, or material statute, law, ordinance, rule or regulation applicable to Buyer or the property or assets of Buyer or (c) any note, bond, mortgage, indenture,

license, permit, agreement, lease or other instrument or obligation to which Buyer is a party or by which Buyer may be bound or affected or to which any of its assets may be subject. No consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental entity, authority or instrumentality, domestic or foreign, is required to be obtained or made by or with respect to Buyer or its affiliates in connection with the execution and delivery of this Agreement or the consummation by Buyer of the transactions contemplated hereby, other than (i) compliance with and filings under the HSR Act, if applicable, (ii) compliance with and filings under state environmental statutes, if applicable, and (iii) foreign ownership, competition or title registration statutes of Australia, Canada, Singapore, United Kingdom, Venezuela, Malaysia, Brazil and Thailand, if applicable. consents or approvals the failure of which to obtain would not materially impair Buyer's ability to consummate the transactions contemplated hereby.

4.3 LITIGATION. There is no claim, action, suit or proceeding pending of which Buyer has received notice by or before any governmental or regulatory authority, or by or on behalf of any third party, which challenges the validity of this Agreement or which, if adversely determined, would adversely affect the ability of Buyer to consummate the transactions contemplated by this Agreement.

4.4 ACQUISITION OF THE INTERESTS AND SHARES FOR INVESTMENT; SECURITIES ACT. Buyer is acquiring the Interests and the Shares for investment purposes only and not with a view toward, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling the Interests or the Shares. Buyer agrees that it will not sell, transfer, offer for sale, pledge, hypothecate or otherwise dispose of the Interests or the Shares in violation of any federal, state or other securities law.

4.5 FINANCING. Section 4.5 of the Disclosure Schedule lists the names and dollar amounts of each corporation, partnership, individual or other entity that has agreed, committed or given a written expression of interest to loan money to Buyer to consummate the transaction contemplated herein and to operate Buyer after the Closing (the "Financing Commitments"). True, complete and correct copies of the Financing Commitments have been delivered to Seller. Bain Capital, Inc., Duff & Phelps/ Inverness LLC and Harvard Private Capital Group, Inc. (the "Investors"), together with their affiliates, have generally agreed orally to provide $51.5 million (to be allocated between subordinated debt and equity), and the officers and employees listed in Exhibit J (the "Management Investors") have orally agreed to be equity investors, in each case subject to completion of due diligence and evaluation of what has been learned in due diligence conducted to date or as may be disclosed herein, including, without limitation, insofar as it relates to the pricing and structure of the proposed transactions, and satisfactory documentation. All investments of Bain Capital Inc., Duff & Phelps/Inverness LLC and the Management Investors in Buyer as of the Closing will be in the form of equity investments.

4.6 BROKERS. Neither Buyer nor any of its affiliates has retained a broker, finder or financial advisor or other person who is or will be entitled to any brokerage fees, commissions, finders' fees or financial advisory fees in connection with the transactions contemplated hereby for which any Seller or Parent is or will be liable.

ARTICLE V

COVENANTS OF THE PARTIES

5.1 CONDUCT OF THE COMPANY'S BUSINESS. Except as contemplated by this Agreement, during the period from the date of this Agreement to the Closing Date, Sellers shall cause the Company and the Subsidiaries to conduct their businesses and operations in the ordinary course. Without limiting the generality of the foregoing, and, except as contemplated by this Agreement, during the period from the date of this Agreement to the Closing Date, without the prior written consent of Buyer (which consent shall not be unreasonably withheld or delayed), Sellers and Parents will not permit the Company or any Subsidiary to:

(a) create, incur, assume or guarantee any indebtedness for borrowed money (including, without limitation, obligations in respect of capital leases), other than borrowings under the Existing Credit Agreement;

(b) declare, set aside or pay any dividend or other distribution in respect of the Interests or the Shares, or redeem, purchase or otherwise acquire for value any of the Company's partnership interests or the Shares;

(c) issue, sell or deliver any Interests or Shares, any other equity interest in the Company or any of the Subsidiaries, or any securities convertible into or exchangeable for Interests or Shares, or grant or enter into any options, warrants, rights, agreements or commitments with respect to the issuance of Interests or Shares, or amend any terms of any such securities or agreements;

(d) incur or commit to any capital expenditures, obligations or liabilities in connection therewith, other than those that were included in the annual capital budget approved by the Management Committee of the Company and that do not exceed $200,000 in the aggregate;

(e) enter into any lease or other agreement that provides for an annual payment by the Company in excess of $250,000;

(f) amend, agree to amend or waive the terms of the Partnership Agreement of the Company;

(g) amend or agree to amend the constituent organizational documents of NOW Australia or NOW Singapore;

(h) grant Management Committee approval of any of the actions specified by Section 4.4 of the Partnership Agreement of the Company;

(i) take any action by either or both Partners-as opposed to any actions by the Company through its officers, employees and agents-on behalf of the Company;

(j) merge or agree to merge or consolidate the Company, NOW Australia or NOW Singapore with any corporation, partnership or other entity;

(k) enter into any new contract or agreement between the Company and the Subsidiaries with any Seller, Parent or affiliate of either Parent; or

(l) agree, whether in writing or otherwise, to do any of the foregoing.

5.2 ACCESS TO INFORMATION; CONFIDENTIALITY. (a) During the period from the date of this Agreement through the Closing Date, Sellers shall cause the Company and the Subsidiaries to give Buyer and its authorized representatives (which shall include representatives of those entities providing financing for the transaction) reasonable access during regular business hours to all plants, offices, warehouses, facilities, books and records of the Company and the Subsidiaries as they may reasonably request; provided, however, (i) that Buyer and its representatives shall take such action as is deemed necessary in the reasonable judgment of Sellers to schedule their access and visits through a designated officer of the Company or Sellers and in such a way as to avoid disrupting the normal business of the Company and the Subsidiaries, (ii) the Company and the Subsidiaries shall not be required to take any action which would constitute a waiver of the attorney-client privilege, (iii) the Company and the Subsidiaries need not supply Buyer with any information which, in the reasonable judgment of Sellers, the Company and the Subsidiaries are under legal obligation not to supply and (iv) Buyer shall not be permitted to perform environmental sampling or testing except pursuant to the prior written consent of Sellers.

(b) Buyer shall hold and shall cause its affiliates, consultants and advisors to hold any information that they receive in connection with the transactions contemplated by this Agreement in strict confidence in accordance with and subject to the terms of the Non-Disclosure Agreement dated as of February 15, 1995 by Duff & Phelps/Inverness L.L.C., in favor of the Company, Sellers and Parents (the "Confidentiality Agreement").

5.3 EFFORTS. Subject to the terms and conditions of this Agreement, each of the parties hereto shall use commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to

be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by this Agreement at the earliest practicable date.

5.4 CONSENTS. Without limiting the generality of Section 5.3 hereof, each of the parties hereto shall use commercially reasonable efforts to obtain all licenses, permits, authorizations, consents and approvals of all third parties and governmental authorities necessary in connection with the consummation of the transactions contemplated by this Agreement prior to the Closing. Sellers shall not, however, have any obligation to pay any fee to any third party for the purpose of obtaining any consent or approval or any costs and expenses of any third party resulting from the process of obtaining such consent or approval. Each of the parties hereto shall make or cause to be made all filings and submissions under laws and regulations applicable to it as may be required for the consummation of the transactions contemplated by this Agreement. Buyer and Sellers shall coordinate and cooperate with each other in exchanging such information and assistance as any of the parties hereto may reasonably request in connection with the foregoing.

5.5 GOVERNMENT NOTIFICATION. Buyer and Sellers shall use commercially reasonable efforts to obtain all authorizations or waivers required under the HSR Act, and under any foreign ownership, competition or title registration statutes of Australia, Canada, Singapore, United Kingdom, Venezuela, Malaysia, Brazil and Thailand, to consummate the transactions contemplated hereby, including without limitation, making all filings required in connection therewith.

5.6 PUBLIC ANNOUNCEMENTS. Sellers and Buyer shall not, and Sellers shall cause the Company and the Subsidiaries and Parents not to, issue any written report, statement or press release to the public or otherwise make any public statement with respect to this Agreement and the transactions contemplated hereby without prior consultation with and approval of the other party, except as may be required by law or may be necessary in order to discharge its disclosure obligations, in which case such party nevertheless shall advise the other party and discuss the contents of the disclosure before issuing any such report, statement or press release.

5.7 SUPPLEMENTAL DISCLOSURE. Sellers shall from time to time prior to the Closing supplement or amend the Disclosure Schedule with respect to (a) any matter that existed as of the date of this Agreement and should have been set forth or described in the Disclosure Schedule but was not and (b) any matter hereafter arising which, if existing as of the date of this Agreement, would have been required to be set forth or described in the Disclosure Schedule.

5.8 ACCESS TO BOOKS AND RECORDS FOLLOWING THE CLOSING. Following the Closing, Buyer shall, and shall cause the Company and the Subsidiaries to, permit Sellers and their authorized representatives, during normal business hours and upon reasonable notice, to have reasonable access to,

and examine and make copies of, all books and records of the Company and the Subsidiaries which relate to transactions or events occurring prior to the Closing or transactions or events occurring subsequent to the Closing which are related to or arise out of transactions or events occurring prior to the Closing. Buyer agrees that it shall retain all such books and records for a period of seven years, or for a longer period if required by law, following the Closing.

5.9 NO OTHER BIDS. Until the first to occur of the Closing or the termination of this Agreement pursuant to Section IX hereof, the Sellers, the Parents and the Company shall not, and Sellers, Parents and the Company shall not authorize or permit any affiliate, officer, director or employee of, or any investment banker, attorney, accountant or other representative retained by, Sellers and Parents or the Company to, (a) entertain, encourage, solicit or initiate any inquiries or the making of any proposal that may reasonably be expected to lead to any proposal to purchase any of the Interests, and of the Shares or the Company or (b) participate in any discussions or negotiations, or provide third parties with any information relating to any such inquiry or proposal. The Company, Sellers and Parents shall reasonably promptly advise Buyer of any such inquiries or proposals received by them.

5.10 NO COMPETITION. In consideration of the purchase of the Interests, and all of the other promises and covenants contained herein, each of Sellers and Parents agree that for a period commencing upon the Closing and ending upon the fifth anniversary thereof they shall not directly or indirectly, alone or with others, engage in any business conducted by the Company and the Subsidiaries at the Closing, except for (i) those businesses (other than the Company and the Subsidiaries) owned by Sellers at Closing in any geographic area in which the Company and the Subsidiaries do business at Closing in competition with Buyer, the Company or the Subsidiaries, (ii) any activities by either Parent or its affiliates in the manufacture, distribution and sale of carbon steel, stainless steel, specialty steel or other products manufactured by either Parent or its affiliates, including, but not limited to, the manufacture, sale and distribution of oil country tubular goods, standard and line pipe or drill pipe, and (iii) any joint venture, partnership or other contract, agreement or arrangement by Marathon Oil Company, Delhi Gas Pipeline Corporation or other affiliate of USX for the purchase or use (but not for resale) of any product or service manufactured, distributed, sole or provided by Buyer, the Company or any Subsidiary. Further, Sellers and Parents shall not, unless required by subpoena or other process by any Government Authority, during such period and in such geographic locations, divulge, communicate, use to the detriment of Buyer, the Company or the Subsidiaries or for the benefit of any person or organization, any confidential information or trade secrets of the Company's and the Subsidiaries' businesses. Nothing herein shall commit Buyer, the Company or the Subsidiaries, on the one hand, or any Parent, Seller or affiliate thereof, on the other hand, to engage in any transaction or enter into any

agreement or contract other than as contained in or contemplated by any contract or agreement existing between them as of the Closing Date. The parties believe this is a reasonable and necessary restriction for purposes of protecting the goodwill and other business interest purchased by Buyer, which includes Buyer's expectation of expanding its business throughout the world without competition from Sellers and Parents for such period; and provided further, that the parties agree that the world is a reasonable competitive restriction. Sellers or Parents agree that a breach or violation of this covenant not to compete by such Seller or Parent shall entitle Buyer, as a matter of right, to an injunction, without necessity of posting bond, issued by any court of competent jurisdiction, restraining any further or continued breach or violation of this covenant. Such right to an injunction shall be cumulative and in addition to, and not in lieu of, any other remedies to which Buyer may show itself justly entitled. In the event that a Court should determine that any restriction herein is unenforceable, the parties, agree that this Agreement shall nevertheless be enforceable for the maximum term and maximum geographical area allowable by law. Without limiting the foregoing, this covenant shall be enforceable by the remedy of specific performance, injunction, and/or damages. The parties specifically agree that the remedy of damages alone is inadequate.

5.11 AGREEMENT CONCERNING EMPLOYEES. Sellers and Parents agree that they shall not directly, or indirectly through a future subsidiary, affiliate or otherwise, hire, retain, employ or otherwise provide compensation for or to (a) through the first anniversary of the Closing Date, any employee of the Company or any Subsidiary who was employed by the Company or any Subsidiary on the date hereof or the Closing Date or (b) through the third anniversary of the Closing Date, any officer of the Company or any Subsidiary who was employed by the Company or such subsidiary or the date hereof or the Closing Date, in either such case without the prior written consent of Buyer and excluding benefits due any such person under any pension or employee benefit plan of either Parent. Buyer agrees that any remedy at law for any actual or threatened breach of the provisions of this Section 5.11 would be inadequate and that Buyer shall be entitled to specific performance thereof of injunctive relief, or both, by temporary or permanent injunction or such other appropriate judicial remedy, writ or order as may be entered by a court of competent jurisdiction. Any such remedy shall be in addition to any damages that Buyer may be legally entitled to recover as a result of any breach by Sellers or Parents of any provisions of this Section 5.11.

5.12 POTENTIAL ACQUISITION. Buyer shall be permitted to pursue, at Buyer's cost, the acquisition of Continental Emsco Company utilizing the management of the Company (without reimbursing the Company for services of such management personnel). Buyer shall be permitted to disclose to The LTV Corporation, Continental Emsco Company, SCF Partners of Houston, their

representatives and such other parties as Sellers may reasonably approve, that Buyer and Sellers have entered into this Agreement for the acquisition of the Company.

5.13 NO RECORDING. Prior to the Closing, Buyer shall not record this Agreement or any memorandum hereof in any real property, intellectual property or other title registration records.

5.14 FINANCING. Buyer shall use commercially reasonable efforts to consummate the Financing Commitments. Buyer shall deliver to Sellers copies of all agreements and commitment letters entered into by Buyer pursuant to the Financing Commitments and shall keep Sellers informed of material developments concerning the Financing Commitments. Buyer shall use commercially reasonable efforts to arrange for Sellers to speak with the other parties to the Financing Commitments. Parents and Sellers shall use commercially reasonable efforts to cooperate with Buyer in obtaining the Financing Commitments and consummating the financings contemplated thereunder.

5.15 ENVIRONMENTAL STUDY. The Company, at its own cost and expense, shall commission an environmental study of the Company and the Subsidiaries by IT Corporation (the "Environmental Consultant") as set forth in an Environmental Consultant's proposal to be reasonably agreed upon by Sellers and Buyer.. Parents and Sellers shall cooperate and shall cause the Company and the Subsidiaries to cooperate with Buyer and the Environmental Consultant in preparation of the environmental study. The Company and the Environmental Consultant shall provide Sellers and Buyer with copies of all preliminary and draft reports, an opportunity to comment on preliminary and draft reports before they become final, and an opportunity to observe the Environmental Consultant's work. The Environmental Consultant's final written report shall be deemed to constitute a supplement to Section 3.20 of the Disclosure Schedule made by Sellers and Parents pursuant to Section 5.7 and shall be treated as confidential in accordance with the Confidentiality Agreement.

5.16 FACILITY QUESTIONNAIRE. Following the execution of this Agreement, Sellers may cause the Company and the Subsidiaries to obtain facility questionnaires as to violations of Environmental Law at any material facilities of the Company or any Subsidiary, provided that the form of such questionnaires shall be mutually agreed upon by Sellers and Buyer.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 TAX MATTERS (a) Preparation and Filing of Tax Returns.

(i) With respect to each Tax Return of the Company or any Subsidiary including a taxable period ending on or before the Closing Date that is required to be filed after the Closing Date, the Company shall cause such Tax Return to be prepared, shall cause to be

included in such Tax Return all Tax Items required to be included therein, shall cause such Tax Return to be timely filed with the appropriate taxing authority, and shall pay or cause to be paid the amount of Taxes shown to be due on such Tax Return.

(ii) With respect to each Tax Return of the Sellers or Parents including a taxable period ending on or before the Closing Date that is required to be filed after the Closing Date, Sellers or Parents shall (A) cause to be included in such Tax Returns all Tax Items required to be included in such Tax Returns, (B) file timely all such Tax Returns with the appropriate taxing authorities, and (C) pay timely all Taxes due with respect to the periods included in such Tax Returns.

(iii) Any Tax Return to be prepared pursuant to the provisions of this Section 6.1 shall be prepared in a manner consistent with practices followed in prior years with respect to similar Tax Returns, except for changes required by changes in law.

(b) Refunds. If after the Closing Date Sellers or Parents receives or is credited with a refund of any Tax attributable to the utilization or carryback of any Tax Item arising after the Closing Date, Sellers or Parents shall pay to Buyer an amount equal to the amount of such refund together with any interest received from or credit thereon by the applicable taxing authority.

(c) Access to Information.

(i) Sellers and Parents shall grant or cause the Company or any Subsidiary to grant to Buyer (or its designees) access at all reasonable times to all of the information, books and records relating to the Company and each Subsidiary within the possession of Sellers, Parents, the Company or any Subsidiary (including workpapers and correspondence with taxing authorities), and shall afford Buyer (or its designees) the right (at Buyer's expense) to take extracts therefrom and to make copies thereof, to the extent reasonably necessary to permit Buyer (or its designees) to prepare Tax Returns, to conduct negotiations with Tax authorities, and to implement the provisions of, or to investigate or defend any claims between the parties arising under, this Agreement.

(ii) Buyer shall cause the Company to provide on a timely basis all state apportionment data reasonably required by Sellers to prepare Sellers' tax returns. Further, Buyer shall grant or cause the Company or any Subsidiary to grant to Sellers (or their designees) access at all reasonable times to all of the information, books and records relating to the Company or any Subsidiary within the possession of Buyer, the Company or any Subsidiary (including workpapers and correspondence with taxing authorities), and shall afford Seller (or its designees) the right (at Seller's expense) to take extracts therefrom and to make copies thereof, to the extent

reasonably necessary to permit Sellers (or their designees) to prepare Tax Returns, to conduct negotiations with Tax authorities, and to implement the provisions of, or to investigate or defend any claims between the parties arising under, this Agreement.

(iii) Each of the parties hereto will preserve and retain all schedules, workpapers and other documents relating to any Tax Returns or to any claims, audits or other proceedings affecting the Company or any Subsidiary until the expiration of the statute of limitations (including extensions) applicable to the taxable period to which such documents relate or until the final determination of any controversy with respect to such taxable period, and until the final determination of any payments that may be required with respect to such taxable period under this Agreement.

(d) Sellers' and Parents' Indemnifications. Sellers and Parents hereby agree to protect, defend, indemnify and hold harmless Buyer, the Company and any Subsidiary from and against, and agrees to pay, all Taxes imposed and all costs and expenses (including, without limitation, litigation costs and reasonable attorneys' and accountants' fees and disbursements) incurred (all herein referred to as "Tax Losses") as a result of a claim, notice of deficiency, or assessment by, or any obligation owing to, any taxing authority for any Taxes of any corporation (other than the Company or any Subsidiary) that is or was a member of any affiliated group of corporations of which the Company or any Subsidiary was a member at any time on or prior to the Closing Date.

(e) Buyer Indemnifications. Buyer agrees to protect, defend, indemnify and hold harmless Sellers from and against, and agrees to pay, all Tax Losses incurred as a result of a claim, notice of deficiency, or assessment by, or any obligation owing to, any taxing authority for any Taxes of the Company or any Subsidiary attributable to any taxable period after the Closing Date ("Post-Closing Taxable Period"); and

(f) Indemnification Procedures.

(i) If a claim shall be made by any taxing authority that, if successful, would result in the indemnification of a party under this Agreement (referred to herein as the "Tax Indemnified Party"), the Tax Indemnified Party shall promptly notify the party obligated under this Agreement to so indemnify (referred to herein as the "Tax Indemnifying Party") in writing of such fact.

(ii) The Tax Indemnified Party shall take such action in connection with contesting such claim as the Tax Indemnifying Party shall reasonably request in writing from time to time, including the selection of counsel and experts and the execution of powers of attorney, provided that (A) within 30 days after the notice described in Section 6.1(f)(i) has been delivered (or such

earlier date that any payment of Taxes is due by the Tax Indemnified Party but in no event sooner than five days after the Tax Indemnifying Party's receipt of such notice), the Tax Indemnifying Party requests that such claim be contested, (B) the Tax Indemnifying Party shall have agreed to pay to the Tax Indemnified Party all costs and expenses that the Tax Indemnified Party incurs in connection with contesting such claim, including, without limitation, reasonable attorneys' and accountants' fees and disbursements, and (C) if the Tax Indemnified Party is requested by the Tax Indemnifying Party to pay the Tax claimed and sue for a refund, the Tax Indemnifying Party shall have advanced to the Tax Indemnified Party, on an interest-free basis, the amount of such claim. The Tax Indemnified Party shall not make any payment of such claim for at least 30 days (or such shorter period as may be required by applicable law) after the giving of the notice required by Section 6.1(f)(i), shall give to the Tax Indemnifying Party any information reasonably requested relating to such claim, and otherwise shall cooperate with the Tax Indemnifying Party in good faith in order to contest effectively any such claim.

(iii) Subject to the provisions of Section 6.1(f)(ii), the Tax Indemnified Party shall enter into a settlement of such contest with the applicable taxing authority or prosecute such contest to a determination in a court or other tribunal of initial or appellate jurisdiction, all as the Tax Indemnifying Party may request.

(iv) If, after actual receipt by the Tax Indemnified Party of an amount advanced by the Tax Indemnifying Party pursuant to Section 6.1(f)(ii)(C), the extent of the liability of the Tax Indemnified Party with respect to the claim shall be established by the final judgment or decree of a court or other tribunal or a final and binding settlement with an administrative agency having jurisdiction thereof, the Tax Indemnified Party shall promptly repay to the Tax Indemnifying Party the amount advanced to the extent of any refund received by the Tax Indemnified Party with respect to the claim together with any interest received thereon from the applicable taxing authority and any recovery of legal fees from such taxing authority, net of any Taxes as are required to be paid by the Tax Indemnified Party with respect to such refund, interest or legal fees (calculated at the maximum applicable statutory rate of Tax without regard to any other Tax Items). Notwithstanding the foregoing, the Tax Indemnified Party shall not be required to make any payment hereunder before such time as the Tax Indemnifying Party shall have made all payments or indemnities then due with respect to the Tax Indemnified Party pursuant to this Agreement.

(v) Promptly after a final determination the Tax Indemnifying Party shall pay to the Tax Indemnified Party the amount of any Tax Losses to which the Tax Indemnified Party may become entitled by reason of the provisions of this Section 6.1.

(g) Survival. Anything to the contrary in this Agreement notwithstanding, the agreements set forth in this Article VI, shall survive the Closing and shall not terminate until one day after the expiration of the statute of limitations (including extensions) applicable to any Tax covered by this Article VI.

(h) Nature of Payments. Any payment from Buyer to Seller pursuant to this Article VI shall be treated for Tax purposes as an increase in the purchase price and any payment from Seller to Buyer pursuant to this Section 6.1 shall be treated for Tax purposes as a reduction in the purchase price.

(i) Allocation. The Purchase Price shall be allocated among the assets of the Company as set forth in Exhibit C. Buyer and Sellers shall not take any position on any Tax Return that is inconsistent with the allocation of the Purchase Price as set forth in Exhibit C, and Buyer and Sellers shall duly prepare and timely file such reports and information returns as may be required under the Code and any Treasury Regulations thereunder and any corresponding provisions of applicable state income tax laws to report the allocation of the Purchase Price among the Shares and the assets of the Company as set forth in Exhibit C.

ARTICLE VII

CONDITIONS TO OBLIGATIONS

OF SELLERS AND PARENTS

7.1 CONDITIONS. The obligations of Sellers and Parents to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or prior to the Closing of each of the following conditions (any or all of which may be waived in whole or in part by Sellers and Parents):

(a) Representations and Warranties. The representations and warranties made by Buyer in this Agreement shall be true, complete and accurate in all material respects as of the date when made and at and as of the Closing Date, as though such representations and warranties were made at and as of the Closing Date, except for changes permitted by the terms of this Agreement.

(b) Performance. Buyer shall have performed and complied, in all material respects, with all agreements, obligations, covenants and conditions required by this Agreement to be so performed or complied with by Buyer at or prior to the Closing.

(c) Officer's Certificate. Buyer shall have delivered to Sellers a certificate, dated as of the Closing Date, substantially in the form of Exhibit D hereto, executed by the President

of Buyer, certifying the fulfillment of the conditions specified in Subsections 7.1(a) and 7.1(b) hereof.

(d) Opinion of Counsel. Buyer shall have delivered to Sellers and Parents an opinion of legal counsel to Buyer, dated the Closing Date, substantially in the form of Exhibit E hereto.

(e) No Injunction. On the Closing Date, there shall not be in effect any judgment, order, injunction or decree issued by a court of competent jurisdiction restraining or prohibiting consummation of the transactions contemplated by this Agreement.

(f) Expiration or Termination of HSR Periods. Any waiting periods applicable to the transactions contemplated by this Agreement under the HSR Act shall have expired or been terminated.

(g) Approvals and Consents. On the Closing Date all of the approvals and consents set forth in Section 3.6 of the Disclosure Schedule as being required to be obtained prior to Closing, shall have been obtained.

(h) Environmental Consultant's Report. Sellers shall have received final copies of the Environmental Consultant's report as contemplated by Section 5.15 hereof.

(i) Management Investor Certificates. Sellers shall have received a certificate in substantially the form attached hereto as Exhibit K from each of the persons listed on Exhibit J.

ARTICLE VIII

CONDITIONS TO OBLIGATIONS OF BUYER

8.1 CONDITIONS. The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or prior to the Closing of each of the following conditions (any or all of which may be waived in whole or in part by Buyer):

(a) Representations and Warranties. The representations and warranties made by Sellers and Parents in this Agreement shall be true, complete and accurate in all material respects, as of the date when made and at and as of the Closing Date as though such representations and warranties were made at and as of the Closing Date, except for changes permitted by the terms of this Agreement (provided, however, that for purposes of determining whether this condition has been satisfied, any supplements or amendments to the Disclosure Schedule pursuant to Section 5.7 shall be disregarded).

(b) Performance. Sellers and Parents shall have performed and complied, in all material respects, with all agreements, obligations, covenants and conditions required by this Agreement to be so performed or complied with by Sellers and Parents at or prior to the Closing.

(c) Compliance Certificate. Sellers and Parents shall have delivered to Buyer a certificate, dated the Closing Date, substantially in the form of Exhibit F hereto, executed by representatives of Sellers and of Parents certifying the fulfillment of the conditions specified in Subsections 8.1(a) and 8.1(b) hereof.

(d) Opinions of Counsel. Sellers and Parents shall have delivered to Buyer opinions of legal counsel to Seller and Parent, dated the Closing Date, substantially in the form of Exhibit G hereto.

(e) No Injunction. On the Closing Date, there shall not be in effect any judgment, order, injunction or decree issued by a court of competent jurisdiction restraining or prohibiting consummation of the transactions contemplated by this Agreement.

(f) Expiration or Termination of HSR Periods. Any waiting periods applicable to the transactions contemplated by this Agreement under the HSR Act shall have expired or been terminated.

(g) Financing. Buyer shall have completed financing for the transactions contemplated by this Agreement substantially on the terms contemplated by the Financing Commitments or on other terms reasonably acceptable to Buyer.

(h) Approvals and Consents. On the Closing Date all of the approvals and consents set forth in Section 3.6 of the Disclosure Schedule as being required to be obtained prior to Closing, shall have been obtained.

(i) Title. Buyer and its counsel shall be reasonably satisfied with the status of title of the Company and the Subsidiaries to their respective assets, and Buyer shall be able to obtain, at the Company's expense one or more ALTA form of Owner's Policy of Title Insurance in form, substance and amount satisfactory to Buyer and its counsel, ensuring that as of the Closing Buyer, the Company or the Subsidiaries, as the case may be, have good and marketable title to the Real Property Interests, subject only to those exceptions reasonably acceptable to Buyer and its counsel, identified in Section 3.9(b) of the Disclosure Schedule. as requiring title policies as a condition to closing.

(j) Material Adverse Changes. Except as set forth in Section 3.8 of the Disclosure Schedule, Buyer shall be satisfied in its sole discretion that since January 1, 1995, there has been no material adverse change in the status of the properties, assets, liabilities, financial condition,

results of operation, cash flow and prospects of the Company and the Subsidiaries on a consolidated basis and Buyer shall not have discovered any other fact or circumstance relating to the business of the Company and the Subsidiaries that materially adversely affects the properties, assets, liabilities, financial condition, results of operation, cash flow or prospects of the Company and the Subsidiaries on a consolidated basis.

ARTICLE IX

TERMINATION, AMENDMENT AND WAIVER

9.1 TERMINATION. This Agreement may be terminated and the transactions contemplated hereby may be abandoned:

(a) at any time, by mutual written agreement of Sellers and Buyer; or

(b) at any time after December 29, 1995, by either Sellers or Buyer, if the Closing shall not have occurred for any reason, other than a breach of this Agreement by the terminating party, which shall extend the termination date until such breach is cured.

9.2 PROCEDURE AND EFFECT OF TERMINATION. In the event of the termination of this Agreement and the abandonment of the transactions contemplated hereby pursuant to Section 9.1(b) hereof, written notice thereof shall forthwith be given by the party so terminating to the other parties, and this Agreement shall terminate, and the transactions contemplated hereby shall be abandoned, without further action by Sellers, Parents or Buyer. If this Agreement is terminated pursuant to Section 9.1(a) or (b) hereof:

(a) Buyer shall return all documents, work papers and other materials (and all copies thereof) received from Sellers, Parents or the Company relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to the party furnishing the same, and all confidential information received by Buyer with respect to the Company and the Subsidiaries shall be treated in accordance with Section 5.2 hereof and the Confidentiality Agreement referred to in said Section;

(b) At the option of Sellers, all filings, applications and other submissions made pursuant to Sections 5.3, 5.4 and 5.5 hereof shall to the extent practicable, be withdrawn from the agency or other person to which made; and

(c) The obligations provided for in this Section 9.2 and Section 10.1 hereof, the confidentiality provision contained in Section 5.2 hereof, the Confidentiality Agreement referred to in said Section and the Company's obligation to pay for the Environmental Consultant

pursuant to Section 5.15 and title insurance pursuant to Section 8.1 shall survive any termination of this Agreement.

9.3 AMENDMENT, MODIFICATION AND WAIVER. This Agreement may be amended, modified or supplemented at any time by written agreement of the parties hereto. Any failure of Seller or Buyer to comply with any term or provision of this Agreement may be waived by the other party at any time by an instrument in writing signed by or on behalf of such other party, but such waiver or failure to insist upon strict compliance with such term or provision shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure to comply.

ARTICLE X

FEES AND EXPENSES; SURVIVAL OF REPRESENTATIONS; INDEMNIFICATION

10.1 FEES AND EXPENSES. Whether or not the transactions contemplated hereby are consummated pursuant hereto, each of the Sellers, Parents and Buyer shall pay all fees and expenses incurred by it or on its behalf in connection with or in anticipation of this Agreement and the consummation of the transactions contemplated hereby.

10.2 SURVIVAL OF REPRESENTATIONS. The representations and warranties in this Agreement and in any other document delivered in connection herewith, other than the representations and warranties contained in Sections 3.1, 3.2, 3.4, 3.5(a), 3.9(a) and (b) (solely with respect to title to the properties specifically identified in Exhibit I), 3.13(a) and (b), 3.17, 4.1, 4.2, 4.4 and 4.6, as same are made on the date hereof and at Closing pursuant to the certificates required by Sections 7.1(c) and 8.1(c), (collectively, the "Surviving Representations"), shall not survive the Closing and shall terminate on the Closing Date. The Surviving Representations shall survive Closing and any party claiming a breach thereof shall have the right to assert such claim at any time following Closing. Accordingly, the parties acknowledge and agree that, except for the Surviving Representations and without affecting the liability of any party under the indemnification provisions hereunder, following Closing no party hereto shall have any liability to any other party hereto for or on account of the breach by any party of its representations and warranties hereunder and that prior to Closing, the sole remedy any party shall have for breach of any representation or warranty of another party shall be to elect to terminate this Agreement to the extent permitted under Article IX.

10.3 NATIONAL SUPPLY AGREEMENT TO INDEMNIFY. Upon the terms and conditions hereof, National Supply agrees to indemnify, defend and hold harmless Buyer and Buyer's shareholders, directors, officers, employees and agents and, if the Closing occurs, the Company and the Subsidiaries

and the shareholders, directors, employees and agents of the Company and the Subsidiaries (collectively, the "Buyer Indemnified Parties"), as follows:

(a) from and against all demands, claims, actions, causes of action, assessments, losses, damages, liabilities, costs and expenses (but excluding any consequential damages or lost profits with respect to any claims, other than claims by third parties, by and among Buyer Indemnified Parties and Seller Indemnified Parties), including, without limitation, interest, penalties and reasonable attorneys' fees (collectively, "Damages") that are attributable to or result from the breach of any of the Surviving Representations made by such Seller or its Parent (as provided in the lead-in paragraph to Article III);

(b) Damages attributable to or resulting from the breach by (i) such Seller of any covenant or other agreement of Sellers contained in this Agreement or (ii) the Parent of such Seller of any covenant or other agreement of such Parent contained in this Agreement;

(c) fifty percent (50%) of any Damages attributable to or resulting from any death, personal injury or property damage suffered by the Company, any Subsidiary, any Seller, either Parent or their directors, officers, employees or agents that results from or is attributable to the conduct by Buyer or its representatives or agents of Buyer's due diligence investigation of the Company and its Subsidiaries, INCLUDING ANY CLAIMS BASED UPON THE NEGLIGENCE OR ALLEGED NEGLIGENCE OF ANY OF THE BUYER INDEMNIFIED PARTIES;

(d) subject to the cost sharing set forth in Section 10.5 hereof, fifty percent (50%) of all Damages (which shall include, without limitation, all costs or expenses incurred in connection with any necessary studies, reports, sampling, disposal, removal, treatment or remediation of contamination, mitigation or compensation for damages to natural resources, site-monitoring and post-closure care related to a release of hazardous substances or solid waste into the environment or the violation of any Environmental Laws (such costs and expenses being"Environmental Costs")) attributable to or resulting from any acts, omissions or operations of the Company or any Subsidiary, or their predecessors in interest, and any conditions existing on any assets or properties of the Company or any Subsidiary, or their predecessors in interest, in each case prior to April 1, 1987; provided, however, that (i) with respect to the properties listed on Exhibit H where National Supply is identified as the "Contributing Party" (and with respect to any activities conducted thereon), National Supply shall be responsible for one hundred percent (100%) of such Damages, (ii) such indemnity shall only cover Environmental Costs if (A) the Environmental Costs are attributable to or arise out of the violation of an

Environmental Law with respect to a Company Property or any operations conducted thereon or any on-site or off-site remedial obligations under Environmental Laws that result from conditions existing or operations conducted on any Company Property and (B) such Environmental Costs do not result from any Governmental Authority action voluntarily initiated by Buyer or Buyer's successors, except where Buyer or such successor is obligated to initiate such action under applicable Environmental Laws, and (iii) such indemnity shall not cover Environmental Costs that are attributable to environmental conditions that are disclosed in Section 3.20 of the Disclosure Schedule;

(e) subject to the cost sharing set forth in Section 10.5 hereof, fifty percent (50%) of any Damages incurred by any Buyer Indemnified Party arising out of the assets, businesses or properties owned, leased or operated after April 1, 1987, by the Company or any Subsidiary, which businesses or properties were disposed of or discontinued prior to the Closing other than for matters contained in the Disclosure Schedule; and

(f) any Damages incurred by any Buyer Indemnified Party arising out of or relating to any pension or employee benefit plan sponsored by Armco or any affiliate of Armco.

It is agreed that the indemnities set forth in clauses (a)-(f) above constitute an agreed allocation of liability to National Supply and shall apply WITHOUT REGARD TO THE NEGLIGENCE OR ALLEGED NEGLIGENCE OF ANY OF THE BUYER INDEMNIFIED PARTIES.

10.4 OILWELL AGREEMENT TO INDEMNIFY. Upon the terms and conditions hereof, Oilwell agrees to indemnify, defend and hold harmless Buyer and Buyer's shareholders, directors, officers, employees and agents and, if the Closing occurs, the Company, the Subsidiaries and the shareholders, directors, employees and agents of the Buyer Indemnified Parties as follows:

(a) from and against Damages that are attributable to or result from the breach of any of the Surviving Representations made by such Seller or its Parent (as provided in the lead-in paragraph to Article III);

(b) Damages attributable to or resulting from the breach by (i) such Seller of any covenant or other agreement of Sellers contained in this Agreement or (ii) the Parent of such Seller of any covenant or other agreement of such Parent contained in this Agreement;

(c) fifty percent (50%) of any Damages attributable to or resulting from any death, personal injury or property damage suffered by the Company, any Subsidiary, any Seller, either Parent or their directors, officers, employees or agents that results from or is attributable to the conduct by Buyer or its representatives or agents of Buyer's due diligence investigation of the Company and its Subsidiaries, INCLUDING ANY CLAIMS BASED UPON THE NEGLIGENCE OR ALLEGED NEGLIGENCE

OF ANY OF THE BUYER INDEMNIFIED PARTIES;

(d) subject to the cost sharing set forth in Section 10.5 hereof, fifty percent (50%) of all Damages (which shall include, without limitation, all Environmental Costs) attributable to or resulting from any acts, omissions or operations of the Company or any Subsidiary, or their predecessors in interest, and any conditions existing on any assets or properties of the Company or any Subsidiary, or their predecessors in interest, in each case prior to April 1, 1987; provided, however, that (i) with respect to the properties listed on Exhibit H where Oilwell is identified as the "Contributing Party" (and with respect to any activities conducted thereon), Oilwell shall be responsible for one hundred percent (100%) of such Damages, (ii) such indemnity shall only cover Environmental Costs if (A) the Environmental Costs are attributable to or arise out of the violation of an Environmental Law with respect to a Company Property or any operations conducted thereon or any on-site or off-site remedial obligations under Environmental Laws that result from conditions existing or operations conducted on any Company Property and (B) such Environmental Costs do not result from any Governmental Authority action voluntarily initiated by Buyer or Buyer's successors, except where Buyer or such successor is obligated to initiate such action under applicable Environmental Laws, and (iii) such indemnity shall not cover Environmental Costs that are attributable to environmental conditions that are disclosed in Section 3.20 of the Disclosure Schedule.

(e) subject to the cost sharing set forth in Section 10.5, fifty percent (50%) of any Damages incurred by any Buyer Indemnified Party arising out of the assets, businesses or properties owned, leased or operated after April 1, 1987, by the Company or any Subsidiary, which businesses or properties were disposed of or discontinued prior to the Closing other than for matters contained in the Disclosure Schedule; and

(f) any Damages incurred by any Buyer Indemnified Party arising out of or relating to any pension or employee benefit plan sponsored by USX or any affiliate of USX.

It is agreed that the indemnities set forth in clauses (a)-(f) above constitute an agreed allocation of liability to Oilwell and shall apply WITHOUT REGARD TO THE NEGLIGENCE OR ALLEGED NEGLIGENCE OF ANY OF THE BUYER INDEMNIFIED PARTIES.

10.5 SELLERS' AND PARENTS' LIMITATION OF LIABILITY. Anything in this Agreement to the contrary notwithstanding, the liability of Sellers to indemnify the Buyer Indemnified Parties pursuant to Sections 10.3(d) and 10.4(d), to the extent such indemnities cover Environmental Costs that are attributable to environmental conditions that are not disclosed in Section 3.20 of the Disclosure

Schedule, and Sections 10.3(e) and 10.4(e) hereof shall not apply to one-half of any Damages up to $8 million aggregate amount of such Damages that would, but for this Section 10.5, be covered by such indemnification provisions.

10.6 BUYER'S AGREEMENT TO INDEMNIFY. Upon the terms and subject to conditions of this Article X, Buyer agrees to indemnify, defend and hold harmless the Company (only if the Closing does not occur), its Subsidiaries (only if the Closing does not occur), Sellers, Parents and their respective officers, directors, employees, agents and representatives (collectively, the "Seller Indemnified Parties"), at any time after the date of this Agreement, from and against all Damages suffered or incurred by the Seller Indemnified Parties that are attributable to or result from:

(a) the breach by Buyer of any Surviving Representations;

(b) the breach of any covenant or agreement of Buyer contained in this Agreement;

(c) any death, personal injury or property damage suffered by Buyer or Buyer's officers, directors, employees or agents that results from or is attributable to the conduct by Buyer or its representatives or agents of Buyer's due diligence investigation of the Company and its Subsidiaries, INCLUDING ANY CLAIMS BASED UPON THE NEGLIGENCE OR ALLEGED NEGLIGENCE OF ANY SELLERS INDEMNIFIED PARTIES;

(d) if the Closing occurs, any act, omission or condition created after April 1, 1987, arising out of or attributable to the ownership or operation of the businesses, assets and properties that are owned by Buyer, the Company or the Subsidiaries on the Closing Date (the "Continuing Operations"), including, but not limited to the following matters, in each case solely to the extent same relate to the Continuing Operations, (i) any product liability or breach of warranty claim arising out of products manufactured or services sold, delivered or performed after April 1, 1987, (ii) any new environmental facilities required to be installed after the Closing, (iii) all costs of dismantling, cleaning out and disposing of buildings, machinery and equipment upon complete or partial discontinuance of operations and (iv) all matters disclosed in the Disclosure Schedule, including environmental conditions;

(e) to the extent and only to the extent attributable to matters contained in the Disclosure Schedule, any Damages (which shall include, without limitation, Environmental Costs) incurred by any Seller Indemnified Party arising out of businesses, assets or properties owned, leased or operated after April 1, 1987, by the Company or any Subsidiary, which businesses or properties were disposed of or discontinued prior to the Closing; and

(f) to the extent and only to the extent attributable to the environmental conditions that are disclosed in Section 3.20 of the Disclosure Schedule, any Environmental Costs incurred

by any Seller Indemnified Party that are attributable to or result from any conditions existing as of April 1, 1987, on any assets or properties contributed to the Company or any Subsidiary by Sellers;

provided, however, that Buyer's indemnity obligation under this Section 10.6 shall not extend to any Tax Losses or Damages for which Sellers have agreed to indemnify the Buyer Indemnified Parties pursuant to Sections 6.1(d), 10.3 and 10.4 above.

10.7 CONDITIONS OF INDEMNIFICATION. The obligations and liabilities of Sellers, Parents and Buyer with respect to demands, claims, actions, causes of action or assessments made by third parties ("Claims") that are covered by the indemnification provisions of this Agreement shall be subject to the following terms and conditions:

(a) The indemnified party shall give the indemnifying party prompt notice of any such Claim, and if the indemnifying party does not dispute its obligation to indemnify the indemnified party hereunder and confirms same in writing, the indemnifying party shall have the right to undertake the defense thereof by representatives chosen by it;

(b) Unless and until the indemnifying party assumes the defense of a Claim as provided in subparagraph (a) above, the indemnified party shall have the right to undertake the defense, compromise or settlement of such Claim on behalf of and for the account and risk of the indemnifying party, subject to the right of the indemnifying party (provided that it does not dispute its liability to the indemnified party hereunder for such Claim) to assume the defense of such Claim at any time prior to settlement, compromise or final determination thereof; and

(c) Anything in this Article X to the contrary notwithstanding, (i) if there is a reasonable probability that a Claim may materially and adversely affect the indemnified party other than as a result of money damages or other money payments, the indemnified party shall have the right, at its own cost and expense, to participate in the defense of such Claim, and (ii) the indemnifying party shall not, without the written consent of the indemnified party, settle or compromise any Claim or consent to the entry of any judgment which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the indemnified party of an unconditional release from all liability in respect to such Claim.

(d) Notwithstanding any provision herein to the contrary, failure of the indemnified party to give notice required by this Section 10.7 shall not constitute a waiver of the indemnified party's right to indemnification or a defense to any indemnification claim by such indemnified party, except to the extent such failure prejudices the ability of the indemnifying party to defend against such Claim.

(e) The indemnified party shall reasonably cooperate with the indemnifying party, including making available to the indemnifying party all records, documents, and other things, making available all employees reasonably necessary to investigate, defend and settle such matter, access to the Company's or the Subsidiary's properties without cost to the indemnifying party other than reimbursement of out-of-pocket expenses actually incurred.

10.8 PARENT GUARANTEE. Armco hereby agrees to unconditionally and absolutely guarantee the due and punctual performance by National Supply of all of National Supply's obligations hereunder subject to a maximum amount equal to the total consideration paid by Buyer to National Supply hereunder; provided, however that such limitation shall not apply to the obligations of National Supply under Section 6.1(d). USX hereby agrees to unconditionally and absolutely guarantee the due and punctual performance by Oilwell of all of Oilwell's obligations hereunder subject to a maximum amount equal to the total consideration paid by Buyer to Oilwell hereunder; provided, however, that such limitation shall not apply to the obligations of Oilwell under Section 6.1(d). Armco and USX agree that this guarantee shall survive and be enforceable notwithstanding any merger, dissolution, bankruptcy or insolvency of National Supply or Oilwell, as the case may be.

10.9 MATTERS DISCLOSED IN DISCLOSURE SCHEDULE. For purposes of allocating responsibility under the various indemnities contained in this Article X and notwithstanding anything herein to the contrary, (a) the disclosure in the Disclosure Schedule of a contract or agreement for the sale of a business or facility shall only constitute disclosure of matters that are the subject of a specific lawsuit, claim or demand that is disclosed in the Disclosure Schedule and of matters specifically reserved in the Company's financial statements and shall not constitute disclosure of any other lawsuits, claims or demands that are or have been made pursuant to such contract or agreement; (b) the sale of products or services arising out of the conduct by the Company or any Subsidiary of the distribution, tubular, pump, drilling business and other activities conducted by such entities on the date hereof shall constitute ongoing activities of the Company and the Subsidiaries (and not businesses or properties that were "disposed of or discontinued" for purposes of Sections 10.3(e) and 10.4(e)), even if the Company or a Subsidiary owns but does not currently operate the facility that manufactured, sold or distributed the product or service involved ; (c) the manufacture of wellhead products, sucker rods, hydraulic equipment and pumps, down-hole sucker rod pumps, ball valves for fluid control and centrifugal pumps, and the threading of pipe by Total Pipe, shall constitute businesses or properties that were "disposed of or discontinued" within the meaning of Sections 10.3(e) and 10.4(e), provided that the sale by the Company or any Subsidiary of such items manufactured by third parties shall, to the extent conducted by the Company or any Subsidiary on the date hereof, constitute ongoing activities of the Company and the Subsidiaries.

ARTICLE XI

MISCELLANEOUS

11.1 FURTHER ASSURANCES. From time to time after the Closing Date, at the request of the other party hereto and at the expense of the party so requesting, Sellers, Parents and Buyer shall execute and deliver to such requesting party such documents and take such other action as such requesting party may reasonably request in order to consummate more effectively the transactions contemplated hereby.

11.2 NOTICES. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, by mail (certified or registered mail, return receipt requested) or by facsimile transmission (receipt of which is confirmed):

(a) If to Buyer, to:

Now Holdings, Inc.
5555 San Felipe
Houston, TX 77056
Attention: Joel V. Staff
Chief Executive Officer

with a copy to:

Vinson & Elkins L.L.P.
1001 Fannin, Suite 2500
Houston, TX 77002-6760
Attention: John S. Watson

(b) If to Armco or National Supply, to:

Armco Inc.
One Oxford Centre
301 Grant Street
Pittsburgh, PA 15219
Attention: David Harmer
Vice President and Chief Financial Officer

with a copy to:

Gary R. Hildreth, Esquire
General Counsel
One Oxford Centre
301 Grant Street
Pittsburgh, PA 15219

(c) If to USX or Oilwell, to:

USX Corporation
600 Grant Street
Pittsburgh, PA 15219-2749
Attention: C. C. Gedeon
Executive Vice President
Raw Materials and Diversified Businesses

with a copy to:

Robert M. Stanton, Esquire
General Attorney
USX Corporation
600 Grant Street
Pittsburgh, PA 15219-2749

or to such other person or address as any party shall specify by notice in writing to the other party. All such notices, requests, demands, waivers and communications shall be deemed to have been received on the date on which so hand-delivered, on the third business day following the date on which so mailed and on the date on which faxed and confirmed, except for a notice of change of address, which shall be effective only upon receipt thereof.

11.3 ENTIRE AGREEMENT. This Agreement, the Disclosure Schedule and the exhibits, schedules and other documents referred to herein which form a part hereof (including, without limitation, the Confidentiality Agreement referred to in Section 5.2 hereof) contain the entire understanding of the parties hereto with respect to their subject matter. This Agreement supersedes all prior agreements and understandings, oral and written, with respect to its subject matter, including, without limitation the letter dated May 17, 1995.

11.4 SEVERABILITY. Should any provision of this Agreement for any reason be declared invalid or unenforceable, such decision shall not affect the validity or enforceability of any of the other provisions of this Agreement, which other provisions shall remain in full force and effect and the application of such invalid or unenforceable provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall be valid and be enforced to the fullest extent permitted by law.

11.5 BINDING EFFECT: ASSIGNMENT. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, successors and assigns; provided, however, that prior to Closing, no party hereto may assign its rights or obligations hereunder to any other person or entity, except that Buyer may (a) assign its rights and obligations hereunder to an affiliate of Buyer and (b) grant such security interests and/or effect such collateral assignments as may be necessary to obtain financing for the transactions contemplated hereunder.

11.6 THIRD-PARTY BENEFICIARIES. This Agreement is not intended and shall not be deemed to confer upon or give any person except the parties hereto and their respective successors and assigns any remedy, claim, liability, reimbursement, cause of action or other right under or by reason of this Agreement.

11.7 COUNTERPARTS. This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.8 INTERPRETATION. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement. As used in this Agreement, the term "person" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof. As used in this Agreement, the term "affiliate" shall have the meaning set forth in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

11.9 GOVERNING LAW. This Agreement shall be governed by the internal laws of the State of Delaware, without regard to the principles of conflicts of law thereof that would require the application of the laws of any jurisdiction other than Delaware.

11.10 CERTAIN WAIVERS. Each Seller hereby waives its right of first refusal granted by Section 13.2 of the Partnership Agreement of the Company and the corresponding right found in the articles of incorporation of the other partner.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BUYER:

NOW HOLDINGS, INC.

By: /s/ W. MCCOMB DUNWOODY

Name: W. McComb Dunwoody

Title: President

SELLER:

OILWELL INC.

By: /s/ C. C. GEDEON

Name: C. C. Gedeon

Title: President

NATIONAL SUPPLY COMPANY, INC.

By: /s/ GARY R. HILDRETH

NAME: Gary R. Hildreth

Title: Vice President

PARENT:

USX CORPORATION

By: /s/ C. C. GEDEON

Name: C. C. Gedeon

Title: Executive Vice President
Raw Materials and Diversified
Business

ARMCO INC.

By: /s/ DAVID G. HARMER

NAME: David G. Harmer

Title: Corporate Vice President

EXHIBIT A

ANCILLARY AGREEMENT MATTERS

The following matters shall be addressed in the agreement contemplated by Section 2.1 of the Purchase Agreement:

1. Responsibility for and administration of post-retirement pension, life and health plans for Garland employees.

2. Distribution of tubulars from USS.

3. Intellectual property assistance during transition period.

Exhibit B

Form of Assignment of Interests

ASSIGNMENT OF PARTNERSHIP INTEREST

THIS ASSIGNMENT OF PARTNERSHIP INTEREST (this "Assignment") is made and entered into as of this _____ day of _____, 1995, and is from [insert name of seller] ("Assignor"), to NOW Holdings, Inc., a Delaware corporation ("Assignee").

RECITALS

[Assignor] and [National Supply Company, Inc., a Delaware corporation/Oilwell, Inc., a Delaware corporation], are parties to that certain Partnership Agreement entered into as of March 31, 1987 (as amended, the "Partnership Agreement"), pursuant to which such parties created a Delaware general partnership known as National-Oilwell (the "Partnership").

Assignor desires to transfer and convey to Assignee all of its right, title and interest in and to the Partnership, including its 50% general partner interest therein.

NOW, THEREFORE, in consideration of Ten Dollars ($10) and other good and valuable consideration in hand paid, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby assign, transfer and convey unto Assignee and its successors and assigns all of its right, title and interest in and to the following (all of which are collectively referred to herein as the "Partnership Interest"):

(a) the Partnership;

(b) the Partnership Agreement;

(c) Assignor's distributive share of profits, income, distributions, surplus and cash proceeds of the Partnership;

(d) Assignor's distributive share of specific properties and assets of the Partnership upon dissolution or otherwise;

(e) any and all other rights of every kind and character in and to the Partnership and under the Partnership Agreement; and

(f) proceeds and products of any and all of the foregoing, including monies, profits, income, accounts, general intangibles, chattel paper, documents, and instruments now or hereafter existing in connection therewith;

TO HAVE AND TO HOLD the Partnership Interest unto Assignee and its successors and assigns, forever.

The provisions hereof shall extend to and be binding upon the respective heirs, legal representatives, successors and assigns of Assignee.

EXECUTED in a number of counterparts, each of which shall have the force and effect of an original although constituting but one and the same instrument.

[Insert name of Seller]

By: ----------

Name: ----------

Title: ----------

Exhibit C

ALLOCATION OF PURCHASE PRICE

	Purchase Price
Interests	$
NOW Singapore Shares	$
NOW Australia Shares	$
Total	$180,000,000

[To be agreed upon by Sellers and Buyer prior to Closing]

Exhibit D

Form of Buyer Officer's Certificate

NOW HOLDINGS, INC.

OFFICER'S CERTIFICATE

The undersigned hereby certifies that he is _____ of NOW Holdings, Inc., a Delaware corporation ("Holdings"), and that as such he is familiar with the facts certified herein and is authorized to execute this certificate. Pursuant to Section 7.1(c) of that certain Purchase Agreement (the "Agreement") dated as of _____, 1995, by and among Holdings, Oilwell, Inc., USX Corporation, Natural Supply Company, Inc., and Armco, Inc., all Delaware corporations, the undersigned certifies as follows:

1. The representations and warranties of Holdings contained in the Agreement were true, complete and accurate in all material respects as of the date of the Agreement and are true, complete and accurate in all material respects as of the date hereof as though made on and as of the date hereof, except as to any changes in facts and circumstances permitted by the Agreement; and

2. Holdings has performed and complied in all material respects with all agreements, obligations, covenants and conditions required by the Agreement to be performed or complied with by it at or prior to the date hereof pursuant to the terms of the Agreement.

EXECUTED by the undersigned effective as of the ____ day of _____, 1995.

NOW HOLDINGS, INC.

By: ----------

Name: ----------

Title: ----------

Exhibit E

BUYER'S COUNSEL OPINIONS

The opinion to be given by Buyer's counsel shall contain the following opinions:

1. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to enter into the Purchase Agreement, consummate the transactions contemplated thereby and perform its obligations thereunder.

2. The execution, delivery and performance by Buyer of the Purchase Agreement and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of Buyer.

3. The Purchase Agreement constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

4. The execution, delivery and performance by Buyer of the Purchase Agreement will not conflict with, result in any violation or default of, or require any consent or approval of, or notice to, any private nongovernmental party under, (a) any provision of the charter or by-laws of Buyer, (b) any statute, law, ordinance, rule or regulation or, to the knowledge of such counsel, any judgment, order or decree, in any such case applicable to Buyer or the property or assets of Buyer or (c) to the knowledge of such counsel, any note, bond, mortgage, indenture, license, permit, agreement, lease or other instrument or obligation to which Buyer is a party or by which Buyer may be bound or affected or to which any of its assets may be subject.

5. No consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental entity, authority or instrumentality is required to be obtained or made by or with respect to Buyer in connection with the execution and delivery of the Purchase Agreement or the consummation by Buyer of the transactions contemplated thereby, other than (a) compliance with and filings under the HSR Act, if applicable, (b) compliance with and filings under state environmental statutes, if applicable, and (c) compliance with and filings under foreign laws, regulations and statues.

The foregoing opinions will be subject to such exceptions and qualifications as may be reasonable and appropriate.

Exhibit F

Form of Compliance Certificate of Sellers and Parents

[Insert name of Seller or Parent]

OFFICER'S CERTIFICATE

The undersigned hereby certifies that he is _____ of [insert name of Seller or Parent] ("[Seller/Parent]"), and that as such he is familiar with the facts certified herein and is authorized to execute this certificate. Pursuant to Section 8.1(c) of that certain Purchase Agreement (the "Agreement") dated as of _____, 1995, by and among NOW Holdings, Inc. and Oilwell, Inc., USX Corporation, National Supply Company, Inc., and Armco, Inc., all Delaware corporations, the undersigned certifies as follows:

1. Without limiting the effect of Section 10.2 of the Agreement, the representations and warranties of [Seller/Parent] contained in the Agreement were true, complete and accurate in all material respects as of the date of the Agreement and are true, complete and accurate in all material respects as of the date hereof as though made on and as of the date hereof, except as to any changes in facts and circumstances permitted by the Agreement; and

2. [Seller/Parent] has performed and complied in all material respects with all agreements, obligations, covenants and conditions required by the Agreement to be performed or complied with by it at or prior to the date hereof pursuant to the terms of the Agreement.

EXECUTED by the undersigned effective as of the _____ day of _____, 1995.

[Insert name of Seller or Parent]

By: ----------

Name: ----------

Title: ----------

Exhibit G

OPINIONS TO BE FURNISHED TO BUYER

A. OPINIONS OF COUNSEL FOR EACH SELLER AND PARENT. The opinion to be given by [Seller's/Parent's] counsel shall opine as follows:

1. [Seller/Parent] is a corporation duly organized, validly existing and in good standing under the laws of the State of _____, and has all requisite corporate power and authority to enter into the Purchase Agreement, consummate the transactions contemplated thereby and perform its obligations thereunder.

2. The execution, delivery and performance by [Seller/Parent] of the Purchase Agreement and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of [Seller/Parent].

3. The Purchase Agreement constitutes a valid and binding obligation of [Seller/Parent], enforceable against [Seller/Parent] in accordance with its terms.

4. The execution, delivery and performance by [Seller/Parent] of the Purchase Agreement will not conflict with, result in any violation or default of, or require any consent or approval of, or notice to, any private nongovernmental party under, (a) any provision of the charter or by-laws of [Seller/Parent], (b) any judgment, order or decree, or statute, law, ordinance, rule or regulation applicable to [Seller/Parent] or the property or assets of [Seller/Parent] or (c) to the knowledge of such counsel, any note, bond, mortgage, indenture, license, permit, agreement, lease or other instrument or obligation to which [Seller/Parent] is a party or by which [Seller/Parent] may be bound or affected or to which any of its assets may be subject.

5. No consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental entity, authority or instrumentality is required to be obtained or made by or with respect to [Seller/Parent] in connection with the execution and delivery of the Purchase Agreement or the consummation by [Seller/Parent] of the transactions contemplated thereby, other than (a) compliance with and filings under the HSR Act, if applicable, (b) compliance with and filings under Section 13(a) of the Securities Exchange Act of 1934, as amended, (c) compliance with and filings under state environmental statutes, if applicable, and (d) compliance with and filings under foreign laws, regulations and statutes.

6. [Seller] is the owner of one-half of all of the partnership interests (or other interests granting the owner thereof the right to receive distributions of cash or property, or allocations of income, gain, loss or dedication) in the Company and of one-half of all of the issued and outstanding shares of capital stock or other equity interests of NOW Singapore and NOW Australia. Such Interests and Shares have not been issued in violation of, and except for statutory preemption rights are not subject to, any preemptive or subscription rights. Except for the matters that are the subject of the waivers referenced

in Section 11.10 of the Purchase Agreement, there are no outstanding warrants, options, agreements, convertible or exchangeable securities or other commitments pursuant to which the Company or a Parent or Seller is or may become obligated to issue, sell, purchase, return or redeem any partnership interests in the Company or any shares of capital stock of NOW Singapore or NOW Australia.

The foregoing opinions will be subject to such exceptions and qualifications as may be reasonable and appropriate.

B. OPINIONS OF COMPANY COUNSEL. [To be discussed]

C. OPINIONS OF FOREIGN COUNSEL. The opinions to be given by regular outside counsel for each of the foreign Subsidiaries (or if no such regular counsel exists, by counsel reasonably acceptable to Buyer) shall opine as follows:

1. Such foreign Subsidiary is a corporation or other entity duly organized, validly existing and in good standing under the laws of its jurisdiction of formation.

2. The Company is the owner of all of the issued and outstanding capital stock or other equity interests of such Subsidiary. None of such capital stock and equity securities has been issued in violation of, and except for statutory preemption rights is not subject to, any preemptive or subscription rights. There are no outstanding warrants, options, agreements, convertible or exchangeable securities or other commitments to which any of such entities is or may become obligated to issue, sell, purchase, return or redeem any of such capital stock or equity securities.

3. The execution, delivery and performance by Sellers of the Purchase Agreement will not (a) conflict with or result in any violation or default of the constituent organizational documents of such Subsidiary or the statutes, laws, ordinances, rules or regulations of such foreign jurisdiction or (b) require the consent or approval of, or any filing with or notice to, any governmental entity, authority or instrumentality.

The foregoing opinions will be subject to such exceptions and qualifications as may be reasonable and appropriate.

EXHIBIT H

Real Properties Owned or Leased Originally Contributed Upon Formation of National-Oilwell and Currently Held by the Partnership

ADDRESS	CONTRIBUTING PARTY
TAFT, CA PRODUCTION SHOP 530 SUPPLY ROW	NATIONAL SUPPLY CO., INC.
FORT SMITH, AR STORE 6206 HIGHWAY 271 SOUTH	NATIONAL SUPPLY CO., INC.
CORTEZ, CO STORE 24114 COUNTY ROAD G	NATIONAL SUPPLY CO., INC.
FORT LUPTON, CO STORE 1742 DENVER AVENUE	NATIONAL SUPPLY CO., INC.
PLAINVILLE, KS STORE 509 NORTHWEST THIRD STREET	NATIONAL SUPPLY CO., INC.
RUSELL, KS PRODUCTION SHOP 204 WEST WICHITA	NATIONAL SUPPLY CO., INC.
VENICE, LA STORE HIGHWAY 23 SOUTH	OILWELL, INC.
KALKASKA, MI STORE 104 WEST PARK DRIVE	OILWELL, INC.
BROOKHAVEN, MS STORE 916 HIGHWAY 51 NORTH	OILWELL, INC.
BAKER, MT STORE 916 EAST MONTANA AVENUE	NATIONAL SUPPLY CO., INC.
BILLINGS, MT STORE 504 FOOTE STREET	NATIONAL SUPPLY CO., INC.
CUT BANK, MT STORE 201 EAST RAILROAD STREET	NATIONAL SUPPLY CO., INC.
HOBBS, MN PRODUCTION SHOP 521 S. GRIMES	NATIONAL SUPPLY CO., INC.
DICKINSON, ND STORE HIGHWAY 22 NORTH	NATIONAL SUPPLY CO., INC.
MOHALL, ND STORE INDUSTRIAL PARK	NATIONAL SUPPLY CO., INC.
LINDSAY, OK STORE 116 NORTHWEST 7TH STREET	NATIONAL SUPPLY CO., INC.
RATLIFF CITY, OK STORE HIGHWAY 7 WEST	OILWELL, INC.

DENVER CITY, TX STORE & YARD SITE HIGHWAY 214	OILWELL, INC.
HOUSTON, TX HEADQUARTERS 5555 SAN FELIPE	OILWELL, INC.
LAREDO, TX STORE 2413 BISMARK	NATIONAL SUPPLY CO., INC.
LIBERTY, TX STORE 205 GEORGIA STREET	NATIONAL SUPPLY CO., INC.
MONAHANS, TX STORE 900 SOUTH STOCKTON	OILWELL, INC.
ODESSA, TX PRODUCTION SHOP 3801 WEST LOOP 338	NATIONAL SUPPLY CO., INC.
ROOSEVELT, UT SERVICE CENTER WEST HIGHWAY 40	NATIONAL SUPPLY CO., INC.
PENNSBORO, WV STORE PENNSBORO INDUSTRIAL PK ROAD	NATIONAL SUPPLY CO., INC.
BIG PINEY WY STORE 521 WINKELMAN AVENUE	NATIONAL SUPPLY CO., INC.
GILLETTE, WY PRODUCTION SHOP 3388 BIRD DRIVE	NATIONAL SUPPLY CO., INC.
GILLETTE, WY STORE 107 EAST FIRST STREET	NATIONAL SUPPLY CO., INC.
POWELL, WY STORE 887 EAST NORTH STREET	NATIONAL SUPPLY CO., INC.
GRAND PRAIRIE STORE 9701-115 STREET	NATIONAL SUPPLY CO., INC.
RED DEER STORE 105,6660 TAYLOR DRIVE	NATIONAL SUPPLY CO., INC.
SLAVE LAKE STORE 903-3RD STREET N.W.	OILWELL, INC.
ABERDEEN STORE ABBOTSWELL ROAD	NATIONAL SUPPLY CO., INC.
TAFT, CA PRODUCTION SHOP 530 SUPPLY ROW	NATIONAL SUPPLY CO., INC.
ABERDEEN PUMPING SYSTEMS ABBOTSWELL ROAD LEASED LAND, OWNED BUILDING	NATIONAL SUPPLY CO., INC.
TAFT, CA STORE 701 MAIN STREET	OILWELL, INC.
ELLINWOOD, KS STORE MAIN & SANTA FE	OILWELL, INC.
HARVEY, LA STORE 501 BARK STREET	NATIONAL SUPPLY CO., INC.

HOUMA, LA STORE 601 CRESENT BLVD.	OILWELL, INC.
SHREVEPORT, LA STORE 806 NORTH MARKET	OILWELL, INC.
LAUREL, MS STORE 2934 INDUSTRIAL BLVD.	OILWELL, INC.
HOBBS, NM STORE 608 WEST BROADWAY	OILWELL, INC.
SHIDLER, OK STORE HIGHWAY 18 SOUTH	NATIONAL SUPPLY CO., INC
BIG SPRING, TX STORE 207 NORTH GREGG ST.	NATIONAL SUPPLY CO., INC
PETTUS, TX STORE HIGHWAY 181	OILWELL, INC.
CHARLESTON, WV STORE & WH 1314 HANSFORD	OILWELL, INC.
OWNED LOCATIONS	
CROSSVILLE, IL STORE HIGHWAY 14 EAST	NATIONAL SUPPLY CO., INC
GREAT BEND, KS STORE 5223 W. 10TH STREET	NATIONAL SUPPLY CO., INC
LIBERAL, KS STORE 1340 BLUE BELL ROAD	OILWELL, INC.
NEW IBERIA, LA STORE/MFK/SHOP 150 SUGARMILL ROAD	NATIONAL SUPPLY CO., INC
NEW IBERIA, LA STORE 1202 JANE STREET	NATIONAL SUPPLY CO., INC
HOMINY, OK STORE 401 W. MAIN STREET	NATIONAL SUPPLY CO., INC
MCALESTER, OK MFG. PLANT 501 N. GEORGE NIGH EXPRESSWAY	OILWELL, INC.
CORPUS CHRISTI, TX STORE 4707 BALDWIN BLVD.	NATIONAL SUPPLY CO., INC
GARLAND, TX 4040 FOREST LANE	OILWELL, INC.
KILGORE, TX FAB CTR 104 POWDERHORN ROAD	NATIONAL SUPPLY CO., INC
KILGORE, TX SUPPLY STORE 102 POWDERHORN ROAD	NATIONAL SUPPLY CO., INC
ODESSA, TX STORE 1504 EAST SECOND	OILWELL, INC.
SUNDOWN, TX STORE	OILWELL, INC.

1011 SOUTH SLAUGHTER STREET	
VICTORIA, TX STORE 3107 EAST HOUSTON HWY.	OILWELL, INC.
CASPER, WY STORE-SALES 555 NORTH CENTER	NATIONAL SUPPLY CO., INC
EVANSTON, WY STORE 185 HIGHWAY 30 EAST	NATIONAL SUPPLY CO., INC
BROOKS STORE, ALBERTA 601 INDUSTRIAL RD.	OILWELL, INC.
EDMONTON STORE/SALES/SERVICE 9450 - 45 AVE	NATIONAL SUPPLY CO., INC
LLOYDMINSTER STORE, ALBERTA 6015 - 53 AVENUE	OILWELL, INC.
FORT ST. JOHN STORE, BRITISH COLUMBIA 9507 ALASKA ROAD	OILWELL, INC.
ESTEVAN STORE, SASKATCHEWAN 316 KENSINGTON AVE.	OILWELL, INC.
ANACO STORE, VENEZUELA KM-98 CARRETERA NEGRA	NATIONAL SUPPLY CO., INC
MARACAIBO HEADQUARTERS APARTADO 1146, 4001-A	NATIONAL SUPPLY CO., INC
LONG BEACH, CA HEADQUARTERS 2875 JUNIPERO AVE.	NATIONAL SUPPLY CO., INC
GREAT BEND, KS STORE 5223 W. 10TH STREET	NATIONAL SUPPLY CO., INC
CRESTAR ECKVILLE, RED DEER, ALBERTA #105, 6660 TAYLOR DRIVE	NATIONAL SUPPLY CO., INC

Exhibit I

PROPERTIES FOR WHICH TITLE
REPRESENTATION SURVIVES CLOSING

Long Beach, CA
Great Bend, KS
New Iberia-Jane Str., LA
New Iberia-Sugarmill, LA
Williston, ND
McAlester, OK
OK City Shore, OK
Corpus Christi, TX
Houston (DEC), TX
Houston Store/MFK, TX
Kilgore Store/Service, TX
Odessa Store/Sales, TX
Casper Store/Sales, WY
Edmonton Sales/Services, ALB CANADA
Estevan, SAS, CANADA
Stockport HQ/Plant, ENGLAND
Aberdeen Mach. Center, SCOTLAND

Exhibit J

NAMES OF MANAGEMENT EQUITY INVESTORS

[To be provided as soon as practicable following signing of Purchase and Sale Agreement]

Exhibit K

FORM OF MANAGEMENT INVESTOR CERTIFICATE

[Certificate to provide for certification by each management investor that, except as noted by such officer in an attachment, to the knowledge of such officer Sellers representations and warranties in Purchase Agreement are true and correct in all material respects]

EXHIBIT L

SUBORDINATED PROMISSORY NOTE
due , 2004

$10,000,000 , 1995

For value received the undersigned NOW HOLDINGS, INC., a Delaware corporation ("Buyer"), promises to pay to the order of [Name of Seller], a Delaware corporation ("Seller"), the principal sum of Ten Million Dollars ($10,000,000) on the ninth anniversary of the Closing Date and to pay interest, all as specified herein.

1. Purchase Agreement. This Note is issued pursuant to the Purchase Agreement dated September 22, 1995 among Seller, [Oilwell, Inc. or National Supply Company, Inc.], USX Corporation, Armco, Inc. and Buyer (the "Purchase Agreement"). All terms used herein, which are not otherwise defined, shall have the meanings given them in the Purchase Agreement.

2. Interest.

(a) The principal amount hereof, including all interest added to principal in accordance with Section 2(b) hereof, shall bear interest at the Prevailing Rate. Prevailing Rate shall be nine percent (9%) per annum. All interest shall be calculated on the basis of a 365 or 366 day year on the actual days elapsed.

(b) Interest shall be due and payable annually on the anniversary of the date hereof, provided that prior to the seventh anniversary of the date hereof unless Buyer shall have provided written notice to Seller, or other holder hereof ("Holder"), that it elects to pay such interest in cash, the amount of interest otherwise due or payable shall be added to the principal amount of this Note in lieu of cash payment.

3. Principal Repayment.

(a) Mandatory Prepayment.

(i) On the eighth anniversary of the date hereof Buyer shall prepay an amount equal to (a) one half (1/2) of the sum of (i) the principal amount then outstanding (which outstanding principal amount shall include all interest added to principal pursuant to Section 2(b)) plus (ii) the aggregate amount of all optional prepayments made pursuant to Sections 3(a)(iii) and 3(c) hereof, minus (b) the aggregate amount of all optional prepayments made pursuant to Sections 3(a)(iii) and 3(c) hereof.

(ii) Buyer shall prepay this Note in its entirety upon the occurrence of a Change of Control, as hereinafter defined. Change of Control shall mean any sale, transfer or assignment by the stockholders of Buyer on the date hereof of more than fifty percent (50%) of the

aggregate Common Stock of Buyer owned by such stockholders, except for (i) transfers resulting from the death of any individual stockholder; (ii) repurchases by the Buyer from any stockholder who is or was an employee of Buyer; (iii) payments or purchases related to transfers of the Senior Subordinated Debt or (iv) transfers by a stockholder to an affiliate thereof or to another stockholder (collectively referred to herein as "Permitted Transfers").

(iii) If Duff & Phelps/Inverness LLC, Bain Capital, Inc. or any of their respective affiliates sells any shares of common equity of Buyer owned by them as of the date hereof, other than Permitted Transfers or transfers for non-cash consideration pursuant to a merger or consolidation that does not constitute a Change of Control, then, subject to Section 7(c)(ii) hereof, the Buyer shall prepay this Note in an amount equal to the product of (i) the outstanding principal amount of this Note, times (ii) the product of (a) two times the quotient of (x) the number of shares sold or transferred, divided by (y) the total number of shares of common equity owned by Duff & Phelps LLC, Bain Capital, Inc. and their respective affiliates on the date hereof.

(b) Continental Emsco Combination. In the event that a Continental Emsco Combination, as hereinafter defined, occurs, on the date that the Continental Emsco Combination is closed Buyer shall prepay Ten Million Dollars ($10,000,000) or the entire principal amount, whichever is less.

The term "Continental Emsco Combination" shall mean any purchase, sale, merger, joint venture, partnership, consolidation or other transaction or series of transactions that results in the acquisition by Buyer, or an entity controlled by or under common control with Buyer, of the distribution or drilling businesses currently conducted by the Continental Emsco Company or its successor, which acquisition shall be deemed to have taken place upon the acquisition by Buyer, or an entity controlled by or under common control with Buyer, of (i) 50% or more of the voting equity interests of the entity that owns such distribution or drilling business such that Buyer, or such other entity, has control over the management of the business and affairs of such businesses or (ii) 50% or more of the assets of such distribution or drilling businesses.

(c) Optional Prepayments. Buyer may at its option prepay at any time any amounts due hereunder in whole or in part.

4. General Payment Provisions. All payments of principal and interest hereunder shall be made in immediately available funds to Seller's account at _____ or such other place as the Holder shall direct. All payments are in United States dollars. In the event that any payment hereunder shall be required to be made on a Saturday, Sunday or banking holiday in New York, New York; Houston, Texas; or Pittsburgh, Pennsylvania such payment shall be made on the next succeeding day which is not a Saturday, Sunday or banking holiday.

5. Events of Default. The following events shall constitute Events of Default hereunder:

(a) Buyer shall fail to pay any amount of principal or interest within five (5) business days when the same is due or payable hereunder.

(b) The breach of the covenants set forth in Section 6(b) and 6(c) hereof.

(c) If Buyer shall (i) commence any voluntary bankruptcy, insolvency, reorganization or similar proceeding; (ii) make a general assignment for the benefit of its creditors; (iii) seek a receiver, custodian, trustee or similar official for itself or for a substantial portion of its property; (iv) consent to any of the foregoing; or (v) take any corporate action to authorize any of the foregoing; or

(d) If any involuntary bankruptcy, insolvency, reorganization or similar proceeding is commenced against Buyer seeking appointment of a receiver, custodian, trustee or similar official for it or for a substantial portion of its property and such proceedings is not dismissed or stayed within one hundred twenty (120) days.

Then, subject to the provisions of Section 7 hereof, upon written consent from the holders of Bank Debt (as hereinafter defined) and the holders of Senior Subordinated Debt (as hereinafter defined), the Holder may by written notice to Buyer declare the entire principal amount hereof together with all accrued but unpaid interest to be immediately due and payable (provided, however, in the case of Events of Default (c) and (d) specified above the entire principal amount hereof together with all accrued but unpaid interest shall immediately become due and payable without any action by the Holder, without demand, presentment or dishonor each of which is hereby waived by Buyer.

6. Covenants

a. Financial Statements. Buyer shall deliver to Seller, or the Holder, annual and monthly financial statements delivered to the holders of any Priority Indebtedness, as hereinafter defined.

b. Merger. Buyer shall not merge into or consolidate with any other corporation or entity unless each of the following conditions are met: (i) the surviving entity is a corporation, limited liability company or partnership existing under the laws of the United States or one of the states thereof; (ii) the surviving entity unconditionally assumes Buyer's obligations under this Note; (iii) no Event of Default shall exist or be created by such merger; and (iv) the consolidated net worth of the surviving entity at closing of the merger is equal to or greater than the consolidated net worth of Buyer immediately prior to such merger.

c. Restricted Payments. Buyer shall not make any Restricted Payment, as hereinafter defined. Restricted Payment shall mean any (i) dividend, distribution or other payment in respect of the common or preferred stock of Buyer (other than payments solely in the form of common or preferred stock of Buyer or as permitted by clause (ii); (ii) any redemption, repurchase or sinking fund payment in respect of Buyer's common or preferred stock (other than repurchases from employees or former employees); (iii) any management fee, consulting fee or similar payment in excess of $1 million per calendar year to Duff & Phelps/Inverness LLC and/or Bain Capital, Inc. and/or their respective affiliates; or (iv) purchase, redemption, payment, retirement, defeasance or

sinking fund payment in relation to any indebtedness for money borrowed of Buyer which ranks pari passu with or is subordinated to this Note other than pro rata payments made to the other Seller on its Note.

7. Subordination.

(a) The principal of, interest on and any other amounts or obligations under this Note; including the distribution of any securities with respect thereto, are hereby expressly made subordinate and junior in right of payment, to the extent set forth herein, to the payment in full in cash of all Priority Indebtedness.

(b) To the extent any payment with respect to the Priority Indebtedness is determined by a court of competent jurisdiction to be set aside or required to be paid to a debtor in possession or trustee or any other holder of any interest, for any reason, including by reason of equitable subordination or because it is fraudulent or preferential in any respect and an amount equal to the amount of such payment is actually paid over to such debtor in possession or other person, then the obligation or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

(c) Notwithstanding anything herein to the contrary, except as set forth in this Section 7(c), until the payment in full in cash of the Priority Indebtedness, no payments may be made by Buyer on account of this Note, whether for interest or principal or otherwise except that: (i) so long as no event of Default (or event that with the passage of time, the giving of notice or both would constitute an Event of Default) has occurred and is continuing under any Priority Indebtedness Buyer may make the payments specified in Section 3(b) relating to a Continental Emsco Combination and mandatory prepayment specified in Section 3(a)(ii) and (ii) other payments may be made with the written approval of the holders of the Bank Debt (as hereinafter defined) and the holders of the Senior Subordinated Debt (as hereinafter defined).

(d) Unless and until payment in full in cash of the Priority Indebtedness the Holder shall not: (i) demand or sue for any amount due under this Note, (ii) accelerate the maturity hereunder, (iii) receive or collect any payment or proceeds hereunder, or (iv) file or join in the filing of any proceeding instituted against the Buyer or any of its subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a custodian, receiver, trustee or other similar officer for it or for any substantial part of its property, except that the Holder may take any of the actions specified in (i), (ii) and (iii) above to the extent payment hereunder is authorized by Section 7(c) hereof, provided that, if Holder's authority to take such action is based solely upon Section 7(c)(ii) above, the Holder shall not take any action until sixty (60) days after the Holder has sent written notice to all Holders of Priority Indebtedness.

(e) In the event of any bankruptcy, insolvency or liquidation proceeding, the holders of any Priority Indebtedness shall be entitled to receive payment in full of all Priority

Indebtedness before any Holder is entitled to receive any payment or distribution of any assets or securities of the Buyer.

(f) If the Holder shall have received any payment or distribution of any assets or securities of the Buyer of any kind or character, whether in cash, securities or other property, in respect of principal, interest or other amount on this Note in contravention of this Section 7, then such payment or assets shall be paid over or delivered forthwith by the Holder to the holders of the Priority Indebtedness or the trustee in bankruptcy for application to the payment of the Priority Indebtedness remaining unpaid, to the extent necessary to pay the Priority Indebtedness in full, after giving effect to any concurrent payment or distribution to the holders of the Priority Indebtedness.

(g) No Waiver of Subordination Provisions. (i) No right of the holder of any Priority Indebtedness to enforce any provision of this Note shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Buyer or the holder of the Priority Indebtedness. (ii) Without in any way limiting the generality of the foregoing, the holders of Priority Indebtedness or any of them, may, at any time, and from time to time, without the consent of, or notice to, the Holder, without incurring any liabilities to the Holder and without impairing or releasing the subordination and other benefits provided in this Note (even if any right of subrogation or other right or remedy of the Holder is affected, impaired or extinguished thereby) do any one or more of the following:

(A) change the manner, place or terms of payment or change or extend the time of payment of, or exchange, amend or alter, the terms of any of the Priority Indebtedness or any guaranty thereof or any liability of the Buyer or any guarantor, or any liability incurred directly or indirectly in respect thereof (including, without limitation, any increase in or extension of the Priority Indebtedness), or otherwise amend, renew, exchange, extend, modify or supplement in any manner the Priority Indebtedness, or any liens held by the holders of the Priority Indebtedness;

(B) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner and in any order any part of the collateral securing the Priority Indebtedness or any liability of the Buyer;

(C) settle or compromise any Priority Indebtedness or any other liability of the Buyer or any guarantor or any security therefor or any liability incurred directly or indirectly in respect thereof and apply any sums by whomsoever paid and however realized to any liability (including, without limitation, the Priority Indebtedness) in any manner or order (provided that nothing herein shall permit amounts collected on account of the Priority Indebtedness to be applied to any other liability); and

(D) exercise or delay in or refrain from exercising any right or remedy against the Buyer or any security or any guarantor, elect any remedy and otherwise deal freely with the Buyer or its subsidiaries and the collateral securing the Priority Indebtedness and any security and any guarantor or any liability of the Buyer or any

guarantor to the holders of Priority Indebtedness or any liability incurred directly or indirectly in respect thereof.

(h) "Priority Indebtedness" shall mean any and all liabilities and obligations, contingent or otherwise, of Buyer under any presently existing or hereinafter arising loan agreement, credit agreement, promissory note, obligation, credit facility, lending facility, letter of credit, surety bond, surety bond facility, performance bond agreement, debenture, guarantee agreement, performance guaranty agreement, hedging agreement (whether for principal, premium, interest, fees, attorney's fees and disbursements, expenses, indemnities or otherwise, the performance and observation of the covenants, agreements, and obligations of Buyer) and any deferral, renewal, restructuring, extension, rearrangement, modification, supplement, substitution and/or replacement thereof entered into by the Buyer for any reason at any time prior to, or after the date hereof and before-or after the filing of any bankruptcy, proceeding, including without limitation the [Bank Financing Commitment and any deferral, renewal, restructuring, extension, rearrangement, modification, supplement, substitution and/or replacement thereof] ("Bank Debt") and Harvard Private Capital Group Debt ("Senior Subordinate Debt") specifically excluding, however, any debt payable to Bain Capital, Inc. and Duff & Phelps/Inverness LLC on the date hereof, other than deferred fees and expenses, if any.

(i) Until all Priority Indebtedness is paid in full the Holder waives any rights of subrogation it may have against Buyer.

(j) The provisions of this Section 7 shall not alter or affect, as between the Buyer and the Holder, the obligations of the Buyer to pay in full the principal of and interest on the Note, which obligations are absolute and unconditional.

(k) The Holder of this Note, by its acceptance hereof, agrees that it shall be bound by the terms and conditions of this Section 7 and, if requested by any holder of any Priority Indebtedness, shall acknowledge this duty in writing to the holder of the Priority Indebtedness.

8. Notices. All notices hereunder shall be given in the manner specified in Section 11.2 of the Purchase Agreement to the addresses set forth in such Section 11.2 with respect to the Buyer and the Seller and in the manner and to the addresses with respect to the holders of Priority Indebtedness as shall be provided by the holders of Priority Indebtedness.

9. Amendment and Waiver: Benefits. No provisions hereof may be amended or modified except in a written instrument signed by both Buyer and the Holder and approved in writing by the holders of the Bank Debt and the holders of the Senior Subordinated Debt; other than Section 7, which may only be amended or modified by a written instrument signed by the Holder, the holders of the Bank Debt and the holders of the Senior Subordinated Debt. No waiver of any provision hereof shall operate as a waiver of any other provision hereof or preclude the Holder to demand strict future compliance with the terms hereof. It is specifically agreed to and acknowledged, that certain provisions of this Note are for the benefit of the holders of Priority Indebtedness.

10. Choice of Law. This note shall be construed under the laws of the State of Delaware, other than the choice of law provisions thereof that would require the application of the laws of any jurisdiction other than Delaware.

11. Assignment. This Note shall not be assigned without the express acknowledgment of the transferee of this Note of the subordination provisions of this Note, and shall not be assigned without the prior written consent of Buyer if in its reasonable opinion Buyer concludes that such assignee is a competitor of Buyer.

12. Power of Attorney. In the event of any receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization or arrangement with creditors, adjustment of debt, whether or not pursuant to bankruptcy laws, the sale of all or substantially all of the assets, dissolution, liquidation, or any other marshaling of the assets and liabilities of Buyer, the Holder will at the request of the holders of the Bank Debt, or if there is no Bank Debt the holders of the Senior Subordinated Debt, file any claim, proof of claim, proof of interest or other instrument of similar character necessary to enforce the obligations of Buyer in respect to this Note and will hold in trust for holders of the Priority Indebtedness and pay over to Holders of the Bank Debt, or if there is no Bank Debt the holders of the Senior Subordinated Debt, in the form received (together with any necessary endorsement), to be applied on the Priority Indebtedness, any and all monies, dividends or other assets received in any such proceedings on this Note unless and until the Priority Indebtedness shall be paid in full. In the event that the Holder shall fail to take any such action requested by the holders of the Bank Debt, or if there is no Bank Debt the holders of the Senior Subordinated Debt, the holders of the Bank Debt, or the holders of the Senior Subordinated Debt as the case may be, may, as attorney-in-fact for the Holder take such action on behalf of the Holder, and the Holder hereby appoints [Bank Debt designee's or Senior Subordinated Debt designee, as the case may be] as attorney-in-fact for the Holder to demand, sue for, collect and receive any and all such monies, dividends or other assets and give acquittance therefor and to file any claim, proof of claim, proof of interest or other instrument of similar character and to take such other proceedings in [Bank Debt designee's or Senior Subordinated Debt designee, as the case may be] own name or in the name of the Holder as [Bank Debt designee's or Senior Subordinated Debt designee, as the case may be] may deem necessary or advisable for the enforcement of this provision; and the Holder will execute and deliver to [Bank Debt designee's or Senior Subordinated Debt designee, as the case may be] such other and further powers of attorney or other instruments as [Bank Debt designee's or Senior Subordinated Debt designee, as the case may be] may request in order to accomplish the foregoing.

IN WITNESS WHEREOF, NOW HOLDINGS, Inc. has executed this Note on the date first written above.

NOW HOLDINGS, INC.

By: ----------

NOW HOLDINGS, INC.
666 STEAMBOAT ROAD
GREENWICH, CT 06830

September 22, 1995

USX Corporation
Oilwell, Inc.
600 Grant Street
Pittsburgh, Pennsylvania 15219
Attn: Mr. Robert M. Stanton

Armco Inc.
National Supply Company, Inc.
301 Grant Street, 15th Floor
One Oxford Centre
Pittsburgh, Pennsylvania 15219-1415
Attn: Mr. Gary R. Hildreth

Gentlemen:

Reference is hereby made to that certain Purchase Agreement (the "Purchase Agreement") of even date herewith among Oilwell, Inc., USX Corporation, National Supply Company, Inc., Armco Inc. and NOW Holdings, Inc., all Delaware corporations. Any capitalized term used herein but not defined shall have the meaning given such term in the Purchase Agreement.

The purpose of this letter is to set forth the following agreements among Sellers, Parents and Buyer:

1. Sellers, Parents and Buyer (i) acknowledge that the Disclosure Schedule contemplated by Section 3.2 of the Purchase Agreement has not been delivered by Sellers to Buyer concurrently with the execution of the Purchase Agreement and (ii) agree that the Disclosure Schedule shall instead be delivered as provided in this letter;

2. Sellers Parents and Buyer shall use their best efforts to finalize and agree upon the Disclosure Schedule on or before October 6, 1995; and

3. Upon the completion of the Disclosure Schedule to the mutual satisfaction of Sellers, Parents and Buyer, each Seller, each Parent and Buyer shall acknowledge such agreement in writing and the Disclosure Schedule shall thereupon be deemed to be

a part of the Purchase Agreement as fully as if same had been delivered by Sellers to Buyer on the date hereof.

If you are in agreement with the foregoing, please indicate such agreement by executing each of the enclosed counterparts of this letter in the space provided below. This letter may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

BUYER:

NOW HOLDINGS, INC.

By: /s/ W. MCCOMB DUNWOODY

W. McComb Dunwoody
President

ACCEPTED and AGREED on this
____ day of _____, 1995 by:

SELLERS:

OILWELL, INC.

By: /s/ C. C. GEDEON

C. C. Gedeon
President

NATIONAL SUPPLY COMPANY, INC.

By: /s/ GARY R. HILDRETH

Name: Gary R. Hildreth
Title: Vice President

PARENTS:

USX CORPORATION

By: /s/ C. C. GEDEON

C. C. Gedeon
Executive Vice President
Raw Materials and Business Development

ARMCO INC.

By: /s/ DAVID G. HARMER

Name: David G. Harmer
Title: Corporate Vice President

NOW HOLDINGS, INC.
666 STEAMBOAT ROAD
GREENWICH, CT 06830

September 22, 1995

USX Corporation
Oilwell, Inc.
600 Grant Street
Pittsburgh, Pennsylvania 15219
Attn: Mr. Robert M. Stanton

Armco Inc.
National Supply Company, Inc.
301 Grant Street, 15th Floor
One Oxford Centre
Pittsburgh, Pennsylvania 15219-1415
Attn: Mr. Gary R. Hildreth

Gentlemen:

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1. Sellers, Parents and Buyer (i) acknowledge that the Disclosure Schedule contemplated by Section 3.2 of the Purchase Agreement has not been delivered by Sellers to Buyer concurrently with the execution of the Purchase Agreement and (ii) agree that the Disclosure Schedule shall instead be delivered as provided in this letter;

2. Sellers Parents and Buyer shall use their best efforts to finalize and agree upon the Disclosure Schedule on or before October 6, 1995; and

3. Upon the completion of the Disclosure Schedule to the mutual satisfaction of Sellers, Parents and Buyer, each Seller, each Parent and Buyer shall acknowledge such agreement in writing and the Disclosure Schedule shall thereupon be deemed to be

a part of the Purchase Agreement as fully as if same had been delivered by Sellers to Buyer on the date hereof.

If you are in agreement with the foregoing, please indicate such agreement by executing each of the enclosed counterparts of this letter in the space provided below. This letter may be executed simultaneously in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

BUYER:

NOW HOLDINGS, INC.

By: /s/ W. MCCOMB DUNWOODY
W. McComb Dunwoody
President

ACCEPTED and AGREED on this
____ day of _____, 1995 by:

SELLERS:

OILWELL, INC.

By: /s/ C. C. GEDEON
C. C. Gedeon
President

NATIONAL SUPPLY COMPANY, INC.

By: /s/ GARY R. HILDRETH
Name: Gary R. Hildreth
Title: Vice President

PARENTS:

USX CORPORATION

By: /s/ C. C. GEDEON
C. C. Gedeon
Executive Vice President
Raw Materials and Business Development

ARMCO INC.

By: /s/ DAVID G. HARMER
Name: David G. Harmer
Title: Corporate Vice President

NOW HOLDINGS, INC.
666 Steamboat Road
Greenwich, Connecticut 06830

November 30, 1995

Mr. C. C. Gedeon
Executive Vice President
Raw Materials and Diversified
Businesses
USX Corporation
600 Grant Street
Pittsburgh, PA 15219-2749

Mr. David G. Harmer
Corporate Vice President
and Chief Financial Officer
Armco, Inc/
One Oxford Centre
301 Grant Street
Pittsburgh, PA 15219

Re: Purchase Agreement ("Purchase Agreement") dated September 2, 1995 for the Acquisition of National- Oilwell

Gentlemen:

This letter sets forth agremeents that we have reached with respect to certain matters contained in the Purchase Agreement as follows:

1. The Disclosure Schedule will not contain any references or disclosures related to wellhead bolts, the Price Waterhouse tax memorandum, the Amerada Hess matter involving personal injury to Bobby DeGaugh, matters relating to a newspaper article referring to employees of the Garland plant, the Phillips matter or the SST Energy matter.

2. The agreement for distribution of tubular goods referred to in Exhibit A will be for an initial term of two years, automatically renewable for one-year terms thereafter, unless either party notifies the other party prior to one year before the end of the initial term or any renewal term thereafter that it desires to terminate the agreement. In addition, the distribution agreement will be assignable by the Buyer.

3. The Sellers will not cause or require the Company and the Subsidiaries to obtain the facilities questionnaires set forth in Section 5.16 of the Purchase Agreement. We have received copies of the Environmental Consultant's Report as contemplated by Section 5.15 of the Purchase

Agreement, are satisfied with such reports and desire that no additional environmental studies or work be done.

4. The only approvals and consents that shall be required to be obtained prior to Closing as conditions to all parties obligations to consummate the transactions set forth in the Purchase Agreement shall be those consents and approvals that Sellers and Parents and Buyers mutually agree shall be required.

If this letter correctly sets forth our agreement on the matters set forth herein, please execute three copies of this letter in the spaces provided below. One copy should be returned to each of the other two parties; the third copy is for your files.

Very truly yours,

NOW HOLDINGS, INC.

By

W. McComb Dunwoody
President

ACCEPTED AND AGREED TO:

USX CORPORATION

By

C. C. Gedeon
Executive Vice President,
Raw Materials and Diversified
Businesses

ARMCO INC.

By

David G. Harmer
Corporate Vice President
and Chief Financial Officer

[LETTERHEAD OF ARMCO]
December 4, 1995

W. McComb Dunwoody
President
NOW Holdings, Inc.
666 Steamboat Road
Greenwich, CT 06830

Re: Amendment No. 1 to Purchase Agreement by and among Oilwell, Inc., National Supply Company, Inc., USX Corporation, Armco Inc. and NOW Holdings, Inc., dated as of September 22, 1995

Dear Mr. Dunwoody:

This letter will confirm prior discussion and agreement with you and your representatives and when dully signed and acknowledged by the parties, will constitute Amendment No. 1 to the subject Purchase Agreement.

Accordingly, the subject Purchase Agreement shall be amended in the following particular:

A. Section 9.1(b) of Article IX, Termination, Amendment and Waiver, shall be revised as follows:

(b) at any time after January 17, 1996 by either Sellers or Buyer, if the Closing shall not have occurred for any reason, other than a breach of this Agreement by the terminating party, which shall extend the termination date until such breach is cured.

Even though the termination date has been extended by this Amendment No. 1 to January 17, 1996, we currently intend for the Closing to take place on January 4, 1996, to be effective as of January 1, 1996.

If you concur with the above amendment, please so indicate by signing in the space provided below and return one executed copy to Armco Inc./National Supply Company, Inc. and one executed copy to USX Corporation/Oilwell, Inc., the original is for your file.

Very truly yours,

Armco Inc.	USX Corporation
By ----------	By ----------
National Supply Company, Inc.	Oilwell, Inc.
By ----------	By ----------

ACKNOWLEDGED AND AGREED:
Now Holdings, Inc.

By ----------	By ----------

NOW HOLDINGS, INC.
666 STEAMBOAT ROAD
GREENWICH, CONNECTICUT 06830

January 15, 1996

Mr. C.C. Gedeon
Executive Vice President
Raw Materials and Diversified Businesses
USX Corporation
600 Grant Street
Pittsburgh, Pennsylvania 15219-2749

Mr. David G. Harmer
Corporate Vice President and
Chief Financial Officer
Armco, Inc.
One Oxford Centre
301 Grant Street
Pittsburgh, Pennsylvania 15219

Re: Purchase Agreement ("Purchase Agreement") dated September 22, 1995 for the Acquisition of National-Oilwell

Gentlemen:

This letter sets forth agreements that we have reached with respect to certain matters contained in the Purchase Agreement as follows:

1. The Purchase Agreement reflects that NOW Holdings, Inc., a Delaware corporation ("Holdings"), is the Buyer. As permitted by Section 11.5 of the Purchase Agreement, Holdings has assigned its rights as Buyer under the Purchase Agreement to National-Oilwell, Inc., a Delaware corporation ("GP"), NATOIL, a Delaware corporation ("LP"), and NOW International, Inc., a Delaware corporation ("International"), and GP, LP and International shall be entitled to all of the rights of Buyer under the Purchase Agreement and shall assume and perform all of Buyer's obligations under the Purchase Agreement. In addition, from and after the closing, the term Buyer shall mean collectively, Holdings, GP, International and the Company and each of Holdings, GP, International, the Company shall be entitled to all of the rights of Buyer under the Purchase Agreement and shall perform all of Buyer's obligations under the Purchase Agreement.

2. The Purchase Agreement also reflects that Buyer will purchase from Sellers and Sellers shall assign and transfer to Buyer all of the general partnership interest in National-Oilwell, a Delaware general partnership. At the request of Buyer, Sellers have converted National-Oilwell into a Delaware limited partnership under the name of National-Oilwell, L.P. by executing an amendment to the Partnership Agreement of National-Oilwell in the form of Exhibit A attached hereto and by executing and filing with the Delaware Secretary of State a Certificate of Limited Partnership of National-Oilwell, L.P. in the form of Exhibit B attached hereto. At closing, Sellers shall assign and transfer to LP all of their interest as a limited partner in National-Oilwell, L.P. and

admit LP as a limited partner of National-Oilwell, L.P., and shall then assign and transfer all of their interest as a general partner in National-Oilwell, L.P. to GP and withdraw as partners from National-Oilwell, L.P. All costs of filing the Certificate of Limited Partnership shall be borne by Buyer. Buyer may, at its sole cost, cause the limited partnership to be qualified to do business in such jurisdictions as the Buyer desires. In the event that the Closing does not occur, for whatever reason, Buyer shall reimburse Sellers all costs reasonably incurred in re-establishing the Company as a Delaware general partnership. The assignments referred to in this paragraph 2 shall be in the form of Exhibits C-1 through C-4 attached hereto.

3. The Purchase Agreement also reflects that Buyer will purchase from Sellers and Sellers will assign and transfer to Buyer all of the issued and outstanding capital stock of National-Oilwell Pty. Ltd., an Australian corporation ("NOW Australia"), and National-Oilwell Pte. Ltd., a Singapore corporation ("NOW Singapore"). At closing, Sellers shall assign and transfer to International all of the issued and outstanding capital stock of NOW Australia and NOW Singapore.

4. The form of Subordinated Note attached as Exhibit L to the Purchase Agreement shall be amended to reflect the new structure set forth in this Letter Agreement and the fact that National-Oilwell, L.P. will be the Borrower under the debt financing documents. The form of the new Subordinated Note is attached hereto as Exhibit D.

5. Section 3.3 of the Purchase Agreement is amended and restated to read in its entirety as set forth below:

> "3.3 ORGANIZATION AND QUALIFICATION OF THE COMPANY. Until the conversion of the Company into a limited partnership, the Company was (a) a general partnership duly formed and validly existing under the laws of the State of Delaware and had all requisite power and authority to own, lease and operate its properties and to conduct its business as it was being conducted, and (b) duly qualified or licensed to do business and was in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary. No representation is made concerning the conversion of the Company into a limited partnership.
>
> The Company has heretofore delivered to Buyer complete and correct copies of the partnership agreement of the Company, as currently in effect."

6. Section 3.6 of the Purchase Agreement shall be amended by adding the following at the end of the current section:

> "For purposes of this Section 3.6, the parties have assumed that, immediately after the Closing, National-Oilwell, L.P. shall be the same legal entity as the Company on the date hereof."

7. Sections 3.14(g)(i) and (ii) of the Purchase Agreement are hereby amended and restated in their entirety as follows:

"(i) involves sales of products of the Company and its Subsidiaries, or purchases by the Company and the Subsidiaries of products and services, in excess of $500,000, (ii) involves future expenditures in excess of $200,000 in any one calendar year, and is not terminable by the Company or the Subsidiary on 30 days' or fewer notice without penalty, or"

8. The term "Material Contracts" as defined in the Purchase Agreement shall not include maintenance and repair operating supply contracts that are cancellable by the Company on less than 90 days notice.

9. Exhibit C to the Purchase Agreement, labelled "Allocation of Purchase Price", shall be deleted in its entirety and replaced by a new Exhibit C to the Purchase Agreement in the form attached hereto as Exhibit E.

10. The closing of the transactions contemplated by the Purchase Agreement shall be effective as of January 1, 1996.

11. Effective as of the Closing, the Asset Transfer Agreement dated March 31, 1987 between National Supply Company, Inc. and the Company and the Asset Transfer Agreement dated March 31, 1987 between Oilwell, Inc. And the Company shall terminate. All representations, warranties, covenants, indemnifications and other provisions of the Purchase Agreement shall remain in effect and govern the relationship between the parties.

If this letter correctly sets forth our agreement on the matters set forth herein, please execute three copies of this letter in the spaces provided below. One copy should be returned to each of the other two parties; the third copy is for your files.

Very truly yours,

NOW HOLDINGS, INC.

By: /s/ W. MCCOMB DUNWOODY

ACCEPTED AND AGREED TO:

USX CORPORATION

By: /s/ C. C. GEDEON
C.C. Gedeon
Executive Vice President
Raw Materials and Diversified Businesses

OILWELL, INC.

By: /s/ G. F. HURLEY
Name: G. F. Hurley
Title: Vice President & Comptroller

ARMCO INC.

By: /s/ DAVID G. HARMER
David G. Harmer
Corporate Vice President and Chief Financial Officer

NATIONAL SUPPLY COMPANY, INC.

By: /s/ GARY R. HILDRETH
Name: Gary R. Hildreth
Title: Vice President

EXHIBIT 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF NOW HOLDINGS, INC.

NOW Holdings, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

A. The name of the Corporation is NOW Holdings, Inc. The original Certificate of Incorporation of the Corporation was originally filed with the Secretary of State of the State of Delaware on July 14, 1995, restated on January 12, 1996 and amended on July 24, 1996.

B. This Amended and Restated Certificate of Incorporation has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL") and, pursuant to such provisions, this Amended and Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Certificate of Incorporation of the Corporation.

C. The text of the Certificate of Incorporation of the Corporation is hereby restated and further amended to read in its entirety as set forth on Exhibit A hereto.

D. Immediately upon the effectiveness of this Amended and Restated Certificate of Incorporation pursuant to the DGCL (the "Effective Time"), each issued and outstanding share of the Corporation's Common Shares ("Old Common Shares"), shall automatically, without further action on the part of the Corporation or any holder of such Old Common Stock, be split and converted into 11 shares of the Corporation's Common Shares, as constituted following the Effective Time ("New Common Shares"). The split and conversion of the Old Common Shares into New Common Shares will be deemed to occur at the Effective Time regardless of when the certificates representing such Old Common Shares are physically surrendered to the Corporation or its transfer agent for exchange into certificates representing New Common Shares. After the Effective Time, certificates representing the Old Common Shares will, until such shares are surrendered to the Corporation or its transfer agent for exchange into New Common Shares, represent the number and class of New Common Shares into which such Old Common Shares shall have been converted hereunder.

E. Pursuant to Section 103(d) of the DGCL, this Amended and Restated Certificate of Incorporation shall be effective as of 12:00 p.m. Eastern Time on August 29, 1996.

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been signed by the undersigned authorized officers of the Corporation this 29th day of August, 1996.

NOW HOLDINGS, INC.

By: \s\ Joel V. Staff

Name: Joel V. Staff

Title: Chairman of the Board, President and CEO

ATTEST:

\s\ Paul M. Nation
- ---

EXHIBIT A

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

NOW HOLDINGS, INC.

FIRST: The name of the Corporation is National-Oilwell, Inc.

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

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

FOURTH: CAPITAL STOCK

I. AUTHORIZED SHARES

The total number of shares of stock that the Corporation shall have authority to issue is, 50,013,288 shares of capital stock, consisting of (i) 40,000,000 shares of common stock, par value $.01 per share ("Common Stock"); (ii) 13,288 shares of Class A Common Stock, par value $.01 per share ("Class A Common Stock"; the Class A Common Stock and the Common Stock are collectively referred to as the "Common Shares"); and (iii) 10,000,000 shares of preferred stock, par value $.01 per share ("Preferred Stock").

The Common Shares shall have the rights, preferences and limitations set forth below. Capitalized terms used but not otherwise defined in Parts I or II of this Article Fourth are defined in Part III of this Article Fourth.

II. COMMON SHARES

Except as otherwise provided in this Part II or as otherwise required by applicable law, all shares of Class A Common Stock and Common Stock shall be identical in all respects and shall entitle the holders thereof to the same rights and privileges, subject to the same qualifications, limitations and restrictions.

SECTION 1. VOTING RIGHTS. Except as otherwise provided in this Part II or as otherwise required by applicable law, all holders of Class A Common Stock and Common Stock shall be entitled to one vote per share on all matters to be voted on by the Corporation's stockholders, the holders of Class A Common Stock and Common Stock shall vote together as a single class.

SECTION 2. DISTRIBUTIONS. At the time of each Distribution, such Distribution shall be made to the holders of Class A Common Stock and Common Stock in the following priority:

(i) The holders of Class A Common Stock shall be entitled to receive all or a portion of such Distribution (ratably among such holders based upon the number of shares of Class A Common Stock held by each such holder as of the time of such Distribution) equal to the aggregate Unreturned Original Cost of the outstanding shares of Class A Common Stock as of the time of such Distribution, and no Distribution or any portion thereof shall be made under Section 2(ii) below until the entire amount of Unreturned Original Cost of the outstanding shares of Class A Common Stock as of the time of such Distribution has been paid in full. The Distributions made pursuant to this paragraph 2(i) to holders of Class A Common Stock shall constitute a return of Original Cost of Class A Common Stock.

(ii) After the holders of Class A Common Stock have received Distributions equal to the entire Original Cost thereof pursuant to paragraph 2(i) above, holders of Common Shares as a group, shall be entitled to receive the remaining portion of such Distribution (ratably among such holders based upon the number of Common Shares held by each such holder as of the time of such Distribution).

(iii) If the Corporation is a party to a merger or consolidation in which the stockholders of the Corporation receive Merger Consideration, all of the Merger Consideration shall be deemed to be a Distribution for purposes of allocating all of such Merger Consideration between the holders of Class A Common Stock and the holders of Common Stock under this Section 2.

SECTION 3. STOCK SPLITS AND STOCK DIVIDENDS. The Corporation shall not in any manner subdivide (by stock split, stock dividend or otherwise) or combine (by stock split, stock dividend or otherwise) the outstanding Common Shares of one class unless the outstanding Common Shares of the other class shall be proportionately subdivided or combined. All such subdivisions and combinations shall be payable only in Class A Common Stock to the holders of Class A Common Stock and in Common Stock to the holders of Common Stock. In no event shall a stock split or stock dividend constitute a return of Original Cost.

SECTION 4. CONVERSION. Immediately prior to the Public Offering Time, each share of Class A Common Stock outstanding immediately prior to the Public Offering Time shall be, without further action by the Corporation or the holder thereof, changed and converted into a number of shares of Common Stock equal to the sum of the Unreturned Original Cost on each such share of Class A Common Stock as of the Public Offering Time divided by the Net Public Offering Price. Each certificate representing shares of Class A Common Stock shall automatically represent from and after the Public Offering Time that number of shares of Common Stock into which such shares of Class A Common Stock have been converted pursuant to the preceding sentence. When shares of Class A Common Stock have been converted pursuant to this Section 4, they shall be irrevocably canceled and not reissued. Following conversion of all of the shares of Class A Common Stock, no other shares of Class A Common Stock shall be issued, at any time, by the Corporation.

SECTION 5. REGISTRATION OF TRANSFER. The Corporation shall keep at its principal office (or such other place as the Corporation reasonably designates) a register for the registration of

Common Shares. Upon the surrender of any certificate representing shares of any class of Common Shares at such place, the Corporation shall, at the request of the registered holder of such certificate, execute and deliver a new certificate or certificates in exchange therefor representing in the aggregate the number of shares of such class represented by the surrendered certificate, and the Corporation forthwith shall cancel such surrendered certificate. Each such new certificate will be registered in such name and will represent such number of shares of such class as is requested by the holder of the surrendered certificate and shall be substantially identical in form to the surrendered certificate. The issuance of new certificates shall be made without charge to the holders of the surrendered certificates for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such issuance.

SECTION 6. REPLACEMENT. Upon receipt of evidence reasonably satisfactory to the Corporation (an affidavit of the registered holder will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing one or more shares of any class of Common Shares, and in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Corporation (provided that if the holder is a financial institution or other institutional investor its own agreement will be satisfactory), or, in the case of any such mutilation upon surrender of such certificate, the Corporation shall (at its expense) execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

SECTION 7. NOTICES. All notices referred to herein shall be in writing, shall be delivered personally or by first class mail, postage prepaid, and shall be deemed to have been given when so delivered or mailed to the Corporation at its principal executive offices and to any stockholder at such holder's address as it appears in the stock records of the Corporation (unless otherwise specified in a written notice to the Corporation by such holder).

SECTION 8. AMENDMENT AND WAIVER. No amendment or waiver of any provision of this Article Fourth shall be effective without the prior written consent of the holders of a majority of the then outstanding Common Shares voting as a single class; provided that no amendment as to any terms or provisions of, or for the benefit of, any class of Common Shares that adversely affects the powers, preferences or special rights of such class of Common Shares shall be effective without the prior consent of the holders of a majority of the then outstanding shares of such affected class of Common Shares, voting as a single class.

III. DEFINITIONS

"DISTRIBUTION" means each distribution made by the Corporation to holders of Common Shares, whether in cash, property or securities of the Corporation or any other entity and whether by dividend, liquidating distributions or otherwise; provided that neither of the following shall be a Distribution: (a) any redemption or repurchase by the Corporation of any Common Shares for any reason or (b) any recapitalization or exchange of any Common Shares for other securities of the Corporation, or any subdivision (by stock split, stock dividend or otherwise) or any combination (by stock split, stock dividend or otherwise) of any outstanding Common Shares.

"GENERAL CORPORATION LAW" means the General Corporation Law of the State of Delaware, as amended from time to time.

"MERGER CONSIDERATION" means cash, property or securities of an entity other than the Corporation received by the stockholders of the Corporation in any merger or consolidation, valued at the fair market value thereof as determined by the board of directors of the Corporation.

"NET PUBLIC OFFERING PRICE" means the initial public offering price per share of Common Stock set forth on the front cover page of the final prospectus included in the Registration Statement referenced in the definition of Public Offering Time and in the form first used to confirm sales of the Common Stock, after deduction for any underwriting discount or commissions, but without deduction for any expenses, incurred by the Corporation in connection with the initial public offering.

"ORIGINAL COST" of each share of Class A Common Stock shall be equal to the amount originally paid for such share when it was issued by the Corporation (as proportionally adjusted for all stock splits, stock dividends and other recapitalizations affecting the Class A Common Stock), all such shares shall be deemed to have an Original Cost equal to $24,900 per share (as proportionally adjusted for all stock splits, stock dividends and other recapitalizations affecting the Class A Common Stock).

"PUBLIC OFFERING TIME" means the time the Corporation's Registration Statement on Form S-1 relating to the initial public offering of its Common Stock is declared effective under Section 8(a) of the Securities Act of 1933, as amended, by the Securities and Exchange Commission.

"UNRETURNED ORIGINAL COST" of any share of Class A Common Stock means an amount equal to the excess, if any, of (a) the Original Cost of such share, over (b) the aggregate amount of Distributions made by the Corporation that constitute a return of Original Cost of such share.

IV. PREFERRED STOCK

The Preferred Stock may be issued from time to time in one or more classes or series, the shares of each class or series to have any designations and powers, preferences, and rights, and qualifications, limitations, and restrictions thereof as are stated and expressed in this Article IV and in the resolution or resolutions providing for the issue of such class or series adopted by the board of directors of the Corporation as hereafter prescribed.

Authority is hereby expressly granted to and vested in the board of directors of the Corporation to authorize the issuance of the Preferred Stock from time to time in one or more classes or series, and with respect to each class or series of the Preferred Stock, to state by the resolution or resolutions from time to time adopted providing for the issuance thereof the following:

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

(ii) the number of shares to constitute the class or series and the designations thereof;

(iii) the preferences and relative, participating, optional, or other special rights, if any, and the qualifications, limitations, or restrictions thereof, if any, with respect to any class or series;

(iv) whether or not the shares of any class or series shall be redeemable at the option of the Corporation or the holders thereof or upon the happening of any specified event, and, if redeemable, the redemption price or prices (which may be payable in the form of cash, notes, securities, or other property), and the time or times at which, and the terms and conditions upon which, such shares shall be redeemable and the manner of redemption;

(v) whether or not the shares of a class or series shall be subject to the operation of retirement or sinking funds to be applied to the purchase or redemption of such shares for retirement, and, if such retirement or sinking fund or funds are to be established, the periodic amount thereof, and the terms and provisions relative to the operation thereof;

(vi) the dividend rate, whether dividends are payable in cash, stock of the Corporation, or other property, the conditions upon which and the times when such dividends are payable, the preference to or the relation to the payment of dividends payable on any other class or classes or series of stock, whether or not such dividends shall be cumulative or noncumulative, and if cumulative, the date or dates from which such dividends shall accumulate;

(vii) the preferences, if any, and the amounts thereof which the holders of any class or series thereof shall be entitled to receive upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Corporation;

(viii) whether or not the shares of any class or series, at the option of the Corporation or the holder thereof or upon the happening of any specified event, shall be convertible into or exchangeable for the shares of any other class or classes or of any other series of the same or any other class or classes of stock, securities, or other property of the Corporation and the conversion price or prices or ratio or ratios or the rate or rates at which such conversion or exchange may be made, with such adjustments, if any, as shall be stated and expressed or provided for in such resolution or resolutions; and

(ix) any other special rights and protective provisions with respect to any class or series as may to the board of directors of the Corporation seem advisable.

The shares of each class or series of the Preferred Stock may vary from the shares of any other class or series thereof in any or all of the foregoing respects and in any other manner. The board of directors of the Corporation may increase the number of shares of the Preferred Stock designated for any existing class or series by a resolution adding to such class or series authorized and unissued shares of the Preferred Stock not designated for any other class or series. The board of directors of the Corporation may decrease the number of shares of the Preferred Stock designated

for any existing class or series by a resolution subtracting from such class or series authorized and unissued shares of the Preferred Stock designated for such existing class or series, and the shares so subtracted shall become authorized, unissued, and undesignated shares of the Preferred Stock. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holder is required pursuant to any Preferred Stock Series Resolution.

V. NO PREEMPTIVE RIGHTS

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

VI. REGISTERED OWNER

The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

VII. GENERAL

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

The Corporation shall have authority to create and issue rights and options entitling their holders to purchase shares of the Corporation's capital stock of any class or series or other securities of the Corporation, and such rights and options shall be evidenced by instrument(s) approved by the board of directors of the Corporation. The board of directors of the Corporation shall be empowered to set the exercise price, duration, times for exercise, and other terms of such rights or options;

provided, however, that the consideration to be received for any shares of capital stock subject thereto shall not be less than the par value thereof.

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

I. DIRECTORS

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

(a) The number of directors that shall constitute the whole board of directors shall from time to time be fixed exclusively by the board of directors by a resolution adopted by a majority of the whole board of directors serving at the time of that vote. In no event shall the number of directors that constitute the whole board of directors be fewer than three. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director. Directors of the Corporation need not be elected by written ballot unless the by-laws of the Corporation otherwise provide.

(b) The board of directors of the Corporation shall be divided into three classes designated Class I, Class II, and Class III, respectively, all as nearly equal in number as possible, with each director then in office receiving the classification that at least a majority of the board of directors designates. The initial term of office of directors of Class I shall expire at the annual meeting of stockholders of the Corporation in 1997, of Class II shall expire at the annual meeting of stockholders of the Corporation in 1998, and of Class III shall expire at the annual meeting of stockholders of the Corporation in 1999, and in all cases as to each director until his successor is elected and qualified or until his earlier death, resignation or removal. At each annual meeting of stockholders beginning with the annual meeting of stockholders in 1997, each director elected to succeed a director whose term is then expiring shall hold his office until the third annual meeting of stockholders after his election and until his successor is elected and qualified or until his earlier death, resignation or removal. If the number of directors that constitutes the whole board of directors is changed as permitted by this Article V, the majority of the whole board of directors that adopts the change shall also fix and determine the number of directors comprising each class; provided, however, that any increase or decrease in the number of directors shall be apportioned among the classes as equally as possible.

(c) Vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office, or other cause and newly-created directorships resulting from any increase in the authorized number of directors may be filled by no less than a majority vote of the remaining directors then in office, though less than a quorum, who are designated to represent the same class or classes of stockholders that the vacant position, when filled, is to represent or by the sole remaining director (but not by the stockholders except as required by law), and each director so chosen shall receive the

classification of the vacant directorship to which he has been appointed or, if it is a newly-created directorship, shall receive the classification that at least a majority of the board of directors designates and shall hold office until the first meeting of stockholders held after his election for the purpose of electing directors of that classification and until his successor is elected and qualified or until his earlier death, resignation, or removal from office.

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

II. POWER TO AMEND BY-LAWS

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

III. STOCKHOLDERS' ACTION -- SPECIAL MEETINGS

After October 15, 1996, no action required to be taken or that may be taken at any meeting of common stockholders of the Corporation may be taken without a meeting, and, after such date, the power of common stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

Special meetings of the stockholders of the Corporation, and any proposals to be considered at such meetings, may be called and proposed exclusively by (i) the Chairman of the Board, (ii) the President or (iii) the board of directors, pursuant to a resolution approved by a majority of the members of the board of directors at the time in office, and no stockholder of the Corporation shall require the board of directors to call a special meeting of common stockholders or to propose business at a special meeting of stockholders. Except as otherwise required by law or regulation, no business proposed by a stockholder to be considered at an annual meeting of the stockholders (including the nomination of any person to be elected as a director of the Corporation) shall be considered by the stockholders at that meeting unless, no later than ninety (90) days before the annual meeting of stockholders or (if later) ten days after the first public notice of that meeting is sent to stockholders, the Corporation receives from the stockholder proposing that business a written notice that sets forth (1) the nature of the proposed business with reasonable particularity, including the exact text of any proposal to be presented for adoption, and the reasons for conducting that business at the annual meeting; (2) with respect to each such stockholder, that stockholder's name

and address (as they appear on the records of the Corporation), business address and telephone number, residence address and telephone number, and the number of shares of each class of stock of the Corporation beneficially owned by that stockholder; (3) any interest of the stockholder in the proposed business; (4) the name or names of each person nominated by the stockholder to be elected or re-elected as a director, if any; and (5) with respect to each nominee, that nominee's name, business address and telephone number, and residence address and telephone number, the number of shares, if any, of each class of stock of the Corporation owned directly and beneficially by that nominee, and all information relating to that nominee that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (or any provision of law subsequently replacing Regulation 14A), together with a duly acknowledged letter signed by the nominee stating his or her acceptance of the nomination by that stockholder, stating his or her intention to serve as director if elected, and consenting to being named as a nominee for director in any proxy statement relating to such election. The person presiding at the annual meeting shall determine whether business (including the nomination of any person as a director) has been properly brought before the meeting and, if the facts so warrant, shall not permit any business (or voting with respect to any particular nominee) to be transacted that has not been properly brought before the meeting. Notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or any provision of law that might otherwise permit a lesser or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of not less than eighty percent (80%) of the shares of the Corporation then entitled to be voted in an election of directors, voting together as a single class, shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article Fifth.

SIXTH: ELIMINATION OF CERTAIN LIABILITY OF DIRECTORS AND INDEMNIFICATION

I. ELIMINATION OF CERTAIN LIABILITY OF DIRECTORS

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

II. INDEMNIFICATION AND INSURANCE

SECTION 1. RIGHT TO INDEMNIFICATION. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer, or in any other capacity while serving or having agreed to serve as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said Law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, excise taxes pursuant to the Employee Retirement Income Security Act of 1974 or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder and shall inure to the benefit of his or her heirs, executors and administrators. The right to indemnification conferred in this Part II of this Article Sixth shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a current, former or proposed director or officer in his or her capacity as a director or officer or proposed director or officer (and not in any other capacity in which service was or is or has been agreed to be rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnified person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Part II or otherwise. The Corporation may, by action of its board of directors, provide indemnification to employees and agents of the Corporation, individually or as a group, with the same scope and effect as the foregoing indemnification of directors and officers.

SECTION 2. RIGHT OF CLAIMANT TO BRING SUIT. If a written claim from or on behalf of an indemnified party under Section 1 of this Part II is not paid in full by the Corporation within thirty days after such written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation

(including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its board of directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

SECTION 3. NON-EXCLUSIVITY OF RIGHTS. The right to indemnification and the advancement and payment of expenses conferred in this Part II shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Amended and Restated Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 4. INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any person who is or was serving as a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

SECTION 5. SAVINGS CLAUSE. If this Part II or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director and officer of the Corporation, as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Part II that shall not have been invalidated and to the fullest extent permitted by applicable law.

SECTION 6. DEFINITIONS. For purposes of this Part II, reference to the "Corporation" shall include, in addition to the Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger prior to (or, in the case of an entity specifically designated in a resolution of the board of directors, after) the adoption hereof and which, if its separate existence had continued, would have had the power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Part II with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

SEVENTH: No contract or transaction between the Corporation and one or more of its directors, officers, or stockholders or between the Corporation and any person (as used herein "person" means any corporation, partnership, association, firm, trust, joint venture, political subdivision, or instrumentality) or other organization in which one or more of its directors, officers,

or stockholders are directors, officers, or stockholders, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or any committee thereof which authorizes the contract or transaction, or solely because his, her, or their votes are counted for such purpose, if: (i) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors or the committee, and the board of directors or the committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by majority vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved, or ratified by the board of directors, a committee thereof, or the stockholders. Interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

EIGHTH: The Corporation reserves the right to amend, change, or repeal any provision contained in the Amended and Restated Certificate of Incorporation in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors, and officers are subject to this reserved power.

EXHIBIT 3.2

BYLAWS

OF

NOW HOLDINGS, INC.

A Delaware Corporation

Date of Adoption:

July 15,1995

NOW HOLDINGS, INC.

BYLAWS

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DELAWARE BYLAWS

OF

NOW HOLDINGS, INC.

Article I

Offices

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

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

Article II

Stockholders

Section 1. Place of Meetings. All meetings of the stockholders shall be held at the principal office of the Corporation, or at such other place within or without the State of Delaware as shall be specified or fixed in the notices or waivers of notice thereof.

Section 2. Quorum; Adjournment of Meetings. Unless otherwise required by law or provided in the Certificate of Incorporation or these bylaws, the holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at any meeting of stockholders for the transaction of business and the act of a majority of such stock so represented at any meeting of stockholders at which a quorum is present shall constitute the act of the meeting of stockholders. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Notwithstanding the other provisions of the Certificate of Incorporation or these bylaws, the chairman of the meeting or the holders of a majority of the issued and outstanding stock, present in person or represented by proxy, at any meeting of stockholders, whether or not a quorum is present, shall have the power to adjourn such meeting from time to time, without any notice other than announcement at the meeting of the time and place of the holding of the adjourned meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at such meeting. At such

adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally called.

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

Section 4. Special Meetings. Unless otherwise provided in the Certificate of Incorporation, special meetings of the stockholders for any purpose or purposes may be called at any time by the Chairman of the Board (if any), by the President or by a majority of the Board of Directors, or by a majority of the executive committee (if any), and shall be called by the Chairman of the Board (if any), by the President or the Secretary upon the written request therefor, stating the purpose or purposes of the meeting, delivered to such officer, signed by the holder(s) of at least ten percent (l0%) of the issued and outstanding stock entitled to vote at such meeting.

Section 5. Record Date. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders, or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors of the Corporation may fix, in advance, a date as the record date for any such determination of stockholders, which date shall not be more than sixty (60) days nor less than ten (l0) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

If the Board of Directors does not fix a record date for any meeting of the stockholders, the record date for determining stockholders entitled to notice of or to vote at such meeting shall be at the close of business on the day next preceding the day on which notice is given, or, if in accordance with Article VIII, Section 3 of these bylaws notice is waived, at the close of business on the day next preceding the day on which the meeting is held. If, in accordance with Section 12 of this Article II, corporate action without a meeting of stockholders is to be taken, the record date for determining stockholders entitled to express consent to such corporate action in writing, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

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

Section 6. Notice of Meetings. Written notice of the place, date and hour of all meetings, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by or at the direction of the Chairman of the Board (if any) or the President, the Secretary or the other person(s) calling the meeting to each stockholder entitled to vote thereat not less than ten (10) nor more than sixty (60) days before the date of the meeting. Such notice may be delivered either personally or by mail. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

Section 7. Stock List. A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in the name of such stockholder, shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The stock list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 8. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to a corporate action in writing without a meeting may authorize another person or persons to act for him by proxy. Proxies for use at any meeting of stockholders shall be filed with the Secretary, or such other officer as the Board of Directors may from time to time determine by resolution, before or at the time of the meeting. All proxies shall be received and taken charge of and all ballots shall be received and canvassed by the secretary of the meeting who shall decide all questions touching upon the qualification of voters, the validity of the proxies, and the acceptance or rejection of votes, unless an inspector or inspectors shall have been appointed by the chairman of the meeting, in which event such inspector or inspectors shall decide all such questions.

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

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

Section 9. Voting; Elections; Inspectors. Unless otherwise required by law or provided in the Certificate of Incorporation, each stockholder shall have one vote for each share of stock

entitled to vote which is registered in his name on the record date for the meeting. Shares registered in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the bylaw (or comparable instrument) of such corporation may prescribe, or in the absence of such provision, as the Board of Directors (or comparable body) of such corporation may determine. Shares registered in the name of a deceased person may be voted by his executor or administrator, either in person or by proxy.

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

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

Unless otherwise provided in the Certificate of Incorporation, cumulative voting for the election of directors shall be prohibited.

Section 10. Conduct of Meetings. The meetings of the stockholders shall be presided over by the Chairman of the Board (if any), or if he is not present, by the President, or if neither the Chairman of the Board (if any), nor President is present, by a chairman elected at the meeting. The Secretary of the Corporation, if present, shall act as secretary of such meetings, or if he is not present, an Assistant Secretary shall so act; if neither the Secretary nor an Assistant Secretary is present, then a secretary shall be appointed by the chairman of the meeting. The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him in order. Unless the chairman of the meeting of stockholders shall otherwise determine, the order of business shall be as follows:

(a) Calling of meeting to order.
(b) Election of a chairman and the appointment of a secretary if necessary.
(c) Presentation of proof of the due calling of the meeting.
(d) Presentation and examination of proxies and determination of a quorum.
(e) Reading and settlement of the minutes of the previous meeting.
(f) Reports of officers and committees.
(g) The election of directors if an annual meeting, or a meeting called for that purpose.

(h) Unfinished business.
(i) New business.
(j) Adjournment.

Section 11. Treasury Stock. The Corporation shall not vote, directly or indirectly, shares of its own stock owned by it and such shares shall not be counted for quorum purposes.

Section 12. Action Without Meeting. Unless otherwise provided in the Certificate of Incorporation, any action permitted or required by law, the Certificate of Incorporation or these bylaws to be taken at a meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than a unanimous written consent shall be given by the Secretary to those stockholders who have not consented in writing.

Article III

Board of Directors

Section 1. Power; Number; Term of Office. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, and subject to the restrictions imposed by law or the Certificate of Incorporation, they may exercise all the powers of the Corporation.

The number of directors which shall constitute the whole Board of Directors, shall be determined from time to time by resolution of the Board of Directors (provided that no decrease in the number of directors which would have the effect of shortening the term of an incumbent director may be made by the Board of Directors). If the Board of Directors makes no such determination, the number of directors shall be the number set forth in the Certificate of Incorporation. Each director shall hold office for the term for which he is elected, and until his successor shall have been elected and qualified or until his earlier death, resignation or removal.

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

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

Section 3. Place of Meetings; Order of Business. The directors may hold their meetings and may have an office and keep the books of the Corporation, except as otherwise provided by

law, in such place or places, within or without the State of Delaware, as the Board of Directors may from time to time determine by resolution. At all meetings of the Board of Directors business shall be transacted in such order as shall from time to time be determined by the Chairman of the Board (if any), or in his absence by the President, or by resolution of the Board of Directors.

Section 4. First Meeting. Each newly elected Board of Directors may hold its first meeting for the purpose of organization and the transaction of business, if a quorum is present, immediately after and at the same place as the annual meeting of the stockholders. Notice of such meeting shall not be required. At the first meeting of the Board of Directors in each year at which a quorum shall be present, held next after the annual meeting of stockholders, the Board of Directors shall proceed to the election of the officers of the Corporation.

Section 5. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of such regular meetings shall not be required.

Section 6. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board (if any), the President or, on the written request of any two directors, by the Secretary, in each case on at least twenty-four (24) hours personal, written, telegraphic, cable or wireless notice to each director. Such notice, or any waiver thereof pursuant to Article VIII, Section 3 hereof, need not state the purpose or purposes of such meeting, except as may otherwise be required by law or provided for in the Certificate of Incorporation or these bylaws.

Section 7. Removal. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided that, unless the Certificate of Incorporation otherwise provides, if the Board of Directors is classified, then the stockholders may effect such removal only for cause; and provided further that, if the Certificate of Incorporation expressly grants to stockholders the right to cumulate votes for the election of directors and if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors, or, if there be classes of directors, at an election of the class of directors of which such director is a part.

Section 8. Vacancies; Increases in the Number of Directors. Unless otherwise provided in the Certificate of Incorporation, vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or a sole remaining director; and any director so chosen shall hold office until the next annual election and until his successor shall be duly elected and shall qualify, unless sooner displaced.

If the directors of the Corporation are divided into classes, any directors elected to fill vacancies or newly created directorships shall hold office until the next election of the class for

which such directors shall have been chosen, and until their successors shall be duly elected and shall qualify.

Section 9. Compensation. Unless otherwise restricted by the Certificate of Incorporation, the Board of Directors shall have the authority to fix the compensation of directors.

Section 10. Action Without a Meeting; Telephone Conference Meeting. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors, or any committee designated by the Board of Directors, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee. Such consent shall have the same force and effect as a unanimous vote at a meeting, and may be stated as such in any document or instrument filed with the Secretary of State of Delaware.

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

Section 11. Approval or Ratification of Acts or Contracts by Stockholders. The Board of Directors in its discretion may submit any act or contract for approval or ratification at any annual meeting of the stockholders, or at any special meeting of the stockholders called for the purpose of considering any such act or contract, and any act or contract that shall be approved or be ratified by the vote of the stockholders holding a majority of the issued and outstanding shares of stock of the Corporation entitled to vote and present in person or by proxy at such meeting (provided that a quorum is present), shall be as valid and as binding upon the Corporation and upon all the stockholders as if it has been approved or ratified by every stockholder of the Corporation. In addition, any such act or contract may be approved or ratified by the written consent of stockholders holding a majority of the issued and outstanding shares of capital stock of the Corporation entitled to vote and such consent shall be as valid and as binding upon the Corporation and upon all the stockholders as if it had been approved or ratified by every stockholder of the Corporation.

Article IV

Committees

Section 1. Designation; Powers. The Board of Directors may, by resolution passed by a majority of the whole board, designate one or more committees, including, if they shall so

determine, an executive committee, each such committee to consist of one or more of the directors of the Corporation. Any such designated committee shall have and may exercise such of the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation as may be provided in such resolution, except that no such committee shall have the power or authority of the Board of Directors in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution of the Corporation, or amending, altering or repealing the bylaws or adopting new bylaws for the Corporation and, unless such resolution or the Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Any such designated committee may authorize the seal of the Corporation to be affixed to all papers which may require it. In addition to the above such committee or committees shall have such other powers and limitations of authority as may be determined from time to time by resolution adopted by the Board of Directors.

Section 2. Procedure; Meetings; Quorum. Any committee designated pursuant to Section 1 of this Article shall choose its own chairman, shall keep regular minutes of its proceedings and report the same to the Board of Directors when requested, shall fix its own rules or procedures, and shall meet at such times and at such place or places as may be provided by such rules, or by resolution of such committee or resolution of the Board of Directors. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution.

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

Article V

Officers

Section 1. Number, Titles and Term of Office. The officers of the Corporation shall be a President, one or more Vice Presidents (any one or more of whom may be designated Executive Vice President or Senior Vice President), a Treasurer, a Secretary and, if the Board of Directors so elects, a Chairman of the Board and such other officers as the Board of Directors may from time to time elect or appoint. Each officer shall hold office until his successor shall be duly elected and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any number of offices may be held by the same person, unless

the Certificate of Incorporation provides otherwise. Except for the Chairman of the Board, if any, no officer need be a director.

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

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

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

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

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

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

Section 8. Vice Presidents. In the absence of the President, or in the event of his inability or refusal to act, a Vice President designated by the Board of Directors shall perform the duties

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

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

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

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

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

Section 13. Action with Respect to Securities of Other Corporations. Unless otherwise directed by the Board of Directors, the chief executive officer shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of security holders of or with respect to any action of security holders of any other corporation in which this

Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

Article VI

Indemnification of Directors, Officers, Employees and Agents

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative, is or was or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving or having agreed to serve as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expense, liability and loss (including without limitation, attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Article VI shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a current, former or proposed director or officer in his or her capacity as a director or officer or proposed director or officer (and not in any other capacity in which service was or is or has been agreed to be rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnified person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Section or otherwise.

Section 2. Indemnification of Employees and Agents. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation,

individually or as a group, with the same scope and effect as the indemnification of directors and officers provided for in this Article.

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

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

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

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

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

Article VII

Capital Stock

Section 1. Certificates of Stock. The certificates for shares of the capital stock of the Corporation shall be in such form, not inconsistent with that required by law and the Certificate of Incorporation, as shall be approved by the Board of Directors. The Chairman of the Board (if any), President or a Vice President shall cause to be issued to each stockholder one or more certificates, under the seal of the Corporation or a facsimile thereof if the Board of Directors shall have provided for such seal, and signed by the Chairman of the Board (if any), President or a Vice President and the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer certifying the number of shares (and, if the stock of the Corporation shall be divided into classes or series, the class and series of such shares) owned by such stockholder in the Corporation; provided, however, that any of or all the signatures on the certificate may be facsimile. The stock record books and the blank stock certificate books shall be kept by the Secretary, or at the office of such transfer agent or transfer agents as the Board of Directors may from time to time by resolution determine. In case any officer, transfer agent or registrar who shall have signed or whose facsimile signature or signatures shall have been placed upon any such certificate or certificates shall have ceased to be such officer, transfer agent or registrar before such certificate is issued by the Corporation, such certificate may nevertheless be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The stock certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued and shall exhibit the holder's name and number of shares.

Section 2. Transfer of Shares. The shares of stock of the Corporation shall be transferable only on the books of the Corporation by the holders thereof in person or by their duly authorized attorneys or legal representatives upon surrender and cancellation of certificates for a like number of shares. Upon surrender to the Corporation or a transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

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

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

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

Article VIII

Miscellaneous Provisions

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

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

Section 3. Notice and Waiver of Notice. Whenever any notice is required to be given by law, the Certificate of Incorporation or under the provisions of these bylaws, said notice shall be deemed to be sufficient if given (i) by telegraphic, cable or wireless transmission or (ii) by deposit of the same in a post office box in a sealed prepaid wrapper addressed to the person entitled thereto at his post office address, as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such transmission or mailing, as the case may be.

Whenever notice is required to be given by law, the Certificate of Incorporation or under any of the provisions of these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or the bylaws.

Section 4. Resignations. Any director, member of a committee or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the chief executive officer or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5. Facsimile Signatures. In addition to the provisions for the use of facsimile signatures elsewhere specifically authorized in these bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors.

Section 6. Reliance upon Books, Reports and Records. Each director and each member of any committee designated by the Board of Directors shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or reports made to the Corporation by any of its officers, or by an independent certified public accountant, or by an appraiser selected with reasonable care by the Board of Directors or by any such committee, or in relying in good faith upon other records of the Corporation.

Article IX

Amendments

If provided in the Certificate of Incorporation of the Corporation, the Board of Directors shall have the power to adopt, amend and repeal from time to time bylaws of the Corporation, subject to the right of the stockholders entitled to vote with respect thereto to amend or repeal such bylaws as adopted or amended by the Board of Directors.

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is entered into between National-Oilwell, L.P. having offices at 5555 San Felipe, Houston, Texas 77056 ("Employer"), an indirect subsidiary of NOW Holdings, Inc. ("NOW"), and Joel V. Staff, an individual currently residing at One Winners Circle, Houston, Texas 77024 ("Employee"), to be effective as of January 1, 1996.

NOW has acquired all of the equity interests in Employer. Employer presently employs Employee pursuant to an employment agreement dated June 30, 1993. In connection with the acquisition of Employer by NOW, Employer is desirous of continuing to employ Employee pursuant to the terms and conditions and for the consideration set forth in this Agreement and of terminating the existing employment agreement, and Employee is desirous of continuing in the employ of Employer pursuant to such terms and conditions and for such consideration set forth in this Agreement and of terminating the existing employment agreement.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and obligations contained herein, Employer, NOW and Employee agree as follows:

1. EMPLOYMENT AND DUTIES:

1.1. Employer agrees to employ Employee, and Employee agrees to be employed by Employer, beginning January 1, 1996 and continuing throughout the Term (as defined below) of this Agreement, subject to the terms and conditions of this Agreement.

1.2. Employee shall serve as Chairman of the Board, President and Chief Executive Officer of NOW and of the general partner of Employer and as a director of NOW and of the general partner of the Employer. Employee agrees to serve in the assigned position and to perform diligently and to the best of Employee's abilities the duties and services appertaining to such position as determined by Employer or NOW, as well as such additional or different duties and services appropriate to such position which Employee from time to time may be reasonably directed to perform by Employer or NOW. Employee shall at all times comply with and be subject to such policies and procedures as Employer or NOW may establish from time to time, including without limitation, the Statement of Policy on Business Ethics, Statement of Policy Regarding Conflict of Interest, Antitrust Laws, and Statement of Policy Regarding Improper Business Payment, all of which are attached hereto as Annex I.

1.3. Employee shall, during the period of Employee's employment by Employer, devote Employee's full business time, energy, and best efforts to the business and affairs of Employer. Employee may not engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee's performance of Employee's duties hereunder, is contrary to the interests of Employer, NOW, or any of their subsidiaries or affiliates, or requires any significant portion of Employee's business time.

1.4. Employee acknowledges and agrees that Employee owes a fiduciary duty of loyalty, fidelity and allegiance to act at all times in the best interests of Employer, NOW, or any of their subsidiaries or affiliates and to do no act which would injure the business, interests, or reputation of Employer, NOW, or any of their subsidiaries or affiliates. In keeping with these duties, Employee shall make full disclosure to Employer and to NOW of all business opportunities pertaining to Employer's business and shall not appropriate for Employee's own benefit business opportunities concerning the subject matter of the fiduciary relationship.

2. COMPENSATION AND BENEFITS:

2.1. Employee's initial base salary under this Agreement shall be $275,000 per annum and shall be paid in bi-weekly installments in accordance with Employer's standard payroll practice. Employee's base salary may be increased from time to time by NOW and Employer and, after any such change, Employee's new level of base salary shall be Employee's base salary for purposes of this Agreement until the effective date of any subsequent change.

2.2 Employee's participation in bonus plans shall be governed by the National-Oilwell Management Incentive Program, NOW's Value Appreciation and Incentive Plan A and NOW's Value Appreciation and Incentive Plan B.

2.3. NOW and Employee shall enter into a separate written restricted stock agreement pursuant to which Employee shall be granted shares of restricted common stock of NOW subject to the terms and conditions of NOW's Stock Award and Long-Term Incentive Plan. The number of shares and terms of such restrictions shall be as specified in such other written agreement.

2.4. While employed by Employer, Employee shall be allowed to participate, on the same basis generally as other employees of Employer, in all general employee benefit plans and programs, including improvements or modifications of the same, which on the effective date or thereafter are made available by Employer to all or substantially all of Employer's employees. Such benefits, plans, and programs may include, without limitation, medical, health, and dental care, life insurance, disability protection, and pension plans. Nothing in this Agreement is to be construed or interpreted to provide greater rights, participation, coverage, or benefits under such benefit plans or programs than provided to similarly situated employees pursuant to the terms and conditions of such benefit plans and programs.

2.5. Employer shall not by reason of this Article 2 be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such incentive compensation or employee benefit program or plan, so long as such actions are similarly applicable to covered employees generally. Moreover, unless specifically provided for in a written plan document adopted by the Board of Directors of NOW, none of the benefits or arrangements described in this Article 2 shall be secured or funded in any way, and each shall instead constitute an unfunded and unsecured promise to pay money in the future exclusively from the general assets of Employer and its subsidiaries and affiliates.

2.6. Employer may withhold from any compensation, benefits, or amounts payable under this Agreement all federal, state, city, or other taxes as may be required pursuant to any law or governmental regulation or ruling.

3. TERM OF THIS AGREEMENT, EFFECT OF EXPIRATION OF TERM, AND TERMINATION PRIOR TO EXPIRATION OF TERM AND EFFECTS OF SUCH TERMINATION:

3.1. The term of this Agreement shall be for two years and shall be automatically extended each day, from January 1, 1996.

3.2. Notwithstanding any other provisions of this Agreement, NOW and Employer shall have the right to terminate Employee's employment under this Agreement at any time for any of the following reasons:

(i) For "cause" upon the determination by NOW's Board of Directors that "cause" exists for the termination of the employment relationship. As used in this Section 3.2(i), the term "cause" shall mean (a) Employee has engaged in gross negligence, gross incompetence or willful misconduct in the performance of, or Employee's willful refusal without proper reason to perform, the duties and services required of Employee pursuant to this Agreement; (b) Employee has been convicted of a felony involving moral turpitude; or (c) Employee's material breach of any material provision of this Agreement or corporate code or policy. It is expressly acknowledged and agreed that the decision as to whether "cause" exists for termination of the employment relationship by Employer is delegated to NOW's Board of Directors for determination. Employee, if he so requests, after reasonable notice of such Board of Directors meeting, shall be entitled to be heard before the Board of Directors. If Employee disagrees with the decision reached by NOW's Board of Directors, the dispute will be limited to whether NOW's Board of Directors reached its decision in good faith;

(ii) for any other reason whatsoever, including termination without cause, in the sole discretion of NOW's Board of Directors;

(iii) Upon Employee's being offered employment by a successor to all or a portion of Employee's or NOW's business or assets with (a) comparable responsibilities, (b) the same or greater base salary and management incentive plan participations as then in effect, (c) comparable value for his participations in the Value Appreciation and Incentive Plans A and B and his restricted stock that remain subject to forfeiture restrictions in either restricted stock or stock options, and (d) comparable severance benefits, and in the same metropolitan area.

(iv) upon Employee's death; or

(v) upon Employee's becoming incapacitated by accident, sickness, or other circumstance which in the reasonable opinion of a qualified doctor approved by NOW's Board of Directors renders him mentally or physically incapable of performing the duties and services required of Employee, and which will continue in the reasonable opinion of such doctor for a period of not less than 180 days.

The termination of Employee's employment shall constitute a "Termination for Cause" if made pursuant to Section 3.2(i); the effect of such termination is specified in Section 3.4. The termination of Employee's employment shall constitute an "Involuntary Termination" if made pursuant to Section 3.2(ii); the effect of such termination is specified in Section 3.5. The termination of Employee's employment shall constitute a "Voluntary Termination" if made pursuant to Section 3.2(iii), provided that if Employee accepts the employment contemplated by Section 3.2(iii) such Voluntary Termination will not prevent the possible application of Section 3.3(ii) or (iii) if the successor employer terminates Employee's employment by virtue of an Involuntary Termination within one year after completion of the relevant transaction. The effect of such termination if a Voluntary Termination is specified in Section 3.4; the effect of such termination if an Involuntary Termination is specified in Section 3.5. The effect of the employment relationship being terminated pursuant to

Section 3.2(iv) as a result of Employee's death is specified in Section 3.7. The effect of the employment relationship being terminated pursuant to Section 3.2(v) as a result of the Employee becoming incapacitated is specified in Section 3.8.

3.3. Notwithstanding any other provisions of this Agreement, Employee shall have the right to terminate the employment relationship under this Agreement at any time for any of the following reasons:

(i) a material breach by Employer or NOW of any material provision of this Agreement, including, without limitation, elimination of Employee's job and his not being offered employment by NOW, Employer or a successor to all or a portion of Employer's or NOW's business or assets, with (a) comparable responsibilities, (b) the same or greater base salary and management incentive plan participations as then in effect, (c) comparable value for his participations in the Value Appreciation and Incentive Plans A and B and his restricted stock that remains subject to forfeiture restrictions in either restricted stock or stock options, and (d) comparable severance benefits and in the same metropolitan area, any of which remains uncorrected for 30 days following written notice of such breach by Employee to NOW's Board of Directors;

(ii) (x) NOW or the Employer completes a merger or consolidation, a sale of all or substantially all of the assets of NOW or the sale of all of the outstanding Class A Common Stock and Common Stock of NOW, in each case in which all of the stockholders of NOW receive in such transaction cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million, and (y) Employee's employment is terminated after such transaction by virtue of an Involuntary Termination within one year after the completion of such transaction;

(iii) (x) NOW completes the sale of assets (which does not constitute all or substantially all of NOW's assets) having a gross sales price which exceeds 50% of the consolidated total capitalization of NOW and its subsidiaries (consolidated total stockholders' equity plus consolidated total long-term debt as determined in accordance with generally accepted accounting principles) as at the end of the last full fiscal quarter prior to the date such determination is made, (y) the Chief Executive Officer of NOW shall have voted against any such sale as a director of NOW and (z) Employee's employment is terminated after such transaction by virtue of an Involuntary Termination within one year after the completion of such transaction;

(iv) any corporation, person or group within the meaning of Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act"), other than Duff & Phelps/Inverness LLC or First Reserve Corporation or their respective affiliates, becomes the beneficial owner (within the meaning of Rule 13d-3 under the Act) of voting securities of NOW or the general partner of Employer representing more than fifty percent of the total votes eligible to be cast at any election of directors of NOW or the general partner of Employer

and Employee's employment is terminated after such event by virtue of Involuntary Termination within one year after the occurrence of such event;

(v) the dissolution of NOW; or

(vi) for any other reason whatsoever, in the sole discretion of Employee.

The termination of Employee's employment by Employee shall constitute an "Involuntary Termination" if made pursuant to Section 3.3(i), 3.3(ii), 3.3(iii), 3.3(iv) or 3.3(v); the effect of such termination is specified in Section 3.5. The termination of Employee's employment by Employee shall constitute a "Voluntary Termination" if made pursuant to Sections 3.3(vi); the effect of such termination is specified in Section 3.4.

3.4. Upon a "Voluntary Termination" of the employment relationship by Employee or a termination of the employment relationship for "Cause" by Employer or NOW, all future compensation to which Employee is entitled and all future benefits for which Employee is eligible shall cease and terminate as of the date of termination. Employee shall be entitled to pro rata salary through the date of such termination, but Employee shall not be entitled to any bonuses not yet paid at the date of such termination.

3.5. Upon an Involuntary Termination of the employment relationship by either Employer or Employee pursuant to Sections 3.2(ii), 3.3(i), 3.3(iii) or 3.3(iv), Employee shall be entitled, in consideration of Employee's continuing obligations hereunder after such termination (including, without limitation, Employee's non-competition obligations), to receive the compensation specified in Section 2.1, payable bi-weekly, as if Employee's employment (which shall cease on the date of such Involuntary Termination) had continued for the full Term (two years) of this Agreement and the bonus equal to the Target Amount payable under the National-Oilwell Management Incentive Program in effect for the year in which such termination occurred; provided, however, that Employee shall be paid a lump sum sufficient to repay any loans to Employee from NOW or the Employer, with the balance pro-rated and paid bi-weekly over two years. Upon an Involuntary Termination of the employment relationship by Employee pursuant to Sections 3.3(ii) or 3.3(v), Employee shall be entitled, in consideration of Employee's continuing obligations hereunder after such termination (including, without limitation, Employee's non-competition obligations), to receive in a lump sum payment the compensation specified in Section 2.1 as if Employee's employment (which shall cease on the date of such Involuntary Termination) had continued for the full Term (two years) of this Agreement and the bonus equal to the Target Amount payable under the National- Oilwell Management Incentive Program in effect for the year in which such termination occurred. Employee shall not be under any duty or obligation to seek or accept other employment following Involuntary Termination and the amounts due Employee hereunder shall not be reduced or suspended if Employee accepts subsequent employment. Employee's rights under this Section 3.5 are Employee's sole and exclusive rights against Employer, NOW, or their subsidiaries or affiliates, and Employer's, NOW's and their subsidiaries' and affiliates' sole and exclusive liability to Employee under this Agreement, in contract, tort, or otherwise, for any Involuntary Termination of the employment relationship.

3.6. Employee covenants not to sue or lodge any claim, demand or cause of action against Employer based on Involuntary Termination for any monies other than those specified in Section 3.5. If Employee breaches this covenant, Employer, NOW and their subsidiaries' and affiliates' shall be entitled to recover from Employee all sums expended by Employer, NOW and their subsidiaries and affiliates (including costs and attorneys fees) in connection with such suit, claim, demand or cause of action. Employer, NOW and their subsidiaries and affiliates shall not be entitled to offset any of the amounts specified in the immediately preceding sentence against amounts otherwise owing by Employer, NOW and their subsidiaries and affiliates to Employee prior to a final determination under the terms of the arbitration provisions of this Agreement that Employee has breached the covenant contained in this Section 3.6.

3.7. Upon termination of the employment relationship as a result of Employee's death, Employee's heirs, administrators, or legatees shall be entitled to Employee's pro rata salary through the date of such termination, but Employee's heirs, administrators, or legatees shall not be entitled to any individual bonuses not yet paid to Employee at the date of such termination.

3.8. Upon termination of the employment relationship as a result of Employee's incapacity, Employee shall be entitled to his pro rata salary through the date of such termination, but Employee shall not be entitled to any individual bonuses not yet paid to Employee at the date of such termination.

3.9. In all cases, the compensation and benefits payable to Employee under this Agreement upon termination of the employment relationship shall be reduced and offset by any amounts to which Employee may otherwise be entitled under any and all severance plans or policies of Employer, NOW, or their subsidiaries or affiliates or any successor to all or a portion of the business or assets of NOW or Employer.

3.10. Termination of the employment relationship shall not terminate those obligations imposed by this Agreement which are continuing in nature, including, without limitation, Employee's obligations of confidentiality, non-competition and Employee's continuing obligations with respect to business opportunities that had been entrusted to Employee by Employer during the employment relationship.

3.11. This Agreement governs the rights and obligations of Employer and Employee with respect to Employee's salary and other perquisites of employment. Except as provided above in Sections 2.4 and 3.5, Employee's rights and obligations with respect to (i) restricted stock are governed by NOW's Stock Award and Long-Term Incentive Plan, and (ii) bonus plans are governed by the National-Oilwell Incentive Program, NOW's Value Appreciation and Incentive Plan A and NOW's Value Appreciation and Incentive Plan B.

4. UNITED STATES FOREIGN CORRUPT PRACTICES ACT AND OTHER LAWS:

4.1. Employee shall at all times comply with United States laws applicable to Employee's actions on behalf of NOW, Employer and their subsidiaries and affiliates, including specifically, without limitation, the United States Foreign Corrupt Practices Act, generally codified in 15 USC 78 (FCPA), as the FCPA may hereafter be amended, and/or its successor statutes. If Employee pleads guilty to or nolo contendre or admits civil or criminal liability under the FCPA or other applicable United States law, or if a court finds that Employee has personal civil or criminal liability under the FCPA or other applicable United States law, or if a court finds that Employee committed an action

resulting in any NOW entity having civil or criminal liability or responsibility under the FCPA or other applicable United States law, such action or finding shall constitute "cause" for termination under this Agreement unless NOW's Board of Directors determines that the actions found to be in violation of the FCPA or other applicable United States law were taken in good faith and in compliance with all applicable policies of Employer and NOW. Moreover, to the extent that any NOW entity is found or held responsible for any civil or criminal fines or sanctions of any type under the FCPA or other applicable United States law or suffers other damages as a result of Employee's actions, Employee shall be responsible for, and shall reimburse and pay to such NOW entity an amount of money equal to, such civil or criminal fines, sanctions or damages. The rights afforded NOW entities under this provision are in addition to any and all rights and remedies otherwise afforded by the law.

5. OWNERSHIP AND PROTECTION OF INFORMATION; COPYRIGHTS:

5.1. All information, ideas, concepts, improvements, discoveries, and inventions, whether patentable or not, which are conceived, made, developed or acquired by Employee, individually or in conjunction with others, during Employee's employment by Employer (whether during business hours or otherwise and whether on Employer's premises or otherwise) which relate to NOW's, Employer's or any of their subsidiaries' or affiliates' businesses, products or services (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, and marks) shall be disclosed to NOW and Employer and are and shall be the sole and exclusive property of NOW and Employer. Upon termination of Employee's employment, for any reason, Employee promptly shall deliver the same, and all copies thereof, to NOW and Employer.

5.2. Employee will not, at any time during or after his employment by Employer, make any unauthorized disclosure of any confidential business information or trade secrets of Employer, NOW, or their subsidiaries or affiliates, or make any use thereof, except in the carrying out of his employment responsibilities hereunder. NOW and its subsidiaries and affiliates shall be third party beneficiaries of Employee's obligations under this Section. As a result of Employee's employment by Employer, Employee may also from time to time have access to, or knowledge of, confidential business information or trade secrets of third parties, such as customers, suppliers, partners, joint venturers, and the like, of Employer, NOW, and their subsidiaries and affiliates. Employee also agrees to preserve and protect the confidentiality of such third party confidential information and trade secrets to the same extent, and on the same basis, as Employer's, NOW's or any of their subsidiaries' or affiliates' confidential business information and trade secrets.

5.3. If, during Employee's employment by Employer, Employee creates any original work of authorship fixed in any tangible medium of expression which is the subject matter of copyright (such as videotapes, written presentations on acquisitions, computer programs, E-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to Employer's, NOW's or any of their subsidiaries' or affiliates' businesses, products, or services, whether such work is created solely by Employee or jointly with others (whether during business hours or otherwise and whether on Employer's, NOW's or any of their subsidiaries' or affiliates' premises or otherwise), Employer and NOW shall be deemed the author of such work if the work is prepared by

Employee in the scope of his employment; or, if the work is not prepared by Employee within the scope of his employment but is specially ordered by Employer, NOW, or any of their subsidiaries or affiliates as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and Employer, NOW, or any of their subsidiaries or affiliates shall be the author of the work. If such work is neither prepared by Employee within the scope of his employment nor a work specially ordered that is deemed to be a work made for hire, then Employee hereby agrees to assign, and by these presents does assign, to Employer and NOW all of Employee's worldwide right, title, and interest in and to such work and all rights of copyright therein.

5.4. Both during the period of Employee's employment by Employer and thereafter, Employee shall assist Employer, NOW, or any of their subsidiaries or affiliates and their nominees, at any time, in the protection of Employer's, NOW's or any of their subsidiaries' or affiliates' worldwide right, title, and interest in and to information, ideas, concepts, improvements, discoveries, and inventions, and its copyrighted works, including without limitation, the execution of all formal assignment documents requested by Employer, NOW, or any of their subsidiaries or affiliates or their nominees and the execution of all lawful oaths and applications for applications for patents and registration of copyright in the United States and foreign countries.

6. POST-EMPLOYMENT NON-COMPETITION OBLIGATIONS:

6.1. As part of the consideration for the compensation and benefits to be paid to Employee hereunder, and as an additional incentive for Employer and NOW to enter into this Agreement, Employer, NOW and Employee agree to the non- competition provisions of this Article 6. Employee agrees that during the period of Employee's non-competition obligations hereunder, Employee will not, directly or indirectly for Employee or for others, in any geographic area or market where Employer, NOW or any of their subsidiaries or affiliated companies are conducting any business as of the date of termination of the employment relationship or have during the previous twelve months conducted any business:

(i) engage in any business competitive with any line of business conducted by Employer, NOW, or any of their subsidiaries or affiliates;

(ii) render advice or services to, or otherwise assist, any other person, association, or entity who is engaged, directly or indirectly, in any business competitive with any line of business conducted by Employer, NOW, or any of their subsidiaries or affiliates;

(iii) induce any employee of Employer or NOW, or any of their subsidiaries or affiliates to terminate his or her employment with Employer, NOW, or any of their subsidiaries or affiliates, or hire or assist in the hiring of any such employee by person, association, or entity not affiliated with Employer, NOW or any of their subsidiaries or affiliates.

These non-competition obligations shall apply during Employee's employment and for a period of two years after termination of employment. After termination of employment these non-competition obligations shall apply only to businesses having annual revenues in excess of $20 million competitive

with any line of business conducted by Employer, NOW, or any of their subsidiaries having annual revenues in excess of $20 million for the last fiscal year prior to the time of termination. If Employer, NOW, or any of their subsidiaries or affiliates abandons a particular aspect of its business, that is, ceases such aspect of its business with the intention to permanently refrain from such aspect of its business, then this post-employment non-competition covenant shall not apply to such former aspect of that business.

6.2. Employee understands that the foregoing restrictions may limit his ability to engage in certain businesses anywhere in the world during the period provided for above, but acknowledges that Employee will receive sufficiently high remuneration and other benefits (e.g., the right to receive compensation under Section 3.6 for the remainder of the Term (two years) upon Involuntary Termination) under this Agreement to justify such restriction. Employee acknowledges that money damages would not be sufficient remedy for any breach of this Article 6 by Employee, and Employer, NOW, or any of their subsidiaries or affiliates shall be entitled to enforce the provisions of this Article 6 by terminating any payments then owing to Employee under this Agreement and/or to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article 6, but shall be in addition to all remedies available at law or in equity to Employer, NOW, or any of their subsidiaries or affiliates, including, without limitation, the recovery of damages from Employee and his agents involved in such breach.

6.3. It is expressly understood and agreed that Employer, NOW and Employee consider the restrictions contained in this Article 6 to be reasonable and necessary to protect the proprietary information of Employer, NOW and their subsidiaries and affiliates. Nevertheless, if any of the aforesaid restrictions are found by a court having jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the parties intend for the restrictions therein set forth to be modified by such courts so as to be reasonable and enforceable and, as so modified by the court, to be fully enforced.

7. MISCELLANEOUS:

7.1. For purposes of this Agreement the terms "affiliates" or "affiliated" means an entity who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with NOW or Employer.

7.2. Employee shall refrain, both during the employment relationship and after the employment relationship terminates, from publishing any oral or written statements about Employer, NOW, or any of their respective subsidiaries' or affiliates' directors, officers, employees, agents or representatives that are slanderous, libelous, or defamatory; or that disclose private or confidential information about Employer, NOW, or any of their respective subsidiaries' or affiliates' business affairs, officers, employees, agents, or representatives; or that constitute an intrusion into the seclusion or private lives of Employer, NOW, or any of their respective subsidiaries' or affiliates' directors, officers, employees, agents, or representatives; or that give rise to unreasonable publicity about the private lives of Employer, NOW, or any of their respective subsidiaries' or affiliates' officers, employees, agents, or representatives; or that place Employer, NOW, or any of

their respective subsidiaries' or affiliates' or its officers, employees, agents, or representatives in a false light before the public; or that constitute a misappropriation of the name or likeness Employer, NOW, or any of their respective subsidiaries' or affiliates' or its officers, employees, agents, or representatives. A violation or threatened violation of this prohibition may be enjoined.

7.3. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Employer or NOW, to:

NOW Holdings, Inc.
666 Steamboat Road
Greenwich, CT 06830
Attn: W. McComb Dunwoody

with a copy to:

Vinson & Elkins L.L.P.
2300 First City Tower
1001 Fannin Street
Houston, TX 77002-6760
Attn: John S. Watson

If to Employee, to the address shown on the first page hereof.

Either Employer, NOW or Employee may furnish a change of address to the other in writing in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

7.4. This Agreement shall be governed in all respects by the laws of the State of Texas, excluding any conflict-of-law rule or principle that might refer the construction of the Agreement to the laws of another State or country.

7.5. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.6. It is a desire and intent of the parties that the terms, provisions, covenants, and remedies contained in this Agreement shall be enforceable to the fullest extent permitted by law. If any such term, provision, covenant, or remedy of this Agreement or the application thereof to any person, association, or entity or circumstances shall, to any extent, be construed to be invalid or unenforceable in whole or in part, then such term, provision, covenant, or remedy shall be construed in a manner so as to permit its enforceability under the applicable law to the fullest extent permitted by law. In any case, the remaining provisions of this Agreement or the application thereof to any person, association, or entity or circumstances other than those to which they have been held invalid or unenforceable, shall remain in full force and effect.

7.7. Any and all claims, demands, cause of action, disputes, controversies and other matters in question arising out of or relating to this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement, involving NOW, Employer, their respective subsidiaries and affiliates and Employee (all of which are referred to herein as "Claims"), even though some or all of such Claims allegedly are extra-contractual in nature, whether such Claims sound in contract, tort or otherwise, at law or in equity, under state or federal law, whether provided by statute or the common law, for damages or any other relief, including equitable relief and specific performance, shall be resolved and decided by binding arbitration pursuant to the Federal Arbitration Act in accordance with the Commercial Arbitration Rules then in effect with the American Arbitration Association. In the arbitration proceeding the Employee shall select one arbitrator, the Employer shall select one arbitrator and the two arbitrators so selected shall select a third arbitrator. Should one party fail to select an arbitrator within five days after notice of the appointment of an arbitrator by the other party or should the two arbitrators selected by the Employee and the Employer fail to select an arbitrator within ten days after the date of the appointment of the last of such two arbitrators, any person sitting as a Judge of the United States District Court of the Southern District of Texas, Houston Division, upon application of the Employee or the Employer, shall appoint an arbitrator to fill such space with the same force and effect as though such arbitrator had been appointed in accordance with the immediately preceding sentence of this Section 7.7. The decision of a majority of the arbitrators shall be binding on the Employee, the Employer and NOW and their respective subsidiaries and affiliates. The arbitration proceeding shall be conducted in Houston, Texas. Judgment upon any award rendered in any such arbitration proceeding may be entered by any federal or state court having jurisdiction.

This agreement to arbitrate shall be enforceable in either federal or state court. The enforcement of this agreement to arbitrate and all procedural aspects of this Agreement to arbitrate, including but not limited to, the construction and interpretation of this agreement to arbitrate, the scope of the arbitrable issues, allegations of waiver, delay or defenses to arbitrability, and the rules governing the conduct of the arbitration, shall be governed by and construed pursuant to the Federal Arbitration Act.

In deciding the substance of any such Claim, the Arbitrators shall apply the substantive laws of the State of Texas; provided, however, that the Arbitrators shall have no authority to award treble, exemplary or punitive type damages under any circumstances regardless of whether such damages may be available under Texas law, the parties hereby waiving their right, if any, to recover treble, exemplary or punitive type damages in connection with any such Claims.

7.8. This Agreement shall be binding upon and inure to the benefit of Employer, NOW, their subsidiaries and affiliates and any other person, association, or entity which may hereafter acquire or succeed to all or a portion of the business or assets of NOW or Employer by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Employee's rights and obligations under this Agreement are personal and such rights, benefits, and obligations of Employee shall not be voluntarily or involuntarily assigned, alienated, or transferred, whether by operation of law or otherwise, by Employee without the prior written consent of NOW and Employer.

7.9. Except as provided in (1) written company policies promulgated by Employer or NOW dealing with issues such as securities trading, business ethics, governmental affairs and political contributions, consulting fees, commissions and other payments, compliance with law, investments and outside business interests as officers and employees, reporting responsibilities, administrative

compliance, and the like, (2) the written benefits, plans, and programs referenced in Sections 2.2, 2.3 and 2.4, or (3) any signed written agreements contemporaneously or hereafter executed by Employer, NOW and Employee, this Agreement constitutes the entire agreement of the parties with regard to such subject matters, and contains all of the covenants, promises, representations, warranties, and agreements between the parties with respect to such subject matters and replaces and merges previous agreements and discussions pertaining to the employment relationship between Employer and Employee. Specifically, but not by way of limitation, the employment agreement dated June 30, 1993 between Employer and Employee is hereby canceled and Employee hereby irrevocably waives and renounces all of Employee's rights and claims under such agreement.

IN WITNESS WHEREOF, Employer, NOW and Employee have duly executed this Agreement in multiple originals to be effective on the date first stated above.

NOW HOLDINGS, INC.

By: /s/ W. MCCOMB DUNWOODY

Name: W. McComb Dunwoody
Vice Chairman of the Board
This 16th day of January, 1996

NATIONAL-OILWELL, L.P.

By: National-Oilwell, Inc.
General Partner

By: /s/ W. MCCOMB DUNWOODY

Name: W. McComb Dunwoody
Vice Chairman of the Board
This 16th day of January, 1996

/s/ JOEL V. STAFF

JOEL V. STAFF
This 16th day of January, 1996

EXHIBIT 10.2

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is entered into between National-Oilwell, L.P. having offices at 5555 San Felipe, Houston, Texas 77056 ("Employer"), an indirect subsidiary of NOW Holdings, Inc. ("NOW"), and C. R. Bearden, an individual currently residing at 2803 Autumn Lake Dr., Katy, Texas 77450 ("Employee"), to be effective as of January 1, 1996.

NOW has acquired all of the equity interests in Employer. Employer presently employs Employee. In connection with the acquisition of Employer by NOW, Employer is desirous of continuing to employ Employee pursuant to the terms and conditions and for the consideration set forth in this Agreement and of terminating any prior employment agreement or arrangement, and Employee is desirous of continuing in the employ of Employer pursuant to such terms and conditions and for such consideration set forth in this Agreement and of terminating any prior existing employment agreement or arrangement.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and obligations contained herein, Employer, NOW and Employee agree as follows:

1. EMPLOYMENT AND DUTIES:

1.1. Employer agrees to employ Employee, and Employee agrees to be employed by Employer, beginning January 1, 1996 and continuing throughout the Term (as defined below) of this Agreement, subject to the terms and conditions of this Agreement.

1.2. Employee shall serve as Executive Vice President and President of Oilfield Distribution of NOW and of the general partner of Employer. Employee agrees to serve in the assigned position and to perform diligently and to the best of Employee's abilities the duties and services appertaining to such position as determined by Employer or NOW, as well as such additional or different duties and services appropriate to such position which Employee from time to time may be reasonably directed to perform by Employer or NOW. Employee shall at all times comply with and be subject to such policies and procedures as Employer or NOW may establish from time to time, including without limitation, the Statement of Policy on Business Ethics, Statement of Policy Regarding Conflict of Interest, Antitrust Laws, and Statement of Policy Regarding Improper Business Payment, all of which are attached hereto as Annex I.

1.3. Employee shall, during the period of Employee's employment by Employer, devote Employee's full business time, energy, and best efforts to the business and affairs of Employer. Employee may not engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee's performance of Employee's duties hereunder, is contrary to the interests of Employer, NOW, or any of their subsidiaries or affiliates, or requires any significant portion of Employee's business time.

1.4. Employee acknowledges and agrees that Employee owes a fiduciary duty of loyalty, fidelity and allegiance to act at all times in the best interests of Employer, NOW, or any of their subsidiaries or affiliates and to do no act which would injure the business, interests, or reputation of Employer, NOW, or any of their subsidiaries or affiliates. In keeping with these duties, Employee shall make full disclosure to Employer and to NOW of all business opportunities pertaining to Employer's business and shall not appropriate for Employee's own benefit business opportunities concerning the subject matter of the fiduciary relationship.

2. COMPENSATION AND BENEFITS:

2.1. Employee's initial base salary under this Agreement shall be $225,000 per annum and shall be paid in bi-weekly installments in accordance with Employer's standard payroll practice. Employee's base salary may be increased from time to time by NOW and Employer and, after any such change, Employee's new level of base salary shall be Employee's base salary for purposes of this Agreement until the effective date of any subsequent change.

2.2 Employee's participation in bonus plans shall be governed by the National-Oilwell Management Incentive Program, NOW's Value Appreciation and Incentive Plan A and NOW's Value Appreciation and Incentive Plan B.

2.3. NOW and Employee shall enter into a separate written restricted stock agreement pursuant to which Employee shall be granted shares of restricted common stock of NOW subject to the terms and conditions of NOW's Stock Award and Long-Term Incentive Plan. The number of shares and terms of such restrictions shall be as specified in such other written agreement.

2.4. While employed by Employer, Employee shall be allowed to participate, on the same basis generally as other employees of Employer, in all general employee benefit plans and programs, including improvements or modifications of the same, which on the effective date or thereafter are made available by Employer to all or substantially all of Employer's employees. Such benefits, plans, and programs may include, without limitation, medical, health, and dental care, life insurance, disability protection, and pension plans. Nothing in this Agreement is to be construed or interpreted to provide greater rights, participation, coverage, or benefits under such benefit plans or programs than provided to similarly situated employees pursuant to the terms and conditions of such benefit plans and programs.

2.5. Employer shall not by reason of this Article 2 be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such incentive compensation or employee benefit program or plan, so long as such actions are similarly applicable to covered employees generally. Moreover, unless specifically provided for in a written plan document adopted by the Board of Directors of NOW, none of the benefits or arrangements described in this Article 2 shall be secured or funded in any way, and each shall instead constitute an unfunded and unsecured promise to pay money in the future exclusively from the general assets of Employer and its subsidiaries and affiliates.

2.6. Employer may withhold from any compensation, benefits, or amounts payable under this Agreement all federal, state, city, or other taxes as may be required pursuant to any law or governmental regulation or ruling.

3. TERM OF THIS AGREEMENT, EFFECT OF EXPIRATION OF TERM, AND TERMINATION PRIOR TO EXPIRATION OF TERM AND EFFECTS OF SUCH TERMINATION:

3.1. The term of this Agreement shall be for one year and shall be automatically extended each day, from January 1, 1996.

3.2. Notwithstanding any other provisions of this Agreement, NOW and Employer shall have the right to terminate Employee's employment under this Agreement at any time for any of the following reasons:

(i) For "cause" upon the determination by NOW's Board of Directors that "cause" exists for the termination of the employment relationship. As used in this Section 3.2(i), the term "cause" shall mean (a) Employee has engaged in gross negligence, gross incompetence or willful misconduct in the performance of, or Employee's willful refusal without proper reason to perform, the duties and services required of Employee pursuant to this Agreement; (b) Employee has been convicted of a felony involving moral turpitude; or (c) Employee's material breach of any material provision of this Agreement or corporate code or policy. It is expressly acknowledged and agreed that the decision as to whether "cause" exists for termination of the employment relationship by Employer is delegated to NOW's Board of Directors for determination. Employee, if he so requests, after reasonable notice of such Board of Directors meeting, shall be entitled to be heard before the Board of Directors. If Employee disagrees with the decision reached by NOW's Board of Directors, the dispute will be limited to whether NOW's Board of Directors reached its decision in good faith;

(ii) for any other reason whatsoever, including termination without cause, in the sole discretion of NOW's Board of Directors;

(iii) Upon Employee's being offered employment by a successor to all or a portion of Employee's or NOW's business or assets with (a) comparable responsibilities, (b) the same or greater base salary and management incentive plan participantions as then in effect, (c) comparable value for his participations in the Value Apreciation and Incentive Plans A and B and his restricted stock that remains subject to forfeiture restrictions in either restricted stock or stock options and (d) comparable severance benefits, and in the same metropolitan area.

(iv) upon Employee's death; or

(v) upon Employee's becoming incapacitated by accident, sickness, or other circumstance which in the reasonable opinion of a qualified doctor approved by NOW's Board of Directors renders him mentally or physically incapable of performing the duties and services required of Employee, and which will continue in the reasonable opinion of such doctor for a period of not less than 180 days.

The termination of Employee's employment shall constitute a "Termination for Cause" if made pursuant to Section 3.2(i); the effect of such termination is specified in Section 3.4. The termination of Employee's employment shall constitute an "Involuntary Termination" if made pursuant to Section 3.2(ii); the effect of such termination is specified in Section 3.5. The termination of Employee's employment shall constitute a "Voluntary Termination" if made pursuant to Section 3.2(iii), provided that if Employee accepts the employment contemplated by Section 3.2(iii) such Voluntary Termination will not prevent the possible application of Section 3.3(ii) or (iii) if the successor employer terminates Employee's employment by virtue of an Involuntary Termination within one year after completion of the relevant transaction. The effect of such termination if a Voluntary Termination is specified in Section 3.4; the effect of such termination if an Involuntary Termination is specified in Section 3.5. The effect of the employment relationship being terminated pursuant to

Section 3.2(iv) as a result of Employee's death is specified in Section 3.7. The effect of the employment relationship being terminated pursuant to Section 3.2(v) as a result of the Employee becoming incapacitated is specified in Section 3.8.

3.3. Notwithstanding any other provisions of this Agreement, Employee shall have the right to terminate the employment relationship under this Agreement at any time for any of the following reasons:

(i) a material breach by Employer or NOW of any material provision of this Agreement, including, without limitation, elimination of Employee's job and his not being offered employment by NOW, Employer or a successor to all or a portion of Employer's or NOW's business or assets, with (a) comparable responsibilities, (b) the same or greater base salary and management incentive plan participations as then in effect, (c) comparable value for his participations in the Value Appreciation and Incentive Plans A and B and his restricted stock that remains subject to forfeiture restrictions in either restricted stock or stock options, and (d) comparable severance benefits and in the same metropolitan area, any of which remains uncorrected for 30 days following written notice of such breach by Employee to NOW's Board of Directors;

(ii) (x) NOW or the Employer completes a merger or consolidation, a sale of all or substantially all of the assets of NOW or the sale of all of the outstanding Class A Common Stock and Common Stock of NOW, in each case in which all of the stockholders of NOW receive in such transaction cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million, and (y) Employee's employment is terminated after such transaction by virtue of an Involuntary Termination within one year after the completion of such transaction;

(iii) (x) NOW completes the sale of assets (which does not constitute all or substantially all of NOW's assets) having a gross sales price which exceeds 50% of the consolidated total capitalization of NOW and its subsidiaries (consolidated total stockholders' equity plus consolidated total long-term debt as determined in accordance with generally accepted accounting principles) as at the end of the last full fiscal quarter prior to the date such determination is made, (y) the Chief Executive Officer of NOW shall have voted against any such sale as a director of NOW and (z) Employee's employment is terminated after such transaction by virtue of an Involuntary Termination within one year after the completion of such transaction;

(iv) any corporation, person or group within the meaning of Sections 13(d)(3) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act"), other than Duff & Phelps/Inverness LLC or First Reserve Corporation or their respective affiliates, becomes the beneficial owner (within the meaning of Rule 13d-3 under the Act) of voting securities of NOW or the general partner of Employer representing more than fifty percent of the total votes eligible to be cast at any election of directors of NOW or the general partner of Employer

and Employee's employment is terminated after such event by virtue of Involuntary Termination within one year after the occurrence of such event;

(v) the dissolution of NOW; or

(vi) for any other reason whatsoever, in the sole discretion of Employee.

The termination of Employee's employment by Employee shall constitute an "Involuntary Termination" if made pursuant to Section 3.3(i), 3.3(ii), 3.3(iii), 3.3(iv) or 3.3(v); the effect of such termination is specified in Section 3.5. The termination of Employee's employment by Employee shall constitute a "Voluntary Termination" if made pursuant to Sections 3.3(vi); the effect of such termination is specified in Section 3.4.

3.4. Upon a "Voluntary Termination" of the employment relationship by Employee or a termination of the employment relationship for "Cause" by Employer or NOW, all future compensation to which Employee is entitled and all future benefits for which Employee is eligible shall cease and terminate as of the date of termination. Employee shall be entitled to pro rata salary through the date of such termination, but Employee shall not be entitled to any bonuses not yet paid at the date of such termination.

3.5. Upon an Involuntary Termination of the employment relationship by either Employer or Employee pursuant to Sections 3.2(ii), 3.3(i), 3.3(iii) or 3.3(iv), Employee shall be entitled, in consideration of Employee's continuing obligations hereunder after such termination (including, without limitation, Employee's non-competition obligations), to receive the compensation specified in Section 2.1, payable bi-weekly, as if Employee's employment (which shall cease on the date of such Involuntary Termination) had continued for the full Term (one year) of this Agreement and the bonus equal to the Target Amount payable under the National-Oilwell Management Incentive Program in effect for the year in which such termination occurred; provided, however, that Employee shall be paid a lump sum sufficient to repay any loans to Employee from NOW or the Employer, with the balance pro-rated and paid bi-weekly over one year. Upon an Involuntary Termination of the employment relationship by Employee pursuant to Sections 3.3(ii) or 3.3(v), Employee shall be entitled, in consideration of Employee's continuing obligations hereunder after such termination (including, without limitation, Employee's non-competition obligations), to receive in a lump sum payment the compensation specified in Section 2.1 as if Employee's employment (which shall cease on the date of such Involuntary Termination) had continued for the full Term (one year) of this Agreement and the bonus equal to the Target Amount payable under the National-Oilwell Management Incentive Program in effect for the year in which such termination occurred. Employee shall not be under any duty or obligation to seek or accept other employment following Involuntary Termination and the amounts due Employee hereunder shall not be reduced or suspended if Employee accepts subsequent employment. Employee's rights under this Section 3.5 are Employee's sole and exclusive rights against Employer, NOW, or their subsidiaries or affiliates, and Employer's, NOW's and their subsidiaries' and affiliates' sole and exclusive liability to Employee under this Agreement, in contract, tort, or otherwise, for any Involuntary Termination of the employment relationship.

3.6. Employee covenants not to sue or lodge any claim, demand or cause of action against Employer based on Involuntary Termination for any monies other than those specified in Section 3.5. If Employee breaches this covenant, Employer, NOW and their subsidiaries' and affiliates' shall be entitled to recover from Employee all sums expended by Employer, NOW and their subsidiaries and affiliates (including costs and attorneys fees) in connection with such suit, claim, demand or cause of action. Employer, NOW and their subsidiaries and affiliates shall not be entitled to offset any of the amounts specified in the immediately preceding sentence against amounts otherwise owing by Employer, NOW and their subsidiaries and affiliates to Employee prior to a final determination under the terms of the arbitration provisions of this Agreement that Employee has breached the covenant contained in this Section 3.6.

3.7. Upon termination of the employment relationship as a result of Employee's death, Employee's heirs, administrators, or legatees shall be entitled to Employee's pro rata salary through the date of such termination, but Employee's heirs, administrators, or legatees shall not be entitled to any individual bonuses not yet paid to Employee at the date of such termination.

3.8. Upon termination of the employment relationship as a result of Employee's incapacity, Employee shall be entitled to his pro rata salary through the date of such termination, but Employee shall not be entitled to any individual bonuses not yet paid to Employee at the date of such termination.

3.9. In all cases, the compensation and benefits payable to Employee under this Agreement upon termination of the employment relationship shall be reduced and offset by any amounts to which Employee may otherwise be entitled under any and all severance plans or policies of Employer, NOW, or their subsidiaries or affiliates or any successor to all or a portion of the business or assets of NOW or Employer.

3.10. Termination of the employment relationship shall not terminate those obligations imposed by this Agreement which are continuing in nature, including, without limitation, Employee's obligations of confidentiality, non-competition and Employee's continuing obligations with respect to business opportunities that had been entrusted to Employee by Employer during the employment relationship.

3.11. This Agreement governs the rights and obligations of Employer and Employee with respect to Employee's salary and other perquisites of employment. Except as provided above in Sections 2.4 and 3.5, Employee's rights and obligations with respect to (i) restricted stock are governed by NOW's Stock Award and Long-Term Incentive Plan, and (ii) bonus plans are governed by the National-Oilwell Incentive Program, NOW's Value Appreciation and Incentive Plan A and NOW's Value Appreciation and Incentive Plan B.

4. UNITED STATES FOREIGN CORRUPT PRACTICES ACT AND OTHER LAWS:

4.1. Employee shall at all times comply with United States laws applicable to Employee's actions on behalf of NOW, Employer and their subsidiaries and affiliates, including specifically, without limitation, the United States Foreign Corrupt Practices Act, generally codified in 15 USC 78 (FCPA), as the FCPA may hereafter be amended, and/or its successor statutes. If Employee pleads guilty to or nolo contendre or admits civil or criminal liability under the FCPA or other applicable United States law, or if a court finds that Employee has personal civil or criminal liability under the FCPA or other applicable United States law, or if a court finds that Employee committed an action

resulting in any NOW entity having civil or criminal liability or responsibility under the FCPA or other applicable United States law, such action or finding shall constitute "cause" for termination under this Agreement unless NOW's Board of Directors determines that the actions found to be in violation of the FCPA or other applicable United States law were taken in good faith and in compliance with all applicable policies of Employer and NOW. Moreover, to the extent that any NOW entity is found or held responsible for any civil or criminal fines or sanctions of any type under the FCPA or other applicable United States law or suffers other damages as a result of Employee's actions, Employee shall be responsible for, and shall reimburse and pay to such NOW entity an amount of money equal to, such civil or criminal fines, sanctions or damages. The rights afforded NOW entities under this provision are in addition to any and all rights and remedies otherwise afforded by the law.

5. OWNERSHIP AND PROTECTION OF INFORMATION; COPYRIGHTS:

5.1. All information, ideas, concepts, improvements, discoveries, and inventions, whether patentable or not, which are conceived, made, developed or acquired by Employee, individually or in conjunction with others, during Employee's employment by Employer (whether during business hours or otherwise and whether on Employer's premises or otherwise) which relate to NOW's, Employer's or any of their subsidiaries' or affiliates' businesses, products or services (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, and marks) shall be disclosed to NOW and Employer and are and shall be the sole and exclusive property of NOW and Employer. Upon termination of Employee's employment, for any reason, Employee promptly shall deliver the same, and all copies thereof, to NOW and Employer.

5.2. Employee will not, at any time during or after his employment by Employer, make any unauthorized disclosure of any confidential business information or trade secrets of Employer, NOW, or their subsidiaries or affiliates, or make any use thereof, except in the carrying out of his employment responsibilities hereunder. NOW and its subsidiaries and affiliates shall be third party beneficiaries of Employee's obligations under this Section. As a result of Employee's employment by Employer, Employee may also from time to time have access to, or knowledge of, confidential business information or trade secrets of third parties, such as customers, suppliers, partners, joint venturers, and the like, of Employer, NOW, and their subsidiaries and affiliates. Employee also agrees to preserve and protect the confidentiality of such third party confidential information and trade secrets to the same extent, and on the same basis, as Employer's, NOW's or any of their subsidiaries' or affiliates' confidential business information and trade secrets.

5.3. If, during Employee's employment by Employer, Employee creates any original work of authorship fixed in any tangible medium of expression which is the subject matter of copyright (such as videotapes, written presentations on acquisitions, computer programs, E-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to Employer's, NOW's or any of their subsidiaries' or affiliates' businesses, products, or services, whether such work is created solely by Employee or jointly with others (whether during business hours or otherwise and whether on Employer's, NOW's or any of their subsidiaries' or affiliates' premises or otherwise), Employer and NOW shall be deemed the author of such work if the work is prepared by Employee in the scope of his employment; or, if the work is not prepared by

Employee within the scope of his employment but is specially ordered by Employer, NOW, or any of their subsidiaries or affiliates as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and Employer, NOW, or any of their subsidiaries or affiliates shall be the author of the work. If such work is neither prepared by Employee within the scope of his employment nor a work specially ordered that is deemed to be a work made for hire, then Employee hereby agrees to assign, and by these presents does assign, to Employer and NOW all of Employee's worldwide right, title, and interest in and to such work and all rights of copyright therein.

5.4. Both during the period of Employee's employment by Employer and thereafter, Employee shall assist Employer, NOW, or any of their subsidiaries or affiliates and their nominees, at any time, in the protection of Employer's, NOW's or any of their subsidiaries' or affiliates' worldwide right, title, and interest in and to information, ideas, concepts, improvements, discoveries, and inventions, and its copyrighted works, including without limitation, the execution of all formal assignment documents requested by Employer, NOW, or any of their subsidiaries or affiliates or their nominees and the execution of all lawful oaths and applications for applications for patents and registration of copyright in the United States and foreign countries.

6. POST-EMPLOYMENT NON-COMPETITION OBLIGATIONS:

6.1. As part of the consideration for the compensation and benefits to be paid to Employee hereunder, and as an additional incentive for Employer and NOW to enter into this Agreement, Employer, NOW and Employee agree to the non- competition provisions of this Article 6. Employee agrees that during the period of Employee's non-competition obligations hereunder, Employee will not, directly or indirectly for Employee or for others, in any geographic area or market where Employer, NOW or any of their subsidiaries or affiliated companies are conducting any business as of the date of termination of the employment relationship or have during the previous twelve months conducted any business:

(i) engage in any business competitive with any line of business conducted by Employer, NOW, or any of their subsidiaries or affiliates;

(ii) render advice or services to, or otherwise assist, any other person, association, or entity who is engaged, directly or indirectly, in any business competitive with any line of business conducted by Employer, NOW, or any of their subsidiaries or affiliates;

(iii) induce any employee of Employer or NOW, or any of their subsidiaries or affiliates to terminate his or her employment with Employer, NOW, or any of their subsidiaries or affiliates, or hire or assist in the hiring of any such employee by person, association, or entity not affiliated with Employer, NOW or any of their subsidiaries or affiliates.

These non-competition obligations shall apply during Employee's employment and for a period of one year after termination of employment. After termination of employment these non-competition obligations shall apply only to businesses having annual revenues in excess of $20 million competitive

with any line of business conducted by Employer, NOW, or any of their subsidiaries having annual revenues in excess of $20 million for the last fiscal year prior to the time of termination. If Employer, NOW, or any of their subsidiaries or affiliates abandons a particular aspect of its business, that is, ceases such aspect of its business with the intention to permanently refrain from such aspect of its business, then this post-employment non-competition covenant shall not apply to such former aspect of that business.

6.2. Employee understands that the foregoing restrictions may limit his ability to engage in certain businesses anywhere in the world during the period provided for above, but acknowledges that Employee will receive sufficiently high remuneration and other benefits (e.g., the right to receive compensation under Section 3.6 for the remainder of the Term (one year) upon Involuntary Termination) under this Agreement to justify such restriction. Employee acknowledges that money damages would not be sufficient remedy for any breach of this Article 6 by Employee, and Employer, NOW, or any of their subsidiaries or affiliates shall be entitled to enforce the provisions of this Article 6 by terminating any payments then owing to Employee under this Agreement and/or to specific performance and injunctive relief as remedies for such breach or any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of this Article 6, but shall be in addition to all remedies available at law or in equity to Employer, NOW, or any of their subsidiaries or affiliates, including, without limitation, the recovery of damages from Employee and his agents involved in such breach.

6.3. It is expressly understood and agreed that Employer, NOW and Employee consider the restrictions contained in this Article 6 to be reasonable and necessary to protect the proprietary information of Employer, NOW and their subsidiaries and affiliates. Nevertheless, if any of the aforesaid restrictions are found by a court having jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the parties intend for the restrictions therein set forth to be modified by such courts so as to be reasonable and enforceable and, as so modified by the court, to be fully enforced.

7. MISCELLANEOUS:

7.1. For purposes of this Agreement the terms "affiliates" or "affiliated" means an entity who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with NOW or Employer.

7.2. Employee shall refrain, both during the employment relationship and after the employment relationship terminates, from publishing any oral or written statements about Employer, NOW, or any of their respective subsidiaries' or affiliates' directors, officers, employees, agents or representatives that are slanderous, libelous, or defamatory; or that disclose private or confidential information about Employer, NOW, or any of their respective subsidiaries' or affiliates' business affairs, officers, employees, agents, or representatives; or that constitute an intrusion into the seclusion or private lives of Employer, NOW, or any of their respective subsidiaries' or affiliates' directors, officers, employees, agents, or representatives; or that give rise to unreasonable publicity about the private lives of Employer, NOW, or any of their respective subsidiaries' or affiliates' officers, employees, agents, or representatives; or that place Employer, NOW, or any of

their respective subsidiaries' or affiliates' or its officers, employees, agents, or representatives in a false light before the public; or that constitute a misappropriation of the name or likeness Employer, NOW, or any of their respective subsidiaries' or affiliates' or its officers, employees, agents, or representatives. A violation or threatened violation of this prohibition may be enjoined.

7.3. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Employer or NOW, to:

NOW Holdings, Inc.
666 Steamboat Road
Greenwich, CT 06830
Attn: W. McComb Dunwoody

with a copy to:

Vinson & Elkins L.L.P.
2300 First City Tower
1001 Fannin Street
Houston, TX 77002-6760
Attn: John S. Watson

If to Employee, to the address shown on the first page hereof.

Either Employer, NOW or Employee may furnish a change of address to the other in writing in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

7.4. This Agreement shall be governed in all respects by the laws of the State of Texas, excluding any conflict-of-law rule or principle that might refer the construction of the Agreement to the laws of another State or country.

7.5. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.6. It is a desire and intent of the parties that the terms, provisions, covenants, and remedies contained in this Agreement shall be enforceable to the fullest extent permitted by law. If any such term, provision, covenant, or remedy of this Agreement or the application thereof to any person, association, or entity or circumstances shall, to any extent, be construed to be invalid or unenforceable in whole or in part, then such term, provision, covenant, or remedy shall be construed in a manner so as to permit its enforceability under the applicable law to the fullest extent permitted by law. In any case, the remaining provisions of this Agreement or the application thereof to any person, association, or entity or circumstances other than those to which they have been held invalid or unenforceable, shall remain in full force and effect.

7.7. Any and all claims, demands, cause of action, disputes, controversies and other matters in question arising out of or relating to this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement, involving NOW, Employer, their respective subsidiaries and affiliates and Employee (all of which are referred to herein as "Claims"), even though some or all of such Claims allegedly are extra- contractual in nature, whether such Claims sound in contract, tort or otherwise, at law or in equity, under state or federal law, whether provided by statute or the common law, for damages or any other relief, including equitable relief and specific performance, shall be resolved and decided by binding arbitration pursuant to the Federal Arbitration Act in accordance with the Commercial Arbitration Rules then in effect with the American Arbitration Association. In the arbitration proceeding the Employee shall select one arbitrator, the Employer shall select one arbitrator and the two arbitrators so selected shall select a third arbitrator. Should one party fail to select an arbitrator within five days after notice of the appointment of an arbitrator by the other party or should the two arbitrators selected by the Employee and the Employer fail to select an arbitrator within ten days after the date of the appointment of the last of such two arbitrators, any person sitting as a Judge of the United States District Court of the Southern District of Texas, Houston Division, upon application of the Employee or the Employer, shall appoint an arbitrator to fill such space with the same force and effect as though such arbitrator had been appointed in accordance with the immediately preceding sentence of this Section 7.7. The decision of a majority of the arbitrators shall be binding on the Employee, the Employer and NOW and their respective subsidiaries and affiliates. The arbitration proceeding shall be conducted in Houston, Texas. Judgment upon any award rendered in any such arbitration proceeding may be entered by any federal or state court having jurisdiction.

This agreement to arbitrate shall be enforceable in either federal or state court. The enforcement of this agreement to arbitrate and all procedural aspects of this Agreement to arbitrate, including but not limited to, the construction and interpretation of this agreement to arbitrate, the scope of the arbitrable issues, allegations of waiver, delay or defenses to arbitrability, and the rules governing the conduct of the arbitration, shall be governed by and construed pursuant to the Federal Arbitration Act.

In deciding the substance of any such Claim, the Arbitrators shall apply the substantive laws of the State of Texas; provided, however, that the Arbitrators shall have no authority to award treble, exemplary or punitive type damages under any circumstances regardless of whether such damages may be available under Texas law, the parties hereby waiving their right, if any, to recover treble, exemplary or punitive type damages in connection with any such Claims.

7.8. This Agreement shall be binding upon and inure to the benefit of Employer, NOW, their subsidiaries and affiliates and any other person, association, or entity which may hereafter acquire or succeed to all or a portion of the business or assets of NOW or Employer by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Employee's rights and obligations under this Agreement are personal and such rights, benefits, and obligations of Employee shall not be voluntarily or involuntarily assigned, alienated, or transferred, whether by operation of law or otherwise, by Employee without the prior written consent of NOW and Employer.

7.9. Except as provided in (1) written company policies promulgated by Employer or NOW dealing with issues such as securities trading, business ethics, governmental affairs and political contributions, consulting fees, commissions and other payments, compliance with law, investments and outside business interests as officers and employees, reporting responsibilities, administrative

compliance, and the like, (2) the written benefits, plans, and programs referenced in Sections 2.2, 2.3 and 2.4, or (3) any signed written agreements contemporaneously or hereafter executed by Employer, NOW and Employee, this Agreement constitutes the entire agreement of the parties with regard to such subject matters, and contains all of the covenants, promises, representations, warranties, and agreements between the parties with respect to such subject matters and replaces and merges previous agreements and discussions pertaining to the employment relationship between Employer and Employee. Specifically, but not by way of limitation, any other employment agreement or arrangement in existence as of the date hereof between Employer and Employee is hereby canceled and Employee hereby irrevocably waives and renounces all of Employee's rights and claims under any such agreement or arrangement.

IN WITNESS WHEREOF, Employer, NOW and Employee have duly executed this Agreement in multiple originals to be effective on the date first stated above.

NOW HOLDINGS, INC.

By: /s/ W. MCCOMB DUNWOODY

Name: W. McComb Dunwoody
Vice Chairman of the Board
This 16th day of January, 1996

NATIONAL-OILWELL, L.P.

By: National-Oilwell, Inc.
General Partner

By: /s/ W. MCCOMB DUNWOODY

Name: W. McComb Dunwoody
Vice Chairman of the Board
This 16th day of January, 1996

/s/ C. R. BEARDEN

C. R. BEARDEN
This 16th day of January, 1996

[LOGO]

NATIONAL-OILWELL

STATEMENT OF POLICY ON BUSINESS ETHICS

April 15, 1988

Our commitment is to conduct our business governed by the highest standards of conduct and ethics, and to buy and sell on the basis of value, which is a combination of quality, service and price. Our reputation as businessmen committed to these principles is an invaluable asset. Therefore, all Company business will be conducted in accordance with the letter and spirit of the law wherever we do business, so that full disclosure of our manner of doing business will at all times be a matter of pride. In furtherance of the foregoing:

(1) The following must be observed:

a. The Company's best interest is paramount in all business decisions.

b. The Company's purchase of goods and services shall be based on price, quality and service.

c. All financial and other books and records of the Company must be complete and correct and accurately reflect all assets, liabilities, and disbursements, not only as to amount, but also as to their nature and purpose.

d. Company payments shall be made only in accordance with established Company procedures and only for the purposes reflected in the Company's records, accounts and supporting documentation.

e. Gifts and entertainment shall only be in amounts reasonable and customary (for gifts, not more than $25.00 per person per year), in accordance with accepted ethical business practices.

(2) The following are improper and are prohibited:

a. Bribes, payoffs, kickbacks or other considerations made to obtain a commercial advantage;

b. Theft of Company property or the property of others, in any form;

c. Charging of purchases of personal items to the Company's account, even though later paid with personal funds;

d. Falsification or misrepresentation of expense accounts or other business records;

e. Borrowing money from or incurring personal financial obligations to those with whom the Company does business;

f. Disclosure of confidential or proprietary information about the Company to others, or use of such information for personal gain;

NATIONAL-OILWELL

STATEMENT OF POLICY REGARDING CONFLICT OF INTEREST

All employees of National-Oilwell, and its subsidiary companies, are directed to comply with the following guidelines regarding conflict of interest.

1. An employee must not, directly or indirectly, seek or accept any payment, gift or entertainment (except to the extent that such gift or entertainment is customary in the trade, is reasonable in amount, and is not in consideration for any improper action by the employee), which may tend to influence transactions between National-Oilwell and any person or enterprise, whether or not intended to do so. Furthermore, an employee should not borrow money from individuals or firms (not including lending institutions) with whom National-Oilwell does business.

2. An employee must not use his authority or position in National-Oilwell to influence transactions with, or give favored treatment to, any other person or enterprise in which he or a member of his immediate family has a substantial interest, financial or otherwise. An employee must not participate in any such transactions without the prior approval of his supervisor to whom any possible conflict of interest has been fully disclosed by the employee. If any employee or his supervisor has any question on the substantiality of the interest, the matter should be submitted for determination to the President of National-Oilwell or his delegated officer.

Note: This policy does not apply to ownership in corporations which have stock listed or registered on a national stock exchange, or actively traded over the counter. In addition, an interest of less than 1% of a security outstanding is not deemed to be substantial.

3. An employee must not serve or be associated in any capacity with any person or enterprise which is a competitor of National-Oilwell or, without the prior approval of the President of National-Oilwell, with a person or enterprise doing or seeking to do business with National-Oilwell.

4. An employee must not use or disclose, without proper authorization, to any third party any confidential information, the use or disclosure of which might be prejudicial to National-Oilwell.

5. An employee should not use company assets for his own personal benefit.

6. An employee who is a supervisor is expected to bring National-Oilwell's policy on conflict of interest to the attention of employees under his immediate supervision who are in a position to influence transactions to which National-Oilwell is or may be a party.

ANTITRUST LAWS

Pricing, Distribution and Technology

Our Antitrust Laws, from the enactment of the Sherman Act in 1890 to the present, have been designed by Congress and construed by the Courts to promote free and aggressive competition by the avoidance of collusive restraints on trade, unfair discrimination between competing concerns, and monopolization. With this goal of promoting competition in mind, a number of practices have been prohibited by the Courts, some of which are illegal per se (that is, regardless of any justification), while other acts are illegal only if they are found to have an unreasonable impact upon competition.

Violation of the antitrust laws exposes an employee and his company to serious consequences. For instances, price fixing, market allocations by customers or territories and bid rigging are deemed to be felonies - an individual may be imprisoned for up to $1 million. In addition, individuals and companies who violate the antitrust laws may be liable for treble damages - three times the damages incurred by a person or business as a result of such violation.

The purpose of this memorandum is to briefly familiarize you with the prohibitions of our Antitrust Laws and, at the same time, point out permitted areas of intercorporate cooperation. This memorandum is not intended to be exhaustive in its treatment of the complex problems arising under the Antitrust Laws. If questions arise involving the construction and/or application of the Antitrust Laws to a particular situation, the Legal Department should be consulted.

A. Relations with Competitors

1. You cannot agree or reach any understanding with your competitors to fix, maintain or stabilize prices. Contacts with your competitors should be held to a minimum and discussions or exchanges of information with respect to prices can constitute evidence of price fixing. Moreover, this general subject of price fixing includes several variations such as collusive bidding or bid rigging, agreements affection production, and adoption of industrywide methods of pricing, e.g., basing point formulas.

   Since meetings with competitors are often looked upon suspiciously by the Justice Department (even where a legitimate reason for such a meeting may exist), all such meetings where practicable should be avoided unless the subject matter has been screened by the Legal Department in advance. In the event of informal contacts with competitors, one should avoid discussions or comments relating to price, low profitability, price cutting, the need for stability in pricing, etc. If a competitor persists in such comments, you should immediately terminate the discussion or leave the meeting. Then report the situation to your superior in writing to determine whether further action is necessary to record National-Oilwell's lack of involvement.

6. You can give promotional allowances or services to your customers so long as they are made available to all competing customers on a proportionately equal basis.

7. You cannot pay the buyer, or any agent affiliated with him, brokerage or any commission in lieu of brokerage. Only a bona fide broker or agent of the seller himself can be paid any such commission.

8. You cannot sell products below cost with the intent of injuring or destroying competition of a competitor. However, where there is a legitimate objective, i.e., liquidation of obsolete or perishable merchandise, or meeting competitive prices (legally), you can sell below cost. In certain states sales below cost are prohibited or severely limited. No such sales should be made, therefore, without consulting the Legal Department.

9. You should exercise great care before refusing to deal with a customer. Refusing to deal with a customer, even for a just cause, often provokes antitrust lawsuits. Any termination of a prior significant customer should receive prior legal review.

C. Relations with Suppliers

1. You cannot knowingly induce or receive a lower price from a supplier than received by your competitors. However, such lower prices may be justified by cost savings enjoyed by the supplier or his meeting competitive prices to you.

2. You cannot purchase from a supplier on the condition or understanding that purchases by National-Oilwell from such supplier will be based or conditioned upon sales to such supplier.

D. Permitted Agreements and Arrangements

There exist a number of areas where members of an industry may work together without running afoul of the Antitrust Laws.

(1) You can engaged jointly in a technical and/or market research program with competitors or through a trade association. This is a narrow exception and the Legal Department should be consulted prior to entering into such an agreement.

NATIONAL-OILWELL

STATEMENT OF POLICY REGARDING IMPROPER BUSINESS PAYMENTS

All employees of National-Oilwell, and its affiliated companies, are directed to comply with the following guidelines regarding Improper Business Payments.

The following are improper business payments and are prohibited:

(a) Bribes, payoffs, or kickbacks made directly or indirectly to obtain an advantage in a commercial transactions, or

(b) Gifts, gratuities, entertainment or other similar payments, except to the extent customary and provided they are reasonable in amount and not in consideration for any improper action by the recipient, or

(c) Agency or distributorship commissions or discounts, and consulting or professional fees, not reasonably related in value to the services performed, or

(d) Company political contributions, direct or indirect, to any political candidate, party or campaign within the United States, either Federal, State, or Local, or to any foreign political candidate, party or campaign. Company political contributions outside the United States are prohibited unless a proposed contribution conforms to all applicable laws and is submitted in writing and approved by the President of the Company.

Managers of the Company shall insure that all financial and other books and records relating to their operations are complete and correct and shall enter on such books all assets, liabilities, payments and disbursements in accordance with generally accepted accounting practices and policies of the Company, and such entries shall reflect not only the amounts thereof but also their nature and purpose.

EXHIBIT 10.3

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STOCKHOLDERS AGREEMENT

among

NOW HOLDINGS, INC.

and

its STOCKHOLDERS

Dated as of January 16, 1996

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TABLE OF CONTENTS
(Not Part of Agreement)

STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT, dated as of January 16, 1996, among NOW HOLDINGS, INC., a Delaware corporation (together with its successors and assigns, the "Company"), DPI OIL SERVICE PARTNERS LIMITED PARTNERSHIP ("DPIOSP"), DPI Partners II ("DPI Partners") FIRST RESERVE FUND V, LIMITED PARTNERSHIP, FIRST RESERVE FUND V-2, LIMITED PARTNERSHIP and FIRST RESERVE FUND VI, LIMITED PARTNERSHIP (collectively, the "First Reserve Stockholders"), and GENERAL ELECTRIC CAPITAL CORPORATION ("GE Capital"), (collectively, together with their respective successors and assigns, the "Institutional Investors"), and the individuals and trustees named on the signature page hereof under "Management Investors" (collectively, together with their respective successors and assigns, the "Management Investors").

W I T N E S S E T H:

WHEREAS, the Company, as of the date hereof, is authorized by its Restated Certification of Incorporation (a true and correct copy of which, as in effect on the date hereof, has been delivered to each Stockholder) to issue capital stock consisting of (i) 1,200 shares of its Class A Common Stock, par value $.01 per share (the "Class A Common Stock") and (ii) 1,100,000 shares of its Common Stock, par value $.01 per share (the "Common Stock"), the shares of each of such classes of capital stock to have the voting powers, designations, preferences and relative, participating, optional and other special rights and the qualifications, limitations and restrictions thereof set forth with respect thereto in the Certificate of Incorporation;

WHEREAS, on the date hereof (i) an aggregate of 490 shares of Class A Common Stock and 359,414 shares of Common Stock are owned of record and beneficially by DPIOSP; (ii) an aggregate of 434 shares of Class A Common Stock and 318,338 shares of Common Stock are owned of record and beneficially by the First Reserve Stockholders; (iii) an aggregate of 136 shares of Class A Common Stock, 99,756 shares of Common Stock and warrants to purchase 25,672 shares of Common Stock (subject to adjustment) are owned of record and beneficially by GE Capital; (iv) an aggregate of 34,229 shares of common stock are owned of record and beneficially by DPI Partners; (v) an aggregate of 129.6 shares of Class A Common Stock and 163,521 shares of Common Stock are owned of record and beneficially by the Management Investors; and (vi) no other shares of Class A Common Stock or Common Stock, or warrants, options, rights or other securities exercisable for or convertible into Class A Common Stock or Common Stock are issued or outstanding;

WHEREAS, the parties hereto deem it in their best interests and in the best interests of the Company to provide consistent and uniform management for the Company and desire to enter into this Agreement in order to effectuate that purpose and to set forth their respective rights and obligations in connection with their investment in the Company; and

WHEREAS, the parties hereto also desire to restrict the sale, assignment, transfer, encumbrance or other disposition of the shares of Class A Common Stock and Common Stock and of the outstanding options and warrants therefor, including issued and outstanding shares of Class A Common Stock and Common Stock as well as shares of Common Stock that may be issued hereafter, and to provide for certain rights and obligations in respect thereto as hereinafter provided;

NOW, THEREFORE, in consideration of the mutual agreements and understandings set forth herein, the parties hereto hereby agree as follows:

ARTICLE I. CERTAIN DEFINITIONS.

As used in this Agreement, the following terms shall have the following respective meanings:

ADJUSTED BOOK VALUE means (a) in respect of each share of Class A Common Stock, unreturned Original Cost, and (b) in respect of each share of Fully Diluted Common Stock an amount equal to the quotient of (x) the difference of (i) the consolidated stockholders' equity of the Company and its Subsidiaries (determined in accordance with GAAP) at the end of the last full fiscal quarter prior to the date such determination is made, and (ii) the Unreturned Original Cost; divided by (y) the number of shares of Fully Diluted Common Stock.

AFFILIATE shall mean with respect to any Person, (a) any Person which directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, (b) any Person who is a director or executive officer (i) of such Person, (ii) of any Subsidiary of such Person, or (iii) of any Person described in the foregoing clause (a), or (c) any spouse, parent, sibling, mother-in-law, father-in-law, brother-in-law, sister-in-law, aunt, uncle, first cousin or direct descendant of any Person described in the foregoing clause (b). For purposes of this definition, "control" of a Person shall mean the power, direct or indirect, (i) to vote or direct the voting of 50% or more of the outstanding shares of voting Capital Stock of such Person, or (ii) to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

AGREEMENT shall mean this Agreement as in effect on the date hereof and as hereafter from time to time amended, modified or supplemented in accordance with the terms hereof.

APPRAISED VALUE shall mean (a) in respect of each share of Class A Common Stock, the Class A Common Stock Value, and (b) in respect of each share of Common Stock, the fair market value per share of Common Stock determined by agreement of the First Reserve Stockholders and DPIOSP (and GE Capital, if GE Capital is selling or purchasing any Stock pursuant to the provisions of Sections 2.5 or 5.5(a)) or in the case of a purchase of Common Stock from any Management Investor, by agreement between the Board of Directors and such Management Investor or, in either such case if such agreement is not obtained within 30 days after the relevant determination date, by a

nationally-recognized investment bank jointly selected by the First Reserve Stockholders and DPIOSP (and GE Capital, if GE Capital is selling or purchasing any Stock pursuant to the provisions of Sections 2.5 or 5.5(a)), or by the Board of Directors if such appraisal relates to Common Stock owned by a Management Investor. For purposes of determining the Appraised Value, the fair market value of the Common Stock shall equal the price per share of Common Stock that could be obtained in an open (non-forced) sale of all of the outstanding Common Stock, with ample time for marketing and closing and assigning equal value to each share of Common Stock. The cost of any investment bank will be borne by the Company and any such investment bank will be given full access to the books, records, properties and employees of the Company and its Subsidiaries.

BOARD OF DIRECTORS shall mean the Board of Directors of the Company as from time to time hereafter constituted.

BONUS PLANS shall mean the Value Appreciation Bonus Plan A and the Value Appreciation Bonus Plan B described in Section 2.4 as such Plans may from time to time hereafter be amended, modified or supplemented in accordance with the terms hereof and thereof.

BORROWER shall mean National-Oilwell, L.P., a Delaware limited partnership and an indirectly wholly-owned Subsidiary of the Company.

BY-LAWS shall mean the By-Laws of the Company as in effect on the date hereof and as hereafter amended in accordance with the terms hereof and thereof.

CALL shall have the meaning specified in Section 5.5.

CAPITAL STOCK shall mean, with respect to any Person, any and all shares, interests, participations, rights in or other equivalents (however designated) of such Person's capital stock or equity capital, including, without limitation, shares of preferred or preference stock, general and limited partnership interests, and any rights, warrants or options exercisable for or convertible into such capital stock or equity capital.

CERTIFICATE OF INCORPORATION is defined in the Recitals. Such term shall also include the Certificate of Incorporation as hereafter from time to time amended in accordance with the terms thereof and of this Agreement.

CLASS A COMMON STOCK is defined in the Recitals.

CLASS A COMMON STOCK VALUE means the Unreturned Original Cost of each outstanding share of Class A Common Stock, plus the Appraised Value of one share of Common Stock.

CLOSING DATE shall have the meaning specified in the Purchase Agreement.

COMMON STOCK is defined in the Recitals.

COMMISSION shall mean the Securities and Exchange Commission and any successor commission or agency having similar powers.

COMPANY is defined in the preamble.

COMPANY SECURITIES shall have the meaning specified in Section 6.1(g).

CONSOLIDATED TOTAL CAPITALIZATION shall mean consolidated total stockholders' equity plus consolidated total long-term debt of the Company and its Subsidiaries, all as determined in accordance with GAAP.

DEBT REFINANCING INSTRUMENT shall mean any debt instrument covering indebtedness incurred to refinance all or any part of the indebtedness under the Loan Agreement, the Note Purchase Agreement, the GE Subordinated Note, the Seller Subordinated Notes or the Revolving Term Credit Facility dated December 29, 1995 between National-Oilwell Canada Ltd. and General Electric Capital Canada Inc.

DISPOSING STOCKHOLDER shall have the meaning specified in Section 5.8(a).

DPI shall mean Duff & Phelps/Inverness LLC, a Connecticut limited liability company.

DPI PARTNERS is defined in the Preamble.

EXCHANGE ACT shall mean, as of any date, the Securities Exchange Act of 1934, as amended, or any similar Federal statute then in effect, and a reference to a particular section thereof shall include a reference to the comparable section, if any, of such similar Federal statute.

FIRST OFFER PRICE shall have the meaning specified in Section 5.1(a).

FIRST OFFER TERMS shall have the meaning specified in Section 5.1(a).

FIRST RESERVE shall mean First Reserve Corporation, a Delaware corporation, together with its successors.

FIRST RESERVE STOCKHOLDERS is defined in the Preamble.

FOR CAUSE shall have the meaning specified in the Employment Agreement with each Management Investor.

FULLY DILUTED COMMON STOCK at any time shall mean all shares of Class A Common Stock and Common Stock then issued and outstanding plus all shares of Common Stock issuable upon the exercise of any warrants, options or rights to acquire Common Stock which are then outstanding, regardless of whether such warrants, options, other rights are at the time exercisable, but excluding any shares of Common Stock which may be issuable upon conversion of Class A Common Stock.

GAAP means generally accepted accounting principles from time to time in effect in the United States.

GE CAPITAL is defined in the Preamble.

GE CAPITAL WARRANT shall mean the warrant to purchase Common Stock dated January 16, 1996, as the same may be amended from time to time.

GE SUBORDINATED NOTE shall mean the Subordinated Note in the original principal amount of $5,000,000 issued pursuant to the Note Purchase Agreement.

HOLDER REQUEST shall have the meaning specified in Section 6.1(a).

INSTITUTIONAL INVESTOR is defined in the Preamble.

INVESTOR shall mean any of the Institutional Investors and the Management Investors.

LIQUIDITY TRANSACTION shall have the meaning specified in Section 2.5.

LOAN AGREEMENT shall mean the Credit Agreement dated as of December 29, 1995 between GE Capital, Goldman, Sachs & Co., GECC Capital Markets Group, Inc. and other lenders, National-Oilwell (UK) Limited and the Borrower, as the same may be amended from time to time (unless otherwise specified in this Agreement).

MANAGEMENT INVESTORS shall have the meaning specified in the preamble.

MANAGEMENT SERVICES AGREEMENT shall mean the Management Services Agreement dated as of January 16, 1996, between Duff & Phelps/Inverness LLC and the Company, as such agreement may from time to time hereafter be amended, modified or supplemented in accordance with the terms hereof and thereof.

MATERIAL SUBSIDIARY means a Subsidiary of the Company that owns "substantial assets" (as defined in Section 2.1).

NASD means the National Association of Securities Dealers, Inc., or any successor regulatory body exercising similar functions.

NORMAL RETIREMENT shall mean the retirement of an employee pursuant to the National-Oilwell Retirement Trust and Plan at any time after the third anniversary of the Closing Date.

NOTE PURCHASE AGREEMENT shall mean the Note Purchase Agreement dated January 16, 1996 between GE Capital and the Borrower.

NOTICE OF EXERCISE shall have the meaning specified in Section 5.1(b).

NOTICE OF INTENTION shall have the meaning specified in Section 5.1(a).

OFFERED SECURITIES shall have the meaning specified in Section 5.1(a).

PARENT shall mean, with respect to any Person, any other Person of which such Person is a direct or indirect Subsidiary.

PERMITTED NUMBER shall have the meaning specified in Section 5.5(b).

PERMITTED TRANSFEREE shall mean, with respect to any Investor, those Persons to whom transfers of Securities are permitted to be made by such Investor pursuant to Subsection (a) or (b) of Section 4.2 hereof.

PERSON shall mean an individual or a corporation, association, partnership, joint venture, organization, business, individual, trust, or any other entity or organization, including a government or any subdivision or agency thereof.

PRIME RATE shall mean the Index Rate as defined in the Loan Agreement, as the Loan Agreement was in effect on the Closing Date, which in no event shall exceed 10% per annum.

PROPOSED PURCHASER shall have the meaning specified in Section 5.8(b).

PUBLIC OFFERING shall mean a public offering and sale of equity securities of the Company pursuant to an effective registration statement on Form S-1 under the Securities Act.

PURCHASE NOTE shall have the meaning specified in Section 5.5(i).

PURCHASE OFFER shall have the meaning specified in Section 5.8(b).

PUT shall have the meaning specified in Section 5.5(a).

QUALIFIED PUBLIC OFFERING shall mean a Public Offering of Common Stock, at the conclusion of which the aggregate number of issued and outstanding shares of Common Stock that have been sold to the public pursuant to one or more effective registration statements under the Securities Act is equal to at least 20% of the Fully Diluted Common Stock after giving effect to such sale and the listing of the Common Stock on the New York Stock Exchange, American Stock Exchange, Nasdaq Stock Market or the National Association of Securities Dealers, Inc., Automated Quotation System.

REGISTRABLE SECURITIES shall mean the following:

(a) all shares of Common Stock outstanding on the date hereof or issuable under warrants or options outstanding on the date hereof;

(b) any shares of Common Stock issued or issuable by the Company in respect of any shares of Common Stock referred to in the foregoing clause (a) by way of a pay-in-kind dividend, stock dividend or stock split or in connection with a combination or subdivision of shares, reclassification, recapitalization, merger, consolidation or other reorganization of the Company; and

(c) all shares of Common Stock issued or issuable upon the conversion of any of the shares of Class A Common Stock in accordance with the applicable provisions of the Certificate of Incorporation.

No holder of shares of Class A Common Stock (or warrants to purchase shares of Class A Common Stock) shall have any registration rights hereunder with respect to any shares of Class A Common Stock, but only with respect to shares of Common Stock into which such shares of Class A Common Stock shall be converted and, solely for purposes of Article VI of this Agreement, each holder of shares of Class A Common Stock (or warrants to purchase such shares) which are to be converted into shares of Common Stock to be sold in connection with such a registration shall be deemed to be the holder of shares of Common Stock into which such shares of Class A Common Stock shall be convertible.

As to any particular Registrable Securities that have been issued, such securities shall cease to be Registrable Securities when (i) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of under such registration statement, (ii) they shall have been distributed to the public pursuant to Rule 144, (iii) they shall have been otherwise transferred or disposed of, and new certificates therefor not bearing a legend restricting further transfer shall have been delivered by the Company, and subsequent transfer or disposition of them shall not require their registration or qualification under the Securities Act or any similar state law then in force, or (iv) they shall have ceased to be outstanding.

REGISTRATION EXPENSES shall mean any and all out-of-pocket expenses incident to the Company's performance of or compliance with Article VI hereof, including, without limitation, all Commission, stock exchange or NASD registration and filing fees, all fees and expenses of complying with securities and blue sky laws (including the reasonable fees and disbursements of underwriters' counsel in connection with blue sky qualifications and NASD filings), all fees and expenses of the transfer agent and registrar for the Registrable Securities, all printing expenses, the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits and/or "cold comfort" letters required by or incident to such performance and compliance, and the reasonable fees and disbursements of one firm of counsel (other than house counsel) retained by DPIOSP, and, to the extent the offering includes Registrable Securities owned by the First Reserve Stockholders, one firm of counsel retained by the First Reserve Stockholders, and if neither of such counsel is able to represent the holders of the remaining Registrable Securities in the offering, one firm of counsel retained by a majority of the remaining Registrable Securities to represent the remaining holders of Registrable Securities in the offering, but excluding underwriting discounts and

commissions and applicable transfer and documentary stamp taxes, if any, which shall be borne by the seller of the securities in all cases.

RELATED ENTITY shall mean, with respect to any Person, (a) any direct or indirect Subsidiary of such Person, (b) any Parent of such Person or (c) any Person which has the same Parent as such Person.

RESTRICTED PAYMENTS LIMITATION shall have the meaning specified in Section 5.5(g).

SALE PROPOSAL shall have the meaning specified in Section 5.1(a).

SECURITIES shall mean the Stock and the Stock Rights.

SECURITIES ACT shall mean, as of any date, the Securities Act of 1933, as amended, or any similar Federal statute then in effect, and in reference to a particular section thereof shall include a reference to the comparable section, if any, of any such similar Federal statute.

SELLER shall have the meaning specified in Section 5.5(b).

SELLER SUBORDINATED NOTES shall mean the Subordinated Promissory Notes in the original aggregate principal amount of $20,000,000 issued to National Supply Company, Inc. and Oilwell, Inc. pursuant to the Purchase Agreement among USX Corporation, Oilwell, Inc., Armco Inc., National Supply Company, Inc. and the Company dated September 22, 1995, as amended.

SELLING STOCKHOLDER shall have the meaning specified in Section 5.1(a).

SIGNIFICANT TRANSACTION shall have the meaning specified in Section 2.1(c).

SPOUSE shall have the meaning specified in Section 5.5(e).

SPOUSE CALL shall have the meaning specified in Section 5.5(e).

STOCK with respect to any Person shall mean Capital Stock of such Person of any class or classes, the holders of which are ordinarily (and not only upon the happening of a contingency) entitled to vote for the election of members of the board of directors (or Persons performing similar functions) of such Person, including, without limitation, the Class A Common Stock and the Common Stock.

STOCKHOLDER shall mean any one of (i) any Institutional Investor, (ii) any Management Investor, and (iii) any Permitted Transferee of any such Person, or of any other Permitted Transferee, who becomes a party to or bound by the provisions of this Agreement in accordance with the terms hereof.

STOCK INCENTIVE PLAN shall mean the Stock Award and Long-Term Incentive Plan as described in Section 2.4, as such Plan may from time to time hereafter be amended, modified or supplemented in accordance with the terms hereof and thereof.

STOCK RIGHTS shall mean at any time any and all warrants, options and other rights outstanding at such time to purchase or otherwise acquire Common Stock of the Company of any class, whether or not such warrants, options or rights are exercisable at such time, including, without limitation, the GE Capital Warrant and all options now outstanding or hereafter granted pursuant to the Stock Incentive Plan.

SUBSIDIARY shall mean as to any Person a corporation or partnership of which a majority of the outstanding shares of voting Capital Stock are at the time owned, directly or indirectly through one or more intermediaries, or both, by such Person.

THIRD PARTY shall mean, as to any Stockholder, any person other than a Permitted Transferee of such Stockholder.

UNDERWRITTEN OFFERING shall have the meaning specified in Section 6.1(g).

UNEXERCISED RIGHT shall have the meaning specified in Section 5.5(e).

UNRETURNED ORIGINAL COST shall have the meaning specified in the Certificate of Incorporation.

ARTICLE II. MANAGEMENT AGREEMENTS

SECTION 2.1. CONDUCT OF BUSINESS.

(a) The parties hereto confirm that it is their intention that the business and affairs of the Company and its Subsidiaries shall be managed by its Board of Directors in the best interests of the Company and its Subsidiaries taken as a whole. In furtherance of the foregoing, each of the parties hereto agrees that, after the date hereof, except in the case of transactions expressly contemplated by this Agreement, the Management Services Agreement, the Stock Incentive Plan, the Bonus Plans, or employment agreements between the Company and its executive management approved by the Board of Directors, neither the Company nor any of its Subsidiaries will enter into any written or oral contract, agreement or other arrangement to engage in business or enter into any transaction, or will engage in business or enter into any transaction, with any Stockholder or any Affiliate of a Stockholder (other than the Company and its Subsidiaries) unless the terms and provisions of such contract, agreement or other arrangement or the terms on which such business or transaction is conducted, as the case may be, are fair to the Company or such Subsidiary and are substantially equivalent to terms that would have been obtained in an arm's-length relationship. The provisions of this Section 2.1(a) shall be deemed satisfied if the relevant transaction (i) has been approved by a majority of the Board of Directors voting on such matter, excluding any director designees of the Stockholder who (or whose Affiliate has) an interest in the transaction and such interest was disclosed to the Board of Directors prior to such approval and other directors

abstaining from such vote or (ii) is a commercial transaction entered into in the ordinary course of business by the Company or its Subsidiary and such transaction has been negotiated on arm's length terms between the operating management or employees of the Company or its Subsidiary and the other party to the transaction.

(b) Notwithstanding the fact that no vote may be required, or that a lesser percentage vote may be specified, by law, by the Certificate of Incorporation or By-Laws, by any agreement with any national securities exchange or otherwise, except as hereinafter provided in this paragraph (b) or otherwise in this Agreement, the Company and the Stockholders shall not take or permit any of the following actions (individually, a "Significant Transaction") unless otherwise authorized by a vote of at least a majority of the whole Board of Directors, including the affirmative vote of William E. Macaulay (or a successor designee of the First Reserve Stockholders) and W. McComb Dunwoody (or a successor designee of DPIOSP) whether or not there shall be any vacancies on the Board of Directors:

(i) Any merger or consolidation involving the Company or any Subsidiary of the Company (other than transactions involving the merger or consolidation of a wholly-owned Subsidiary of the Company into the Company or with or into another wholly-owned Subsidiary of the Company), if such merger or consolidation would involve the Company or one or more Subsidiaries that in the aggregate own (or, following such transaction, would own) "substantial assets" under subparagraph (iii) below.

(ii) Any sale, lease, exchange, transfer or other disposition, directly or indirectly, in a single transaction or series of related transactions, of all or substantially all, or a substantial part, of the assets of the Company or any of its Subsidiaries, or of any of the outstanding capital stock of any Subsidiary of the Company, to or with any Person other than to or with the Company or a wholly-owned Subsidiary of the Company. The term "substantial part" means assets having a gross fair market value which exceeds 20% of the Consolidated Total Capitalization of the Company and its Subsidiaries, as reflected on the consolidated balance sheet of the Company and its Subsidiaries as at the end of the last full fiscal quarter prior to the date such determination is made.

(iii) Any purchase, lease, exchange or other acquisition of assets (including securities) by the Company or any Subsidiary of the Company, in a single transaction or a series of related transactions, if such assets constitute or would constitute substantial assets. The term "substantial assets" means assets having a gross fair market value which, or assets to be acquired for consideration which, exceeds 20% of the Consolidated Total Capitalization of the Company and its Subsidiaries, as reflected on the consolidated balance sheet of the Company and its Subsidiaries as at the end of the last full fiscal quarter prior to the date such determination is made.

(iv) Any increase or reduction of the number of shares of any class of the Company's authorized Capital Stock or the creation of any additional class of

Capital Stock of the Company, or the issuance or sale of shares of Capital Stock of the Company or any of its Subsidiaries (or warrants, options or rights to acquire shares of Capital Stock or securities convertible into or exchangeable for Capital Stock or any type of debt instrument which has equity features), except (A) the issuance or sale of shares of Capital Stock of a wholly-owned Subsidiary of the Company to the Company or to another wholly-owned Subsidiary of the Company, (B) the issuance of (and options to purchase), not more than an aggregate of 85,573 shares of Common Stock to officers and key employees of the Company and its Subsidiaries pursuant to the Stock Incentive Plan, and the purchase of such shares upon the exercise of such options in accordance with the terms thereof and (c) the purchase of Common Stock upon the exercise of the GE Capital Warrant in accordance with the terms thereof and (c) the purchase of Common Stock upon the exercise of the GE Capital Warrant in accordance with the terms thereof.

(v) Any amendment to or modification or repeal of any provision of the Certificate of Incorporation or By-Laws of the Company.

(vi) The dissolution of the Company; the adoption of a plan of liquidation of the Company or any Subsidiary of the Company holding "substantial assets" (as defined in subparagraph (iii) above); any action by the Company or any Subsidiary of the Company to commence any suit, case proceeding or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or making a general assignment for the benefit of its creditors.

(vii) Any redemption, offer to purchase made by the Company or any of its Subsidiaries or other acquisition of Stock or Stock Rights of the Company, except (A) the purchase of shares of Class A Common Stock or Common Stock held by any of the Management Investors in accordance with Section 5.5 of this Agreement, (B) the purchase or redemption of stock options or shares of Common Stock issued under the Stock Incentive Plan, in each case in accordance with the applicable provisions of the Stock Incentive Plan or (C) the purchase of Class A Common Stock pursuant to Section 5.11.

(viii) Any amendment of or modification or supplement to the Management Services Agreement, the Stock Incentive Plan or the Bonus Plans and any renewal of the Management Services Agreement; provided, however, that if all of the director designees of DPIOSP are excluded or abstain from voting with respect to any amendment, modification or renewal of the Management Services Agreement, the Executive Vice President serving as a director shall also be excluded or abstain from voting on such matter; and further provided that no amendment, modification or supplement to the Stock Incentive Plans or the Bonus Plans that would materially and adversely change the economic benefits to the participants in such

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plans shall be approved without the approval of the participants who are so affected.

(ix) Any grant to any Stockholder or holder of any Stock or Stock Rights of rights similar to any of the rights granted to the First Reserve Stockholders in this Agreement that are more favorable to such Stockholder or holder of Stock or Stock Rights than those granted to the First Reserve Stockholders in this Agreement;

provided, however, that any Liquidity Transaction described in clause (i) or (ii) of the definition thereof, whether or not effected pursuant to Section 2.5, together with any issuance of Securities, amendments to the Certificate of Incorporation and Bylaws, amendments to any other documents and instruments and other actions in connection therewith shall not be considered "Significant Transactions" for purposes of this Section 2.1(b), and in the event that DPIOSP and the Company pursue a Liquidity Transaction, each of the Stockholders shall use their best efforts to cause a Liquidity Transaction to be effected on such terms and conditions as are approved by 3 of the 4 members of the Board of Directors designated by DPIOSP, including, without limitation, removal of directors and, if necessary, appointment of additional designees of DPIOSP sufficient to approve the Liquidity Transaction; provided, however, that GE Capital's best efforts shall not obligate it to take any action or grant any approval in its capacity as Administrative Agent or Lender under the Loan Agreement or as holder of the GE Subordinated Note.

SECTION 2.2. CERTIFICATE OF INCORPORATION; NO CONFLICT WITH AGREEMENT.

(a) Each stockholder hereby acknowledges receipt of a copy of the Certificate of Incorporation as in effect on the date hereof. The provisions of the Certificate of Incorporation are hereby approved by, and made a part of this Agreement among the parties hereto.

(b) Each Stockholder shall vote his shares of Stock, and shall take all other actions necessary or appropriate, to ensure that the Certificate of Incorporation and By-Laws of the Company do not, at any time, conflict with the provisions of this Agreement.

SECTION 2.3. MANAGEMENT SERVICES AGREEMENT. The Stockholders hereby acknowledge receipt of a copy of the Management Services Agreement and hereby approve the Management Services Agreement.

SECTION 2.4. STOCK INCENTIVE PLAN AND BONUS PLANS. The Board of Directors has adopted the Stock Incentive Plan together with the Restricted Stock Agreement to be entered into in connection therewith, copies of which are attached hereto as Exhibits A-1 and A-2, and the Bonus Plans, copies of which are attached hereto as Exhibits B-1 and B-2. Restricted Stock, Stock options and other rights granted under the Stock Incentive Plan shall be granted to such persons, in such amounts and on such terms as shall be approved by a majority of the whole Board of Directors including the Chief Executive Officer. The persons participating in the Bonus Plans and the amount and other terms of

such participation shall be approved by a majority of the whole Board of Directors, including the Chief Executive Officer.

SECTION 2.5. LIQUIDITY TRANSACTION. If the Company has not completed one of the following Liquidity Transactions within five years after the date of this Agreement, at any time after the fifth anniversary of the date of this Agreement, the First Reserve Stockholders, for so long as the total number of shares of Stock and Stock Rights owned by the First Reserve Stockholders and their Affiliates is greater than 10% of the Fully Diluted Common Stock, shall have the right to request that DPIOSP choose one of the following Liquidity Transactions and that DPIOSP and the Company pursue that transaction to completion. DPIOSP agrees that upon such request by the First Reserve Stockholders, DPIOSP shall choose one of the following Liquidity Transactions and each of DPIOSP and the Company agrees to use its best efforts to consummate such transaction. No later than 30 days after DPIOSP has received written notice from the First Reserve Stockholders that they have determined to exercise their right to require that a Liquidity Transaction be effected pursuant to this Section 2.5, DPIOSP and the Company shall jointly provide each of the Stockholders with written notice of the type of Liquidity Transaction which they have elected to pursue. "Liquidity Transaction" shall mean any one of the following: (i) a Qualified Public Offering; (ii)(x) a merger of the Company, a sale of all or substantially all of the assets of the Company, or a sale of all of the Stock of the Company, (y) in which all of the Stockholders of the Company receive in such transaction the same consideration consisting of cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million ("Marketable Securities"); or (iii) a purchase for cash by the Company, DPIOSP or a Person or entity designated by DPIOSP of all of the Stock owned by the First Reserve Stockholders, and by GE Capital, if so requested by GE Capital as part of the transaction with the First Reserve Stockholders, at the Appraised Value thereof, provided that no transaction effected pursuant to clauses (i) or (ii) shall be consummated with DPIOSP or any Affiliate of DPIOSP. If DPIOSP elects to pursue a Liquidity Transaction set forth in clause (ii) above, the actions taken by the Company and DPIOSP shall include the prompt engagement of a nationally-recognized investment banking firm to seek a purchaser for the Company and to assist the Company and DPIOSP in the sale process. If DPIOSP elects to pursue a Liquidity Transaction set forth in clause (iii) above, the purchase of the shares of Stock owned by the First Reserve Stockholders (and by GE Capital, if it is a part of the purchase transaction) shall take place as soon as practical (but in no event later than 90 days) after the determination of the Appraised Value. If a Liquidity Transaction has not been effected within six months after DPIOSP's determination of the form of Liquidity Transaction that will be pursued, the First Reserve Stockholders will have the option to require that DPIOSP select an alternative form of Liquidity Transaction to pursue. If the First Reserve Stockholders exercise their right under this Section 2.5, their designees on the Board of Directors shall be deemed to have approved the Liquidity Transaction chosen by DPIOSP and no further approval by the First Reserve Stockholders or their designees on the Board of Directors shall be deemed necessary pursuant to Section 2.1(b) hereof. Each of the Company and the Stockholders shall use its best efforts to cause the consummation of the Liquidity Transaction chosen by DPIOSP.

SECTION 2.6. REGISTRATION OF COMMON STOCK. In the event of a Public Offering of Common Stock, each Stockholder shall, at a meeting convened for the purpose of amending the Certificate of Incorporation, vote to increase the number of issued and outstanding shares of Common Stock, whether by stock split, stock dividend or otherwise, or change in its par value or increase the authorized number of shares of stock, as recommended by a majority of the members of the Board of Directors designated by DPIOSP in order to facilitate such Public Offering.

SECTION 2.7. ACCESS TO INFORMATION. The Company will permit representatives of each of DPIOSP, the First Reserve Stockholders and GE Capital at their expense to visit and inspect all properties, books and records of the Company and its Subsidiaries and to discuss the affairs, finances and accounts of the Company with the principal officers of the Company, its attorneys and auditors, all at such reasonable times and as often as may reasonably be requested in order to enable DPIOSP, the First Reserve Stockholders and GE Capital to reasonably monitor their investments in the Company. All information obtained by DPIOSP, the First Reserve Stockholders and GE Capital will be kept confidential and used only for purposes related to their investments in or loans to the Company.

ARTICLE III. CORPORATE GOVERNANCE

SECTION 3.1. BOARD OF DIRECTORS.

(a) The Stockholders and the Company hereby agree that at all times after the Closing Date, the Board of Directors of the Company and, unless otherwise agreed by DPIOSP and the First Reserve Stockholders, the board of directors (or comparable governance body of any partnership) of each Material Subsidiary, shall consist entirely of the members described in this Section 3.1(a). On the Closing Date and from time to time thereafter, the Stockholders shall take all such actions as may be necessary or appropriate to cause the persons described below to be elected or re-elected as the members of the Board of Directors and to be maintained in such positions at all times:

(i) 4 persons designated by DPIOSP;

(ii) two of the First Reserve Stockholders shall each designate one person to serve as a director (i.e. an aggregate of 2 persons will be designated by the First Reserve Stockholders) and the First Reserve Stockholders shall inform the Company in writing of which two First Reserve Stockholders have the right to designate a director;

(iii) the Chief Executive Officer of the Company; and

(iv) the Executive Vice President of the Company

provided, however, that (x) if the total number of shares of Stock and Stock Rights owned by DPIOSP, DPI, Partners and their respective Affiliates is less than 20% of the Fully Diluted Common Stock at any time, DPIOSP shall be entitled to designate three members

of the Board of Directors, and if such number of shares is less than 10% of the Fully Diluted Common Stock at any time, DPIOSP shall be entitled to designate one member of the Board of Directors; and (y) if the total number of shares of Stock and Stock Rights owned by the First Reserve Stockholders and their Affiliates is less than 10% of the Fully Diluted Common Stock at any time, the First Reserve Stockholders shall be entitled to designate one member of the Board of Directors.

(b) Each Stockholder hereby agrees to vote all shares of Stock owned or held of record by such Stockholder, at each annual or special meeting of Stockholders of the Company at which directors of the Company are to be elected, in favor of, or to take all actions by written consent in lieu of any such meeting as are necessary to cause, the election or re-election as members of the Board of Directors of those individuals described in Section 3.1(a), and to otherwise effect the intent of the provisions of Section 3.1(a).

(c) Each committee of the Board of Directors and, unless otherwise agreed by DPIOSP and the First Reserve Stockholders, each board of directors (or comparable governance body of any partnership) of each Material Subsidiary shall include a number of directors designated by DPIOSP and a number of directors designated by the First Reserve Stockholders (rounded to the nearest whole number, but in no event less than one such director) equivalent to the proportion of directors designated by DPIOSP and directors designated by the First Reserve Stockholders then serving on the whole Board of Directors or the whole board of directors of such Material Subsidiary, as applicable. The committees of the Board of Directors shall consist of an Executive Committee, an Audit Committee and a Compensation and Strategic Planning Committee each of which shall, subject to Section 2.1, have functions customarily performed by such committees. The Executive Committee shall consist of W. McComb Dunwoody, who shall serve as Chairman, William E. Macaulay, and the Chief Executive Officer of the Company. The Audit Committee shall consist of two directors designated by DPIOSP, one of whom shall serve as Chairman, and one director designated by the First Reserve Stockholders. The Compensation and Strategic Planning Committee shall consist of one director designated by DPIOSP, who shall serve as Chairman, one director designated by the First Reserve Stockholders and the Chief Executive Officer.

(d) The Board of Directors and, unless otherwise agreed by DPIOSP and the First Reserve Stockholders, the board of directors of each Material Subsidiary shall follow the following procedures:

(i) Meetings. Meetings of the applicable board of directors may be held at any time upon the call of at least two directors, including one designee of DPIOSP by oral, telephonic, telegraphic or facsimile notice duly given or sent at least one day, or by written notice sent by express mail at least three days, before the meeting to each director. Reasonable efforts shall be made to ensure that each director actually receives timely notice of any meeting. An annual meeting of the Board of Directors shall be held without notice immediately following the annual meeting of stockholders of the Company.

(ii) Agenda. A reasonably detailed agenda shall be supplied to each director reasonably in advance of each meeting of the applicable board of directors, together with other appropriate documentation with respect to agenda items calling for board action, to inform adequately directors regarding matters to come before the board. Any director wishing to place a matter on the agenda for any meeting of the applicable board of directors may do so by communicating with the Chairman of the Board sufficiently in advance of the meeting of the applicable board of directors so as to permit timely dissemination to all directors of information with respect to the agenda items.

(e) Each of the First Reserve Stockholders that is not directly represented on the Board of Directors and Phoenix Home Life Mutual Insurance Company, so long as it is a partner in DPIOSP or otherwise owns at least 10% of the Fully Diluted Common Stock shall be entitled to designate a nonvoting observer to attend meetings of the Board of Directors. In addition GE Capital, after the repayment of all loans under the Loan Agreement and so long as it owns at least 10% of the Fully Diluted Common Stock, shall be entitled to designate a nonvoting observer to attend meetings of the Board of Directors. The Company shall provide each such observer with the same notice of, and information regarding, meetings of the Board of Directors as that provided to directors. Each Such observer shall be provided reasonable access to the books, records and properties of the Company and shall be provided with a reasonable opportunity to discuss the business and affairs of the Company with the officers of the Company, provided that the First Reserve Stockholders, Phoenix Home Life Mutual Insurance Company and GE Capital shall cause all information relating to the Company that is provided to such observers to be held in confidence.

SECTION 3.2. REMOVAL. If a director designated and elected pursuant to Sectio n 3.1,

(i) has been designated pursuant to Section 3.1(a)(i) and, during such director's term as director, DPIOSP requests by written notice to the other Stockholders that such director be removed;

(ii) has been designated pursuant to Section 3.1(a)(ii) and, during such director's term as director, the First Reserve Stockholders request by written notice to the other Stockholders that such director be removed; or

(iii) has been designated pursuant to Section 3.1(a)(iii) or 3.1(a)(iv) and during such director's term as director, DPIOSP and the First Reserve Stockholders request by written notice to the other Stockholders that such director be removed because he or she no longer holds such designated office;

then such director shall be removed upon the affirmative vote of the holders of a majority of the outstanding shares of Stock, and each Stockholder hereby agrees promptly to vote all shares of Stock owned or held of record by it and to take all such other actions as may be necessary or appropriate to effect such removal in accordance with such request.

SECTION 3.3. VACANCIES. In the event that a vacancy is created on the Board of Directors at any time by the death, disability, retirement, resignation or removal of any director or for any other reason there shall exist or occur any vacancy on the Board of Directors, each Stockholder hereby agrees to take such actions as will result in the election or appointment as a director of an individual designated or elected to fill such vacancy and serve as a director by the Stockholders that had designated or elected (pursuant to Section 3.1) the director whose death, disability, retirement, resignation or removal resulted in such vacancy on the Board of Directors (in the manner set forth in Section 3.1).

SECTION 3.4. COVENANT TO VOTE. Each Stockholder hereby agrees to take all actions necessary to call, or cause the Company and the appropriate officers and directors of the Company to call, a special or annual meeting of Stockholders of the Company and to vote all shares of Stock owned or held of record by such Stockholder at any such meeting and at any other annual or special meeting of stockholders in favor of, or take all actions by written consent in lieu of any such meeting as may be necessary to cause, the election as members of the Board of Directors of those individuals so designated in accordance with, and to otherwise effect the intent of, this Article III. In addition, each Stockholder agrees to vote the shares of Stock owned by such Stockholder upon any other matter arising under this Agreement submitted to a vote of the stockholders in such a manner as to implement the terms of this Agreement.

SECTION 3.5. REPRESENTATION AND COVENANT OF DPI.

(a) DPIOSP is a limited partnership, the sole general partner of which is DPI. As the sole general partner of DPIOSP, DPI has (subject to any applicable fiduciary duties) sole authority and discretion to exercise all rights and remedies of DPIOSP under this Agreement and with respect to DPIOSP's investment in the Company. DPI is a limited liability company owned 50% each by Duff & Phelps Capital Markets Co. and The Inverness Group Incorporated, a corporation solely owned by W. McComb Dunwoody. The Operating Agreement of DPI provides that W. McComb Dunwoody manages the day-to-day business of DPI, that major decisions require the approval of Duff & Phelps Capital Markets Co. and The Inverness Group Incorporated and that upon the occurrence of certain events all investments of DPI will be managed by The Inverness Group Incorporated.

(b) As long as DPIOSP remains entitled to designate a director of the Company, DPI, the Inverness Group, Incorporated or their successors will remain the sole general partner of DPIOSP with (subject to any applicable fiduciary duties) sole authority and discretion to exercise all rights and remedies of DPIOSP under this Agreement and with respect to DPIOSP's investment in the Company.

SECTION 3.6. REPRESENTATION OF FIRST RESERVE.

(a) First Reserve is the sole general partner of each of the First Reserve Stockholders. As the sole general partner of the First Reserve Stockholders, First Reserve has (subject to any applicable fiduciary duties) sole authority and discretion to exercise

all rights and remedies of the First Reserve Stockholders under this Agreement and with respect to the First Reserve Stockholders' investment in the Company.

(b) So long as the First Reserve Stockholders remain entitled to designate a director of the Company, First Reserve or its successor will remain the general partner of the First Reserve Stockholder with (subject to any applicable fiduciary duties) sole authority and discretion to exercise all rights and remedies of the First Reserve Stockholder under this Agreement and with respect to the First Reserve Stockholder's investment in the Company.

ARTICLE IV. TRANSFERS OF SECURITIES.

SECTION 4.1. RESTRICTIONS ON TRANSFER. Each Stockholder agrees that it will not, directly or indirectly, offer, sell, transfer, assign or otherwise dispose of (or make any exchange, gift, assignment or pledge of) (collectively, for purposes of Articles IV and V hereof only, a "transfer") any of its shares of Stock or Stock Rights, except as provided in Section 4.2 or in accordance with Article V or other than in connection with an exercise of any Stock Right in accordance with its terms or in connection with a conversion of Class A Common Stock into Common Stock pursuant to the Certificate of Incorporation. In addition to the other restrictions noted in this Article IV, each Stockholder agrees that it will not, directly or indirectly, offer, sell, transfer, assign or otherwise dispose of any of its Securities except as permitted under the Securities Act and other applicable securities laws.

SECTION 4.2. EXCEPTIONS TO RESTRICTIONS. The provisions of Section 4.1 (and Article V except as noted below) shall not apply to any of the following transfers:

(a) From DPIOSP, DPI Partners, the First Reserve Stockholders or GE Capital, to:

(i) any of their respective Affiliates, provided that prior to any such transfer the transferring Stockholder and the transferee agree with the Company and the other Institutional Investors (pursuant to an agreement in form and substance reasonably satisfactory to each of the other Institutional Investors) that for as long as the transferee holds any Securities such transferee shall remain an Affiliate of the transferring Stockholder or, if such transferee is to cease being an Affiliate of the transferring Stockholder, then prior to such change the transferee shall transfer the Securities back to the transferring Stockholder or an Affiliate of the Transferring Stockholder,

(ii) any of the partners of DPIOSP, DPI Partners or members of DPI or;

(iii) in the case of (x) DPIOSP, the First Reserve Stockholders and GE Capital, up to an aggregate of 3% each of the Class A Common Stock and Common Stock owned by them on the date hereof,

provided, that each such transferee shall agree in a writing in form and substance reasonably satisfactory to the Company, DPIOSP and the First Reserve Stockholders to be bound and shall become bound by the terms of this Agreement;

(b) From any Management Investor to (i) such Person's spouse or children or (ii) any trust solely for such Person's benefit or the benefit of such Person's spouse or children, provided that such Person acts as trustee and retains the sole power to direct voting and disposition of such shares; provided, further that each such Person, including any such trust, shall agree in a writing in form and substance reasonably satisfactory to the Company, DPIOSP and the First Reserve Stockholders to be bound and shall become bound by the terms of this Agreement;

(c) Pursuant to a Public Offering;

(d) Pursuant to a merger of the Company;

(e) A Liquidity Transaction;

(f) A purchase by the Company of Common Stock pursuant to Restricted Stock Agreements entered into in connection with the grant of restricted stock under the Stock Incentive Plan; and

(g) Pursuant to Sections 5.1, 5.2, 5.3, 5.5, 5.8, 5.9 and 5.11.

The provisions of this Agreement shall be applied to the shares of Stock and Stock Rights owned by any Permitted Transferee of a Stockholder in the same manner and to the same extent as though such Stock or Stock Rights were owned by such Stockholder; provided, however, that any transferee from an Institutional Investor, other than an Affiliate of such Institutional Investor, shall have only those rights, benefits and obligations of GE Capital (other than those specified in Sections 2.5, 4.2(a)(iii), 5.5(a), 5.9(a) and 6.1(h)) hereunder, and any transferee from a Management Investor shall have only those rights, benefits and obligations of a Management Investor hereunder, except that DPIOSP and the First Reserve Stockholders shall have the right to assign (x) the right to designate one member of the Board of Directors to any transferee from DPIOSP or the First Reserve Stockholders that acquires Stock or Stock Rights that amount to more than 10% of the Fully Diluted Common Stock of the Company (a "10% Transferee"), and (y) the right to participate in one demand registration pursuant to Section 6.1 to any 10% Transferee.

SECTION 4.3. NO TRANSFER TO COMPETITORS. Notwithstanding any provision of this Agreement to the contrary, no Stockholder shall transfer any Stock or Stock Rights to a Person that the Board of Directors has determined in good faith competes with the Company in any material respects, without the prior written consent of a majority of the whole Board of Directors of the Company, provided that this Section shall not prohibit the transfer of Stock or Stock Rights to any investment fund managed by First Reserve.

SECTION 4.4. ENDORSEMENT OF CERTIFICATES.

(a) In addition to any other legend which the Company may reasonably deem advisable under the Securities Act and applicable state securities laws, the certificates representing all shares of Stock and all Stock Rights subject to this Agreement shall be endorsed at all times during the term of this Agreement as follows:

THIS [CERTIFICATE / WARRANT / OPTION] IS SUBJECT TO, AND IS TRANSFERABLE ONLY UPON COMPLIANCE WITH, THE PROVISIONS OF A STOCKHOLDERS AGREEMENT DATED AS OF JANUARY 16, 1996, AMONG THE COMPANY, DPI OIL SERVICE PARTNERS LIMITED PARTNERSHIP, DPI PARTNERS II, FIRST RESERVE FUND V, LIMITED PARTNERSHIP, FIRST RESERVE FUND V-2, LIMITED PARTNERSHIP, FIRST RESERVE FUND VI, LIMITED PARTNERSHIP, GENERAL ELECTRIC CAPITAL CORPORATION, AND THE INDIVIDUALS NAMED IN SCHEDULE I THERETO. A COPY OF THE ABOVE REFERENCED AGREEMENT WILL BE FURNISHED BY THE COMPANY WITHOUT CHARGE UPON WRITTEN REQUEST BY ANY STOCKHOLDER TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS OR REGISTERED OFFICE.

(b) Except as otherwise expressly provided in this Agreement, all certificates representing shares of Stock and all certificates or other instruments representing Stock Rights now or hereafter issued to or acquired by any of the Stockholders or their successors hereto shall bear the legend set forth above and such shares of Stock and Stock Rights shall be subject to the applicable provisions of this Agreement. The obligations of each party hereto shall be binding upon each transferee to whom shares of Stock or Stock Rights are transferred by any party hereto (including, without limitation, any Third Party to whom shares are transferred pursuant to Article V), except in the case of transfers pursuant to Subsection (c) or (d) of Section 4.2. Prior to consummation of any transfer, except for transfers pursuant to Subsection (c), (d) or (e) of Section 4.2, such party shall cause the transferee to execute an agreement in form and substance reasonably satisfactory to the other parties hereto, providing that such transferee shall fully comply with the terms of this Agreement. Prompt notice shall be given to the Company, the First Reserve Stockholders and DPIOSP by the transferor of any transfer (whether or not to a Permitted Transferee) of any of its Stock or Stock Rights.

SECTION 4.5. IMPROPER TRANSFER. Any attempt to transfer or encumber any shares of Stock or any Stock Rights not in accordance with this Agreement shall be null and void and neither the issuer of such Securities nor any transfer agent of such Securities shall give any effect to such attempted transfer or encumbrance in its stock records.

ARTICLE V. PURCHASE RIGHTS.

SECTION 5.1. TRANSFERS BY A STOCKHOLDER.

(a) Except for sales of Securities pursuant to the provisions of Article VI hereof, transfers permitted by clauses (a) through (e) of Section 4.2 and the provisions of Sections 5.5, 5.8, 5.9 and 5.11, if at any time any Stockholder shall desire to sell any Securities owned by it (such Stockholder desiring to sell Securities being referred to herein

as a "Selling Stockholder"), then such Selling Stockholder shall deliver written notice of its desire to sell Securities (a "Notice of Intention"), accompanied by a copy of a proposal relating to such sale (the "Sale Proposal"), to each of the other Stockholders and to the Company, setting forth such Selling Stockholder's desire to make such sale (which shall be for cash only), identifying the Securities proposed to be transferred and stating the number of shares of Stock proposed to be transferred or the number of shares covered by Stock Rights proposed to be transferred (the "Offered Securities"), the cash price or prices per applicable Security at which such Selling Stockholder proposes to sell the Offered Securities (the "First Offer Price") and the other terms applicable thereto (the "First Offer Terms").

(b) Upon receipt of the Notice of Intention, the Company and the other Stockholders shall then have the right to purchase at the First Offer Price and on the other terms specified in the Sale Proposal all or, subject to Section 5.1(d), any portion of the Offered Securities in the following order of priority: (i) if the Selling Stockholder is a Management Investor, the Company shall have the first right to purchase the Offered Securities, and thereafter, the other Management Investors shall have the right to purchase the Offered Securities pro rata on the basis of the respective numbers of shares of Fully Diluted Common Stock owned by them or represented by Stock Rights owned by them (or in such other proportion as such Management Investors may unanimously agree), and thereafter, the other Stockholders shall have the right to purchase the Offered Securities pro rata among such Stockholders so electing on the basis of the respective numbers of shares of Fully Diluted Common Stock owned by such Stockholders or represented by Stock Rights owned by such Stockholders (or in such other proportion as such Stockholders may agree); or (ii) if the Selling Stockholder is an Institutional Investor, then the other Institutional Investors shall have the first right to purchase the Offered Securities pro rata among those of the Institutional Investors so electing on the basis of the respective numbers of shares of Fully Diluted Common Stock owned by them or represented by Stock Rights owned by them (or in such other proportion as such Institutional Investors may unanimously agree), and thereafter, the Company shall have the right to purchase the Offered Securities. The rights of the Stockholders and the Company pursuant to this Section 5.1(b) shall be exercisable by the delivery of notice to the Selling Stockholder (each a "Notice of Exercise"), within 30 calendar days from the date of delivery of the Notice of Intention. The Notice of Exercise shall state the total numbers of shares of Stock or Stock Rights such Stockholder (or the Company) is willing to purchase without regard to whether or not other Stockholders purchase any shares of the Offered Securities. A copy of such Notice of Exercise shall also be delivered by each Stockholder to the Company and each other Stockholder. The rights of the Stockholders and the Company pursuant to this Section 5.1(b) shall terminate if unexercised 30 calendar days after the date of delivery of the Notice of Intention.

(c) In the event that the Company or any Stockholder exercises its rights to purchase any or all of the Offered Securities in accordance with Section 5.1(b), then the Selling Stockholder must sell Offered Securities to the Company or such Stockholder (as the case may be) within 30 calendar days from the date of the delivery of the last Notice of Exercise received by the Selling Stockholder.

(d) Notwithstanding the foregoing provisions of this Section 5.1, unless the Selling Stockholder shall have consented to the purchase of less than all of the Offered Securities, neither the Company nor any Stockholder may purchase any Offered Securities unless all of the Offered Securities are to be purchased.

(e) For purposes of this Article V, if the Company or any Stockholder shall fail to give notice of its election to exercise an option hereunder within the specified time period, then the Company or such Stockholder (as the case may be) will be deemed to have waived its rights with respect thereto on the day after the last day of such period.

(f) Each Stockholder may assign its rights to purchase Offered Securities hereunder to one or more Affiliates, provided that if such Affiliate is not already a Stockholder such Affiliate will agree in writing, in form and substance reasonably satisfactory to the Company, DPIOSP and the First Reserve Stockholders, to be bound and shall become bound by the terms of this Agreement as if such Affiliate acquired Securities as a Permitted Transferee.

SECTION 5.2. TRANSFER OF OFFERED SECURITIES TO THIRD PARTIES. Subject to compliance with Section 5.8, if all notices required to be given pursuant to Section 5.1 have been duly given and the Stockholders and the Company determine not to exercise their respective options to purchase the Offered Securities or determine to exercise their respective options to purchase less than all of the Offered Securities without receiving the consent of the Selling Stockholder as required by Section 5.1(d) and the Selling Stockholder does not desire to sell less than all the Offered Securities, then the Selling Stockholder shall have the right, for a period of 120 calendar days from the earlier of (i) the expiration of the applicable option period pursuant to Section 5.1 with respect to such Sale Proposal or (ii) the date on which such Selling Stockholder receives notice from other Stockholders and the Company that they will not exercise in whole or in part the options granted pursuant to Section 5.1, to sell to any Third Party the Offered Securities remaining unsold at a price not less than the First Offer Price and on terms substantially the same as the other First Offer Terms.

SECTION 5.3. PURCHASE OF OFFERED SECURITIES.

(a) The consummation of any purchase and sale pursuant to Section 5.1 shall take place on such date, not later than 30 calendar days after the expiration of the applicable option period pursuant to Section 5.1 with respect to such option, as the Selling Stockholder shall select.

(b) Prior to the consummation of any sale pursuant to Section 5.1 or 5.2, the Selling Stockholder shall comply with Section 4.4(b) hereof. Upon the consummation of any such purchase and sale, the Selling Stockholder shall deliver certificates and/or other instruments evidencing the Offered Securities sold duly endorsed, or accompanied by written instruments of transfer in form satisfactory to the purchaser duly executed, by the Selling Stockholder, free and clear of any liens, against delivery of the purchase price constituting the First Offer Price payable in the manner specified in Section 5.1(a). Shares of Stock or Stock Rights sold pursuant to this Section 5.3 shall remain subject to all of

the provisions of this Agreement in the hands of the transferee thereof, and prior to the completion of such sale such transferee shall agree in a writing in form and substance reasonably satisfactory to the Company to be bound and shall become bound by the terms of this Agreement.

SECTION 5.4. WAITING PERIOD WITH RESPECT TO SUBSEQUENT TRANSFERS. In the event that the Company and the Stockholders do not exercise their options to purchase the Offered Securities, and the Selling Stockholder shall not have sold the Offered Securities to a Third Party for any reason before the expiration, as applicable, of the 120-day period described in Section 5.2, then such Selling Stockholder shall not give another Notice of Intention pursuant to Section 5.1 for a period of 90 calendar days after the last day of such 120-day period.

SECTION 5.5. PUTS AND CALLS.

The Company and each Management Investor (which term, for purpose of this Section 5.5, shall include all Permitted Transferees thereof as the context may require) shall be subject to the following purchase and sale obligations an d rights:

(a) Subject to Section 5.5(f), upon any termination of employment of a Management Investor by reason of:

(i) death,

(ii) Incapacity pursuant to the terms of the Employment Agreement between the Management Investor and the Company;

(iii) Voluntary Termination as that term is defined in the Employment Agreement between the Management Investor and the Company at or after Normal Retirement, or

(iv) Involuntary Termination as that term is defined in the Employment Agreement between the Management Investor and the Company at any time other than For Cause,

the Management Investor and his Permitted Transferees or his or their representative shall be entitled for a period of 120 days following the effective date of such termination of employment to exercise a put (any such put, a "Put") to the Company of all of the Stock of such Management Investor or Permitted Transferees that constitutes shares of Stock subject to this Agreement by requiring the Company to purchase such Stock at a price per share equal to (i) if such purchase is consummated prior to the second anniversary of the Closing Date, the Adjusted Book Value or (ii) if such purchase is consummated on or after the second anniversary of the Closing Date, the Appraised Value. A Put shall be exercised by delivery of written notice to the Company. The purchase shall be consummated within 30 days after receipt of such notice by the Company. The Company shall have the right to request that DPIOSP, the First Reserve Stockholders and GE Capital purchase such shares on a pro rata basis on the terms set forth herein (provided that none of DPIOSP,

the First Reserve Stockholders or GE Capital will be obligated to purchase any such shares as a result of such request), and DPIOSP and the First Reserve Stockholders and GE Capital shall have the right to assign their right to purchase all or a portion of such shares to any other Stockholder.

(b) (i) Subject to Section 5.5(f), upon the termination of employment of any Management Investor for any reason, including, without limitation, death or incapacity, and provided such Management Investor and his Permitted Transferee shall not have previously exercised a Put pursuant to Section 5.5(a), the Company shall be entitled for a period of one year after the effective date of such termination of employment to exercise a call (any such call, a "Call") on all of the shares of Stock owned by such Management Investor and his Permitted Transferees by requiring such Management Investor and his Permitted Transferees to sell to the Company all of such shares; provided, however, if a Management Investor's employment is terminated by reason of an Involuntary Termination and the Management Investor does not desire to exercise a Put pursuant to Section 5.5(a), the Company shall defer its Call pursuant to this Section 5.5(b)(i) until the second anniversary of the date of this Agreement. The Company may exercise its Call by delivery of written notice to such Management Investor and his Permitted Transferees. Consummation of the sale shall occur within 30 days after delivery of such notice, at a purchase price per share, subject to Section 5.5(b)(ii), and 5.5(b)(iii), determined in accordance with the provisions of Section 5.5(a). The Company shall have the right to request that DPIOSP and The First Reserve Stockholders purchase such shares on a pro rata basis on the terms set forth herein (provided that neither DPIOSP nor the First Reserve Stockholders will be obligated to purchase any such shares as a result of such request).

(ii) Notwithstanding Section 5.5(b)(i), any purchase by the Company pursuant to the exercise of any Call as a result of termination For Cause shall be made at a purchase price per share equal to (I) if such purchase is consummated prior to the second anniversary of the Closing Date, the lower of (x) Adjusted Book Value and (y) the price per share originally paid by such Management Investor (appropriately adjusted for any stock dividends, splits, reverse splits, combinations, recapitalizations and the like occurring after the Closing Date) ("Cost"), or (2) if such purchase is consummated on or after the second anniversary of the Closing Date, the lower of (x) Adjusted Book Value and (y) Appraised Value.

(iii) Notwithstanding Section 5.5(b)(i), any purchase by the Company pursuant to the exercise of any Call as a result of voluntary termination prior to Normal Retirement shall be for a purchase price per share equal to (1) if such purchase is consummated prior to the second anniversary of the Closing Date, the Adjusted Book Value, or (2) if such purchase is consummated on or after the second anniversary of the Closing Date and prior to the third anniversary, Adjusted Book Value as to 75% of such share and Appraised Value as to 25% of such share, or (3) if such purchase is consummated on or after the third anniversary of the Closing Date and prior to the fourth anniversary, Adjusted Book Value as to 50% of such share and Appraised Value as to 50% of such share, or (4) if such

purchase is consummated on or after the fourth anniversary of the Closing Date and prior to the fifth anniversary, Adjusted Book Value as to 25% of such share and Appraised Value as to 75% of such share, or (5) if such purchase is consummated on or after the fifth anniversary of the Closing Date, Appraised Value.

(c) If any Management Investor's marital relationship is terminated by the death of his spouse or divorce and he does not succeed to his spouse's interest in any Stock, he shall have the option to purchase all such spouse's interest and the interests of any of her Permitted Transferees in any shares of Stock, but only to the extent such interests arise from such spouse's community or marital property rights or from any transfer or series of transfers pursuant to Section 4.2(b) of this Agreement, and such spouse or the executor or administrator of her estate and any such Permitted Transferees (any such spouse, executor, administrator or Permitted Transferee, the "Spouse") shall be obligated to sell such Stock to such Management Investor. The price per share at which such Stock shall be purchased shall be determined in accordance with the provisions of Section 5.5(a). Such option must be exercised within 90 days after such death or divorce. If such Management Investor should fail to exercise such option within such 90-day period, the Spouse shall give prompt written notice of such failure to the Company and each of the other Management Investors, which notice shall describe the nature of the above referenced interests of the Spouse in such Stock. The Company shall be entitled to exercise a call (a "Spouse Call") on all of the shares of such Stock owned by such Spouse, within 120 days after receiving such notice, by requiring such Spouse to sell to the Company all of such shares. The Company may exercise its call by delivery of written notice to such Spouse. Consummation of the sale shall occur within 30 days after delivery of such notice at a purchase price per share determined in accordance with the provisions of Section 5.5(a).

(d) (i) Notwithstanding anything to the contrary in Section 5.5(a), 5.5(b) or 5.5(c), the Company may elect to purchase, pursuant to a Put, Call or Spouse Call, from the Management Investor, Spouse or Permitted Transferee otherwise subject thereto (each, a "Seller"), a number of shares of Stock (the "Permitted Number") which is less than all of the Stock held by such Seller but as to which, the purchase of a single additional share, whether for cash or a promissory note of the Company, would violate applicable law or any provision of the Loan Agreement, the Note Purchase Agreement, the GE Subordinated Note, the Seller Subordinated Notes or any Debt Refinancing Instrument.

(ii) If by reason of Section 5.5(d)(i) above the Company purchases less than all (or none) of the shares of Stock held by a Seller (provided that the Company shall have purchased the Permitted Number), then notwithstanding anything to the contrary in Section 5.5(a), 5.5(b) or 5.5(c), the Company may elect, in the case of any such Call or Spouse Call, and shall elect, in the case of any such Put, by delivering written notice to such Seller at the time of such purchase (or, if no such shares are purchased, within 30 days after delivery of the notice, in accordance with the provisions of Sections 5.5(a), 5.5(b) or 5.5(c), as the case may be, of the Put or Call in respect of such Seller), to purchase, as soon as it is possible without violating applicable law or any provision of the Loan

Agreement, the Note Purchase Agreement, the GE Subordinated Note, the Seller Subordinated Notes or any Debt Refinancing Instrument, the remainder of such shares, up to but in no event more than the Permitted Number at the time of each purchase and each subsequent purchase necessary to allow purchase of all the shares subject to the Put or Call. In such event the Company shall deliver to such Seller as soon as it is possible to purchase such shares a written notice of such purchase, and such purchase shall be on the terms and subject to the limitations contained in this Section 5.5 (including Section 5.5(d)(i) above), except that the purchase price to be paid shall be the price determined with reference to the first notice given exercising the Put or Call with respect to such Seller, plus interest thereon at the Prime Rate.

(e) The Board of Directors shall determine whether the Company will exercise its call rights to purchase a Management Investor's (or a Spouse's or Permitted Transferee's) Stock pursuant to Sections 5.5(b), 5.5(c) or 5.5(d) hereof or whether it will request DPIOSP, First Reserve Stockholders and GE Capital to exercise the Company's rights and obligations to purchase such Stock. Should the Board of Directors fail to exercise a call on the Stock as provided in such Sections, or be unable to purchase all of the Stock for cash pursuant to a Put or Call, (an "Unexercised Right"), each Management Investor (and his Permitted Transferees) then owning Stock, other than the Management Investor (and his Permitted Transferees) subject to the call, shall be entitled to exercise a call (any such call, a "Management Call"), on up to a pro rata basis (based upon the number of shares of Fully Diluted Common Stock then beneficially owned), within 10 days after notice by the Company to the Management Investor that it will not exercise its call or is unable to purchase all of the Stock for cash pursuant to a Put or a Call. A Management Call shall be exercised by delivery of written notice to the Company and to the Management Investor (or Spouse or Permitted Transferee) whose shares were subject to the Unexercised Right.

(f) The Stock held by each Management Investor in respect of which the Company has made a loan shall be subject to a pledge agreement with the Company pursuant to which such Stock shall be pledged as security for the Company loan. No payment may be made to a Management Investor for any Stock subject to a put or call under this Section 5.5 unless that Management Investor's Company loan has been repaid in full. In the event any portion of the Company Loan (or accrued interest thereon) is outstanding, the purchase price for any Stock purchased pursuant to a put or call exercised pursuant to this Section 5.5 shall be paid (by the other Stockholders effecting the purchase) directly to the Company. The balance of such purchase price, if any, shall be paid to such selling Management Investor (or Spouse or Permitted Transferee) or his or her representative.

(g) The purchase price for each share of Stock purchased pursuant to this Section 5.5 shall be payable in cash, except that if the purchase of such share for cash by the Company is not prohibited by law but is restricted, by any provision of the Loan Agreement, the Note Purchase Agreement, the GE Subordinated Note, the Seller Subordinated Notes or any Debt Refinancing Instrument and such restriction so allows (such restriction being referred to herein as a "Restricted Payments Limitation"), then the purchase price shall be paid in cash to the extent not in violation of such Restricted

Payments Limitation, and the balance shall be paid by the issuance to the Management Investor (or Permitted Transferee) of a promissory note of the Company (the "Purchase Note") if such issuance does not violate any provision of the Loan Agreement, the Note Purchase Agreement, the GE Subordinated Note, the Seller Subordinated Notes or any Debt Refinancing Instrument; provided, however, if the Company exercises its Call pursuant to Section 5.5(b), whether or not the Company has sufficient cash and whether or not the payment of cash would be subject to a Restricted Payments Limitation, the Company may elect to make such payment by issuing a Purchase Note. The Purchase Note shall (1) be expressly subordinated in right of payment to all indebtedness under the Loan Agreement, the Note Purchase Agreement, the GE Subordinated Note, the Seller Subordinated Notes and any Debt Refinancing Instrument; (2) be in the principal amount equal to the purchase price of all shares of Stock purchased by the Company from the Management Investor pursuant to this Section 5.5 for which cash cannot be paid due to a Restricted Payments Limitation; (3) bear simple interest, payable quarterly from the date of issuance, at the Prime Rate; (4) pay interest currently, subject to the Restricted Payment Limitations; and (5) be payable as to principal in five equal annual installments beginning on the first anniversary of the date of the Purchase Note; provided, however, that such payments are not restricted by a Restricted Payments Limitation and if they are so restricted, shall be paid on the date such payments are no longer so restricted. If all Purchase Notes due and payable at any one time cannot be paid without violating the Restricted Payments Limitation, then the Purchase Notes shall be paid in the order in which they were issued; and provided further that if the full amount of any Purchase Note cannot be paid without violating the Restricted Payments Limitation, then the Company shall pay, as soon as it is possible, the maximum amount allowable under the Restricted Payments Limitation in respect of such Purchase Note.

SECTION 5.6. RIGHT OF FIRST REFUSAL FOR NEW SECURITIES.

(a) The Company hereby grants to the Stockholders a pro rata right of first refusal to purchase shares of any New Securities (as defined below) which the Company may, from time to time, propose to sell and issue. Such right of first refusal shall allow each Stockholder to purchase a pro rata portion of the shares of Stock or Stock Rights or other securities, as may be included in the New Securities proposed to be issued. Such pro rata portions shall be determined by reference to the aggregate number of shares of Fully Diluted Common Stock held by each Stockholder before the proposed issuance of New Securities. In the event a Stockholder does not purchase any or all of its pro rata portion of New Securities, the remaining Stockholders shall have the right to purchase their respective pro rata portions of such unpurchased New Securities until all of the New Securities are purchased or until no other Stockholder desire to purchase any more New Securities, provided, that all such remaining Stockholders purchasing Stock or Stock Rights, as the case may be, hereunder shall have held Stock or Stock Rights, respectively, before the issuance of the New Securities. The right of first refusal granted hereunder shall terminate if unexercised within thirty (30) days after receipt of the notice described in Section 5.6(c) below.

(b) "New Securities" shall mean any authorized but unissued shares, and any treasury shares, of Capital Stock (including Common Stock) of the Company and all rights, options or warrants to purchase Capital Stock (including, without limitation, Stock Rights), and securities of any type whatsoever that are, or may become, convertible into Capital Stock; provided, however, that the term "New Securities" does not include (i) shares of Common Stock issued upon conversion of Class A Common Stock in accordance with Article Fourth of the Certificate of Incorporation; (ii) shares of Common Stock issued upon the exercise of Stock Rights or other rights to acquire Stock that are (x) outstanding on the date hereof (including increases in the "Warrant Stock" under the terms of the GE Capital Warrant) or (y) issued after the date hereof in a transaction in which the Stockholders have the right to purchase their respective pro rata portions of the relevant Stock Rights or other rights pursuant to Section 5.6(a) hereof, in each such case in accordance with the terms thereof; (iii) securities issued pursuant to the acquisition of another corporation or other entity by the Company by merger, purchase of all or substantially all of the assets or other reorganization; (iv) shares of Stock issued in connection with any stock split, stock dividend or recapitalization of the Company; (v) any borrowings, direct or indirect, from financial institutions or other Persons by the Company, whether or not presently authorized, including any type of loan or payment evidenced by any type of debt instrument, provided such borrowings do not have equity features, including warrants, options or other rights to purchase Capital Stock, and are not convertible into or exchangeable for Capital Stock of the Company; and (vi) shares and options to purchase shares of Common Stock issued to employees, officers or directors of the Company pursuant to the Stock Incentive Plan, provided that the aggregate number of shares of Common Stock issued pursuant to the Stock Incentive Plan shall not exceed 85,573.

(c) In the event the Company proposes to undertake an issuance of New Securities, it shall give each Stockholder written notice of its intention, describing the number of shares of Stock and/or Stock Rights or other securities it intends to issue as New Securities, the purchase price therefor (which shall be payable solely in cash) and the terms upon which the Company proposes to issue the same. Each Stockholder shall have 30 days from the date such notice is given to determine whether to purchase all or any portion of the Stockholder's pro rata share of such New Securities for the purchase price and upon the terms specified in the Company's notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased.

(d) The obligations of the Company under this Section 5.6 shall terminate immediately prior to any Public Offering pursuant to a firm commitment underwriting.

SECTION 5.7. LEGALLY BINDING OBLIGATION; POWER OF ATTORNEY; PERSONAL RIGHTS. Subject to Section 5.1(a), the making of an offer, the giving or failing to give notice within the stated period, the acceptance of an offer or the making of a decision or election, in each case as provided in Sections 5.1, 5.6, 5.8, 5.9 or 5.11, shall create a legally binding obligation to buy or sell, as the case may be, the subject Securities as provided in such Sections 5.1, 5.2, 5.3, 5.5, 5.6, 5.8, 5.9 or 5.11 respectively.

SECTION 5.8. RIGHT TO JOIN IN SALE.

(a) If any Stockholder or group of Stockholders proposes to sell, dispose of or otherwise transfer in any single or related series of transactions any Securities representing more than 10% of the Fully Diluted Common Stock (each a "Disposing Stockholder") other than to the Company or the Stockholders pursuant to Section 5.1 hereof, such Disposing Stockholder shall refrain from effecting, other than to a Permitted Transferee, such transaction unless, prior to the consummation thereof, each other Stockholder shall have been afforded the opportunity to join in such sale on a pro rata basis, as hereinafter provided.

(b) Prior to consummation of any proposed sale, disposition or transfer of the Securities described in Section 5.8(a), the Disposing Stockholder shall cause the person or group that proposes to acquire such shares (the "Proposed Purchaser") to offer (the "Purchase Offer") in writing to each other Stockholder to purchase shares of Stock and/or Stock Rights owned by such Stockholder which are the same type, class or series proposed to be sold by the Disposing Stockholders, such that sum of the number of shares of such Stock so offered to be purchased and the number of shares of Stock then represented by the Stock Rights so offered to be purchased from such Stockholder shall be equal to the product obtained by multiplying the total number of shares of the same type, class or series of Stock or other Securities being sold by the Disposing Stockholder then owned by such Stockholder by a fraction, the numerator of which is the aggregate number of shares of each type, class or series of Stock or other Securities proposed to be purchased by the Proposed Purchaser from the Disposing Stockholder or Stockholders and the denominator of which is the aggregate number of outstanding shares of each type, class or series of Stock or other Securities that are owned by the Disposing Stockholder or Stockholders. Such purchase shall be made at the price per share and on such other terms and conditions as the Proposed Purchaser has offered to purchase each type, class or series of Stock or other Securities, as the case may be, to be sold by the Disposing Stockholder or Stockholders. Each Stockholder shall have 20 days from the date of receipt of the Purchase Offer in which to accept such Purchase Offer, and the closing of such purchase shall occur within 30 days after such acceptance or at such other time as such Stockholder and the Proposed Purchaser may agree. The number of shares of Stock and/or Stock Rights, as the case may be, to be sold to the Proposed Purchaser by the Disposing Stockholder or Stockholders shall be reduced by the aggregate number of shares of Stock and/or Stock Rights, as the case may be, purchased by the Proposed Purchaser from the other Stockholders pursuant to the acceptance by them of Purchase Offers in accordance with the provisions of this Section 5.8(b). In the event that a sale or other transfer subject to this Section 5.8 is to be made to a Proposed Purchaser who is not a Stockholder, the Disposing Stockholder shall notify the Proposed Purchaser that the sale or other transfer is subject to this Section 5.8 and shall ensure that no sale or other transfer is consummated without the Proposed Purchaser first complying with this Section 5.8. It shall be the responsibility of each Disposing Stockholder to determine whether any transaction to which it is a party is subject to this Section 5.8.

SECTION 5.9. RIGHTS TO COMPEL SALE.

(a) If DPIOSP, DPI Partners and their respective Affiliates propose to make a transfer of all their Stock, at any time when DPIOSP, DPI Partners and their Affiliates own at least 20% of the Fully Diluted Common Stock, to a Person that is not an Affiliate of DPIOSP nor a Person with respect to which DPIOSP or any of its Affiliates has a direct or indirect economic interest, then DPIOSP shall have the right, exercisable as set forth below, to require all of the other Stockholders (the "Remaining Stockholders") to sell all of the Stock and Stock Rights then held by such Remaining Stockholders (the "Transfer Stock") to the proposed transferee (the "Acquiror") for the same consideration per share of Stock or Stock Right as is being paid to DPIOSP, which consideration shall consist entirely of cash and/or Marketable Securities (as defined in Section 2.5) and otherwise on the same terms as are applicable to DPIOSP. The purchase price for each Stock Right in any such transfer shall equal the "spread" between the exercise price for such Stock Right and the purchase price per share of Stock. The terms and conditions other than the consideration to be received by the Remaining Stockholders for Stock and Stock Rights sold pursuant to this Section 5.9 shall be as set forth in the applicable Purchase Agreement between DPIOSP and the Acquiror. Upon the request of GE Capital, DPIOSP shall provide to GE Capital a fairness opinion of a nationally-recognized investment banking firm selected by DPIOSP, the fees and expenses of which shall be paid by the Company, supporting the fairness of the consideration to be received by the Stockholders, if the proposed transaction is with any of the First Reserve Stockholders or any Person of which the First Reserve Stockholders or their Affiliates own 10% or more of the equity interests.

(b) (i) DPIOSP shall cause the terms of the transfer to be reduced to writing and shall provide a written notice (the "Compelled Sale Transfer Notice") of such transfer to the Company and the Company shall provide such Compelled Sale Transfer Notice to the Remaining Stockholders. The Compelled Sale Transfer Notice shall contain written notice of the exercise of DPIOSP's rights pursuant to Section 5.9(a) hereof, setting forth the consideration to be paid by the Acquiror for each type of Stock and Stock Right and the other terms and conditions of the transfer. Within 20 days following the date of the Compelled Sale Transfer Notice, each of the Remaining Stockholders shall deliver to DPIOSP (the "Notice Designee"), as the case may be, certificates representing the Stock and instruments representing Stock Rights held by such Remaining Stockholder, duly endorsed, together with all other documents required to be executed in connection with such transfer or, if such delivery is not permitted by applicable law, an unconditional agreement to deliver such certificates pursuant to this Section 5.9(b) at the closing for such transfer against delivery to such Remaining Stockholder of the consideration therefor. Such certificates shall be held by DPIOSP in escrow for the benefit of the appropriate Remaining Stockholder and, if requested by the Remaining Stockholder, DPIOSP shall execute such form of escrow agreement as is reasonably satisfactory to DPIOSP and such Remaining Stockholder and which assures that the relevant Stock and/or Stock Rights are not considered property of DPIOSP. In the event that a Remaining Stockholder should fail to deliver such certificates as aforesaid, the Company shall cause the books and records of the

Company to show that such Stock and Stock Rights are bound by the provisions of this Section 5.9(b) and that such Stock and Stock Rights shall be transferred only to the Acquiror upon surrender for transfer by the Remaining Stockholder thereof.

(ii) If, within 150 days (or such longer period not exceeding 210 days as may be necessary to comply with any applicable provisions of the Hart Scott Rodino Antitrust Improvements Act or to obtain other required regulatory approval) after DPIOSP gives the Compelled Sale Transfer Notice, it has not completed the sale of all the Transfer Stock, DPIOSP, shall return to each of the Remaining Stockholders all certificates representing Stock and Stock Rights that such Remaining Stockholders delivered for sale pursuant hereto, and all the restrictions on sale or other disposition contained in this Agreement with respect to such Stock and Stock Rights and the Stock owned by DPIOSP shall again be in effect.

(iii) Within three business days after the consummation of the sale of Stock held by DPIOSP and the Remaining Stockholders pursuant to this Section 5.9, DPIOSP shall give notice thereof to the Remaining Stockholders, shall remit to each of the Remaining Stockholders a net amount with respect to the Stock and Stock Rights of such Remaining Stockholders sold pursuant thereto, after deduction of a pro rata portion of any related out-of-pocket fees and expenses payable to Persons other than DPIOSP or any of its Affiliates, and shall furnish such other evidence of the completion and time of completion of such sale or other disposition and the terms thereof as may be reasonably requested by such Remaining Stockholders, provided that if the cash or the fair market value of the Marketable Securities payable to any Remaining Stockholder exceeds $5,000,000, such Remaining Stockholder shall be entitled to have such cash and/or Marketable Securities (net of any fees and expenses that are to be deducted in accordance with this Section) paid directly to the Remaining Stockholder by the Acquiror at the closing of the transaction.

SECTION 5.10. STOCK INCENTIVE PLAN. Notwithstanding the provisions of Articles IV and V hereof, the provisions of the Stock Incentive Plan, to the extent that they are applicable, shall govern the transferability of, and the rights of the Company to repurchase, any Stock and Stock Rights that may be issued or granted thereunder.

SECTION 5.11. PERMITTED REPURCHASE. Upon the repayment of all indebtedness under the Loan Agreement, the Company, upon the request of DPIOSP, shall repurchase 200 shares of Class A Common Stock at a price of $24,900 per share from the Stockholders in the amounts specified on Exhibit C attached hereto.

ARTICLE VI. REGISTRATION RIGHTS.

SECTION 6.1. DEMAND REGISTRATIONS.

(a) At any time after the first Public Offering, any of DPIOSP, DPI Partners and the First Reserve Stockholders may request in writing that the Company effect the registration under the Securities Act of all or part of their Registrable Securities, specifying in the request the number and types of Registrable Securities to be registered by each such holder and the intended method of disposition thereof (such notice is hereinafter referred to as a "Holder Request"). Unless otherwise agreed by DPIOSP, DPI Partners and the First Reserve Stockholders, if any of DPIOSP, DPI Partners or the First Reserve Stockholders desire to require that the Company register Registrable Securities in accordance with the preceding sentence it will give the other written notice to such effect at least 30 days prior to issuing a Holder Request and will include in such Holder Request all Registrable Securities which the other party (or parties in the case of the First Reserve Stockholders) request. Upon receipt of such Holder Request, the Company will promptly give written notice of such requested registration to all other holders of Registrable Securities, which other holders shall have the right, subject to the provisions of Section 6.1(h) hereof, to include the Registrable Securities held by them in such registration and thereupon the Company will, as expeditiously as possible, use its best efforts to effect the registration under the Securities Act of:

(i) the Registrable Securities which the Company has been so requested to register by DPIOSP, DPI Partners and the First Reserve Stockholders; and

(ii) all other Registrable Securities which the Company has been requested to register by any other holder thereof by written request given to the Company within 30 calendar days after the giving of such written notice by the Company,

all to the extent necessary to permit the disposition of the Registrable Securities so to be registered pursuant to an Underwritten Offering or by such other method of disposition as DPIOSP, DPI Partners or the First Reserve Stockholders may specify in the Holder Request; provided, however, that the Company shall not be obligated to file a registration statement pursuant to any Holder Request under this Section 6.1(a):

(A) Unless the Company shall have received requests for such registration with respect to at least 10% of the Fully Diluted Common Stock;

(B) Other than a registration statement on Form S-3 or a similar short form registration statement, within a period of 12 months after the effective date of any other registration statement relating to any registration request under this Section 6.1(a) that was not effected on Form S-3 (or any similar short form); or

(C) Within the six month period immediately following the effective date of a registration previously effected by the Company pursuant to this Section 6.1.

(b) Notwithstanding the foregoing provisions of Section 6.1(a), the Company shall not be obligated to file more than an aggregate of four registration statements pursuant to this Section 6.1.

(c) If the Company proposes to effect a registration requested pursuant to this Section 6.1 by the filing of a registration statement on Form S-3 (or any similar short-form registration statement), the Company will comply with any request by the managing underwriter to effect such registration on another permitted form if such managing underwriter advises the Company that, in its opinion, the use of another form of registration statement is of material importance to the success of such proposed offering.

(d) A registration requested pursuant to Section 6.1(a) will not be deemed to have been effected unless it has become effective; provided, that, if after it has become effective, the offering of Registrable Securities pursuant to such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court, such registration will be deemed not to have been effected.

(e) The Company will pay all Registration Expenses in connection with each of the registrations of Registrable Securities effected by it pursuant to this Section 6.1.

(f) DPIOSP shall have the right to select the investment banker (or investment bankers) that shall manage the offering (collectively, the "managing underwriter"), provided, however, that if the First Reserve Stockholders are selling Securities in such offering such managing underwriter must be reasonably satisfactory to the First Reserve Stockholders.

(g) Whenever a requested registration pursuant to this Section 6.1 involves a firm commitment underwriting (an "Underwritten Offering"), the only shares that may be included in such Offering are (i) Registrable Securities, and (ii) securities of the Company which are not Registrable Securities included in such Offering upon the written consent of DPIOSP ("Company Securities").

(h) If a registration pursuant to this Section 6.1 involves an Underwritten Offering and the managing underwriter shall advise the Company that, in its judgment, the number of shares proposed to be included in such Offering should be limited due to market conditions, then the Company will promptly so advise each holder of Registrable Securities that has requested registration, and the Company Securities, if any, shall first be excluded from such Offering to the extent necessary to meet such limitation; and if further exclusions are necessary to meet such limitation, the shares shall be excluded in the following order until such limitation has been met: (i) Registrable Securities requested to be registered pursuant to Section 6.1(a)(ii) held by Persons other than GE Capital shall be excluded pro rata, based on the respective numbers of shares of Common Stock as to which registration shall have been requested by such Persons, and (ii) Registrable Securities requested to be registered pursuant to Section 6.1(a)(i) and by GE Capital shall be excluded pro rata, based on the respective numbers of shares of Common Stock as to which registration has been requested by such holders.

SECTION 6.2. PIGGYBACK REGISTRATIONS.

(a) If the Company at any time proposes to register any of its equity or debt securities under the Securities Act (other than a registration on Form S-4 or S-8 or any successor or similar forms thereto and other than pursuant to a registration under Section 6.1), whether or not for sale for its own account, on a form and in a manner that would permit registration of Registrable Securities for sale to the public under the Securities Act, it will give written notice to all the holders of Registrable Securities promptly of its intention to do so, describing such securities and specifying the form and manner and the other relevant facts involved in such proposed registration (including, without limitation, (x) whether or not such registration will be in connection with an underwritten offering of Registrable Securities and, if so, the identity of the managing underwriter and whether such offering will be pursuant to a "best efforts" or "firm commitment" underwriting and (y) the price (net of any underwriting commissions, discounts and the like) at which the Registrable Securities are reasonably expected to be sold) if such disclosure is acceptable to the managing underwriter. Upon the written request of any such holder delivered to the Company within 30 calendar days after the receipt of any such notice (which request shall specify the Registrable Securities intended to be disposed of by such holder and the intended method of disposition thereof), the Company will use best efforts to effect the registration under the Securities Act of all of the Registrable Securities that the Company has been so requested to register; provided, however, that:

(i) If, at any time after giving such written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register such securities, the Company may, at its election, give written notice of such determination to each holder of Registrable Securities who made a request as hereinabove provided and thereupon the Company shall be relieved of its obligation to register any Registerable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses in connection therewith), without prejudice, however, to the rights, of the holders of the Registrable Securities to request that such registration be effected as a registration under Section 6.1.

(ii) If such registration involves an Underwritten Offering, all holders of Registrable Securities requesting some or all of their Registrable Securities to be included in the Company's registration must sell that portion of their Registrable Securities to the underwriters selected by the Company on the same terms and conditions as apply to the Company.

No registration effected under this Section 6.2 shall relieve the Company of its obligation to effect registration upon request under Section 6.1.

(b) The Company shall not be obligated to effect any registration of Registrable Securities under this Section 6.2 incidental to the registration of any of its securities in

connection with mergers, acquisitions, exchange offers, dividend reinvestment plans or stock option or other employee benefit plans.

(c) The Registration Expenses incurred in connection with each registration of Registrable Securities requested pursuant to this Section 6.2 shall be paid by the Company.

(d) If a registration pursuant to this Section 6.2 involves an Underwritten Offering and the managing underwriter advises the Company that, in its opinion, the number of securities proposed to be included in such registration should be limited due to market conditions, then the Company will include in such registration (i) first, the securities the Company proposes to sell, and (ii) second, the number of shares of Common Stock requested to be included in such registration that, in the opinion of such managing underwriter, can be sold, such amount to be allocated pro rata among all such requesting holders on the basis of the class of securities and the relative number of shares of Registrable Securities, as the case may be, each such holder has requested to be included in such registration.

(e) In connection with any Underwritten Offering with respect to which holders of Registrable Securities shall have requested registration pursuant to this Section 6.2, the Company shall have the right to select the managing underwriter with respect to the offering; provided that such managing underwriter is reasonably acceptable to DPIOSP.

SECTION 6.3. REGISTRATION PROCEDURES.

(a) If and whenever the Company is required to use its best efforts to effect or cause the registration of any Registrable Securities under the Securities Act as provided in Section 6.1 or 6.2, the Company will, as expeditiously as possible:

(i) Prepare and, in any event within 60 calendar days after the end of the period within which requests for registration may be given to the Company, file with the Commission a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become and remain effective, provided that the Company may discontinue any registration of its securities that is being effected pursuant to Section 6.2 at any time prior to the effective date of the registration statement relating thereto.

(ii) Prepare and file with the Commission such amendments (including post-effective amendments) and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period as may be requested by the Institutional Investors not exceeding nine months and to comply with the provisions of the Securities Act with respect to the disposition of all Securities covered by such registration statement during such period in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement, provided, that before filing a registration statement or prospectus relating to the sale of Registrable Securities, or any amendments or supplements

thereto, the Company will furnish to counsel to each holder of Registrable Securities covered by such registration statement or prospectus, copies of all documents proposed to be filed, which documents will be subject to the review of such counsel, and the Company will give reasonable consideration in good faith to any comments of such counsel.

(iii) Furnish to each holder of Registrable Securities covered by the registration statement and to each underwriter, if any, of such Registrable Securities, such number of copies of a prospectus and preliminary prospectus for delivery in conformity with the requirements of the Securities Act, and such other documents, as such Person may reasonably request, in order to facilitate the public sale or other disposition of the Registrable Securities.

(iv) Use its best efforts to register or qualify such Registrable Securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as each seller shall reasonably request, and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition of the Registrable Securities owned by such seller, in such jurisdictions, except that the Company shall not for any such purpose be required (A) to qualify to do business as a foreign corporation in any jurisdiction where, but for the requirements of this Section 6.3(a)(iv), it is not then so qualified, or (B) to subject itself to taxation in any such jurisdiction, or (C) to take any action which would subject it to general or unlimited service of process in any such jurisdiction where it is not then so subject.

(v) Use its best efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Registrable Securities.

(vi) Immediately notify each seller of Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act within the appropriate period mentioned in Section 6.3(a)(ii), if the Company becomes aware that the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and, at the request of any such seller, deliver a reasonable number of copies of an amended or supplemental prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, each prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(vii) Otherwise use its best efforts to comply with all applicable rules and regulations of the Commission and make generally available to its security holders,

in each case as soon as practicable, but not later than 45 calendar days after the close of the period covered thereby (90 calendar days in case the period covered corresponds to a fiscal year of the Company), an earnings statement of the Company which will satisfy the provisions of Section 11(a) of the Securities Act.

(viii) Use its best efforts in cooperation with the underwriters to list such Registrable Securities on each securities exchange as they may reasonably designate.

(ix) In the event the offering is an Underwritten Offering, use its best efforts to obtain a "cold comfort" letter from the independent public accountants for the Company in customary form and covering such matters of the type customarily covered by such letters as DPIOSP or the First Reserve Stockholders may reasonably request, in order to effect an underwritten public offering of such Registrable Securities.

(x) Execute and deliver all instruments and documents (including in an Underwritten Offering an underwriting agreement in customary form) and take such other actions and obtain such certificates and opinions as DPIOSP or the First Reserve Stockholders may reasonably request in order to effect an underwritten public offering of such Registrable Securities.

(xi) Make available for inspection by the seller of such Registrable Securities covered by such registration statement, by any underwriter participating in any disposition to be effected pursuant to such registration statement and by any attorney, accountant or other agent retained by any such seller or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement.

(xii) Obtain for delivery to the underwriter or agent an opinion or opinions from counsel for the Company in customary form and in form and scope reasonably satisfactory to such underwriter or agent and their counsel.

(b) Each holder of Registrable Securities will, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 6.3(a)(vi), forthwith discontinue disposition of the Registrable Securities pursuant to the registration statement covering such Registrable Securities until such holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 6.3(a)(vi).

(c) If a registration pursuant to Section 6.1 or 6.2 involves an Underwritten Offering, each holder of Registerable Securities agrees, whether or not such holder's Registrable Securities are included in such registration, not to effect any public sale or distribution, including any sale pursuant to Rule 144 under the Securities Act, of any Registrable Securities, or of any security convertible into or exchangeable or exercisable

for any Registrable Securities (other than as part of such Underwritten Offering), without the consent of the managing underwriter, during a period commencing seven calendar days before and ending 180 calendar days (or such lesser number as the managing underwriter shall designate) after the effective date of such registration.

(d) If a registration pursuant to Section 6.1 or 6.2 involves an Underwritten Offering, the Company agrees, if so required by the managing underwriter, not to effect any public sale or distribution of any of its equity or debt securities, as the case may be, or securities convertible into or exchangeable or exercisable for any of such equity or debt securities, as the case may be, during a period commencing seven calendar days before and ending 180 calendar days after the effective date of such registration, except for such Underwritten Offering or except in connection with a stock option plan, stock purchase plan, savings or similar plan, or an acquisition, merger or exchange offer.

(e) If a registration pursuant to Section 6.1 or 6.2 involves an Underwritten Offering, any holder of Registrable Securities requesting to be included in such registration may elect, in writing, prior to the effective date of the registration statement filed in connection with such registration, not to register such securities in connection with such registration, unless such holder has agreed with the Company or the managing underwriter to limit its rights under this Section 6.3.

(f) It is understood that in any Underwritten Offering in addition to any shares of stock (the "initial shares") the underwriters have committed to purchase, the underwriting agreement may grant the underwriters an option to purchase up to a number of additional shares of stock (the "option shares") equal to 15% of the initial shares (or such other maximum amount as the NASD may then permit), solely to cover over-allotments. Shares of stock proposed to be sold by the Company and the other sellers shall be allocated between initial shares and option securities as agreed or, in the absence of agreement, pursuant to Section 6.1(h) or 6.2(d), as the case may be. The number of initial shares and option shares to be sold by requesting holders shall be allocated pro rata among all such holders on the basis of the relative number of shares of Registrable Securities each such holder has requested to be included in such registration.

(g) Notwithstanding anything in this Article VI to the contrary, in lieu of exercising the GE Capital Warrant prior to or simultaneously with the filing or the effectiveness of any registration statement filed pursuant to this Article VI, the holder of the GE Capital Warrant may sell all or a portion of the GE Capital Warrant to the underwriter of the offering being registered upon the undertaking of such underwriter to exercise such GE Capital Warrant before making any distribution pursuant to such registration statement and to include the Common Stock issued upon such exercise among the securities being offered pursuant to such registration statement. The Company agrees to cause such Common Stock to be included among the securities being offered pursuant to such registration statement to be issued within such time as will permit the underwriter to make and complete the distribution contemplated by the underwriting.

SECTION 6.4. INDEMNIFICATION.

(a) In the event of any registration of any securities of the Company under the Securities Act pursuant to Section 6.1 or 6.2, the Company will, and it hereby agrees to, indemnify and hold harmless, to the extent permitted by law, each seller of any Registrable Securities covered by such registration statement, each affiliate of such seller and their respective directors, officers, employees and agents or general and limited partners (and directors, officers, employees and agents thereof) and, if such seller is a portfolio or investment fund, its investment advisors or agents, each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls such seller or any such underwriter within the meaning of the Securities Act, as follows:

(i) against any and all loss, liability, claim, damage or expense whatsoever arising out of or based upon an untrue statement or alleged untrue statement of a material fact contained in any registration statement (or any amendment or supplement thereto), including all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, or arising out of an untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever to the extent of the aggregate amount paid in settlement of any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expense reasonably incurred by them in connection with investigating, preparing or defending against any litigation, or investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or mission to the extent that any such expense is not paid under subparagraph (i) or (ii) above;

Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such seller or any such director, officer, employee, agent, general or limited partner, investment advisor or agent, underwriter or controlling Person and shall survive the transfer of such securities by such Seller.

(b) The Company may require, as a condition to including any Registrable Securities in any registration statement filed in accordance with Section 6.1 or 6.2, that the Company shall have received an undertaking reasonably satisfactory to it from the prospective seller of such Registrable Securities or any underwriter, to indemnify and hold

harmless (in the same manner and to the same extent as set forth in Section 6.4(a)) the Company with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary, final or summary prospectus contained therein, or any amendment or supplement, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by or on behalf of such seller or underwriter specifically stating that it is for use in the preparation of such registration statement, preliminary, final or summary prospectus or amendment or supplement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any such director, officer or controlling Person and shall survive the transfer of such securities by such seller. In that event, the obligations of the Company and such sellers pursuant to this Section 6.4 are to be several and not joint; provided, however, that, with respect to each claim pursuant to this Section, the Company shall be liable for the full amount of such claim, and each such seller's liability under this Section 6.4 shall be limited to an amount equal to the net proceeds (after deducting the underwriting discount and expenses) received by such seller from the sale of Registrable Securities held by such seller pursuant to this Agreement.

(c) Promptly after receipt by an indemnified party hereunder of written notice of the commencement of any action or proceeding involving a claim referred to in this Section 6.4, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to such indemnifying party of the commencement of such action; provided, however, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under this Section 6.4, except to the extent (not including any such notice of an underwriter) that the indemnifying party is materially prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim (in which case the indemnifying party shall not be liable for the fees and expenses of more than one firm of counsel selected by DPIOSP or more than one firm of counsel selected by the First Reserve Stockholders, or more than one firm of counsel for the underwriters in connection with any one action or separate but similar or related actions), the indemnifying party will be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified, to the extent that it may wish with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party for any legal or other expenses subsequently incurred by such indemnifying party in connection with the defense thereof provided that the indemnifying party will not agree to any settlement without the prior consent of the indemnified party (which consent shall not be unreasonably withheld) unless such settlement requires no more than a monetary payment for which the indemnifying party agrees to indemnify the indemnified party and includes a full, unconditional and complete release of the indemnified person, provided, however, that the indemnified party shall be entitled to take control of the defense of any claim as to which, in the reasonable judgment of the indemnifying party's counsel, representation of both the indemnifying party and the indemnified party would be inappropriate under the

applicable standards of professional conduct due to actual or potential differing interests between them. In the event that the indemnifying party does not assume the defense of a claim pursuant to this Section 6.4(c), the indemnified party will have the right to defend such claim by all appropriate proceedings, and will have control of such defense and proceedings, and the indemnified party shall have the right to agree to any settlement without the prior consent of the indemnifying party. Each indemnified party shall, and shall cause its legal counsel to, provide reasonable cooperation to the indemnifying party and its legal counsel in connection with its assuming the defense of any claim, including the furnishing of the indemnifying party with all papers served in such proceeding. In the event that an indemnifying party assumes the defense of an action under this Section 6.4(c), then such indemnifying party shall, subject to the provisions of this Section 6.4, indemnify and hold harmless the indemnified party from any and all losses, claims, damages or liabilities by reason of such settlement or judgment.

(d) The Company and each seller of Registerable Securities shall provide for the foregoing indemnity (with appropriate modifications) in any underwriting agreement with respect to any required registration or other qualification of securities under any federal or state law or regulation of any governmental authority.

SECTION 6.5. CONTRIBUTION. In order to provide for just and equitable contribution in circumstances under which the indemnity contemplated by Section 6.4 is for any reason not available or insufficient for any reason to hold harmless an indemnified party in respect of any losses, claims, damages or liabilities referred to therein, the parties required to indemnify by the terms thereof shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement incurred by the Company, any seller of Registrable Securities and one or more of the underwriters, except to the extent that contribution is not permitted under Section 11(f) of the Securities Act. In determining the amounts which the respective parties shall contribute, there shall be considered the relative benefits received by each party from the offering of the Registrable Securities by taking into account the portion of the proceeds of the offering realized by each, and the relative fault of each party by taking into account the parties' relative knowledge and access to information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission and any other equitable considerations appropriate under the circumstances. The Company and each Person selling securities agree with each other that no seller of Registrable Securities shall be required to contribute any amount in excess of the amount such seller would have been required to pay to an indemnified party if the indemnity under Section 6.4(b) were available. The Company and each such seller agree with each other and the underwriters of the Registerable Securities, if requested by such underwriters, that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation (even if the underwriters were treated as one entity for such purpose) or for the underwriters' portion of such contribution to exceed the percentage that the underwriting discount bears to the initial public offering price of the Registrable Securities. For purposes of this Section 6.5, each Person, if any, who controls an underwriter within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as such underwriter, and each director and each officer of the Company who signed the registration statement, and each

Person, if any, who controls the Company or a seller of Registrable Securities within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as the Company or a seller of Registrable Securities, as the case may be.

SECTION 6.6. RULE 144. If the Company shall have filed a registration statement pursuant to the requirements of Section 12 of the Exchange Act or a registration statement pursuant to the requirements of the Securities Act, the Company covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder (or, if the Company is not required to file such reports, it will, upon the request of any holder of Registrable Securities, make publicly available other information) , and it will take such further action as any holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holder to sell shares of Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Commission. Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such requirements.

ARTICLE VII. TERMINATION.

SECTION 7.1. CERTAIN TERMINATIONS.

(a) Except to the extent specifically provided elsewhere in this Agreement, the provisions of Articles II, III, IV and V shall terminate on the date on which any of the following events first occurs: (i) a Qualified Public Offering, or (ii) the tenth anniversary of the date of this Agreement.

(b) Notwithstanding the foregoing, this Agreement shall in any event terminate with respect to any Stockholder when such Stockholder no longer owns any shares of Common Stock or Stock Rights.

ARTICLE VIII. MISCELLANEOUS.

SECTION 8.1. SUCCESSORS AND ASSIGNS. Except as provided in Section 4.2 and as otherwise provided herein, all of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective successors and assigns of the parties hereto. No Stockholder may assign any of its rights hereunder to any Person other than a transferee that has complied with the requirements of Sections 4.2 and 5.3 (if applicable) as provided therein in all respects. The Company may not assign any of its rights hereunder to any Person other than an Affiliate of the Company. If any transferee of any Stockholder shall acquire any shares of Stock or Stock Rights, in any manner, whether by operation of law or otherwise, such Stock or Stock Rights shall be held subject to all of the terms of this Agreement, and by taking and holding such Securities such Person shall be entitled to receive the benefits of and be conclusively deemed to have agreed to be bound by and to comply with all of the terms

and provisions of this Agreement, provided, however, that any transferee, other than an Affiliate of an Institutional Investor, shall have only those rights, benefits and obligations of GE Capital (other than those specified in Sections 2.5, 4.2(a)(iii), 5.5(a), 5.9(a) and 6.1(h)) hereunder, and any transferee from a Management Investor shall have only those rights, benefits and obligations of a Management Investor hereunder.

SECTION 8.2. AMENDMENT AND MODIFICATION; WAIVER OF COMPLIANCE.

(a) This Agreement may be amended only by a written instrument duly executed by (i) DPIOSP, and (ii) First Reserve. No amendment to this Agreement which adversely affects the rights of GE Capital hereunder may be effected without the prior written consent of GE Capital. No amendment to this Agreement which adversely affects the rights of the Management Investors hereunder may be effected without the prior written consent of Management Investors holding a majority of the shares of Stock or Stock Rights at the time held by the Management Investors. In the event of the amendment or modification of this Agreement in accordance with its terms, the Stockholders shall cause the Board of Directors of the Company to meet within 30 calendar days following such amendment or modification or as soon thereafter as is practicable for the purpose of adopting any amendment to the Certificate of Incorporation and By-Laws of the Company that may be required as a result of such amendment or modification to this Agreement, and, if required, proposing such amendments to the Stockholders entitled to vote thereon, and the Stockholders agree to vote in favor of such amendments.

(b) Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

(c) In the event of any conflict between the provisions of this Agreement and the provisions of any other agreement, the provisions of this Agreement shall govern and prevail, except as otherwise provided herein.

SECTION 8.3. NOTICES. Any notice, request, claim, demand, document and other communication hereunder to any party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by telex or telecopy (with such telex or telecopy confirmed promptly in writing sent by first class mail), or first class mail, or other similar means of communication, a s follows:

(i) If to the Company, addressed to its principal executive offices to the attention of its Secretary;

(ii) If to a Stockholder other than DPIOSP, DPI Partners or the First Reserve Stockholders, to the address of such Stockholder set forth in the stock records of the Company, or to such other address as any party shall have specified by notice given to the other parties in the manner specified above; and

(iii) If to DPIOSP or DPI Partners, to:

DPI Oil Service Partners Limited Partnership
666 Steamboat Road
Greenwich, CT 6830
Attn: W. McComb Dunwoody

with a copy to:

Vinson & Elkins L.L.P.
2300 First City Tower
1001 Fannin Street
Houston, TX 77002-6760
Attn: John S. Watson

(iv) If to the First Reserve Stockholders or to First Reserve, to:

First Reserve Corporation
475 Steamboat Road
Greenwich, CT 06830
Attn: William E. Macaulay

with a copy to:

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, NY 10017-3954
Attn: Richard Capelouto

or, in each case, to such other address or telex or telecopy number as such party may most recently designate, in writing to each Stockholder.

All such communications shall be deemed to have been given or made when so delivered by hand or sent by telex (answer back received) or telecopy, or if mailed, five business days after being so mailed.

SECTION 8.4. ENTIRE AGREEMENT; GOVERNING LAW.

(a) This Agreement and the other writings referred to herein or delivered pursuant hereto which form a part hereof contain the entire agreement among the parties hereto with respect to the subject transactions contemplated hereby and supersede all prior oral and written agreements and memoranda and undertakings among the parties hereto with regard to this subject matter. The Company represents to the Stockholders that the rights granted to the holders hereunder do not in any way conflict with and are not inconsistent with the rights granted or obligations accepted under any other agreement (including the Certificate of Incorporation) to which the Company is a party.

(b) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN DELAWARE).

SECTION 8.5. INJUNCTIVE RELIEF. The Stockholders acknowledge and agree that a violation of any of the terms of this Agreement will cause the Stockholders irreparable injury for which adequate remedy at law is not available. Therefore, the Stockholders agree that each Stockholder shall be entitled to an injunction, restraining order or other equitable relief from any court of competent jurisdiction, restraining any Stockholder from committing any violations of the provisions of this Agreement.

SECTION 8.6. INSPECTION. For so long as this Agreement shall be in effect, this Agreement shall be made available for inspection by any Stockholder at the principal executive offices of the Company.

SECTION 8.7. HEADINGS. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 8.8. RECAPITALIZATIONS, EXCHANGES, ETC., AFFECTING THE SECURITIES.

(a) The provisions of this Agreement shall apply to the full extent set forth herein with respect to the Stock and the Stock Rights, and to any and all equity or debt securities of the Company, the Borrower or any successors or assigns of the Company (whether by merger, consolidation, sale of assets, or otherwise) which may be issued in respect of, in exchange for, or in substitution of, such equity or debt securities and shall be appropriately adjusted for any stock dividends, splits, reverse splits, combinations, reclassifications, recapitalizations, reorganizations and the like occurring after the date hereof.

SECTION 8.9. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed as of the date first above written.

COMPANY:

NOW HOLDINGS, INC.

By: /s/ W. MCCOMB DUNWOODY
W. McComb Dunwoody
President

INSTITUTIONAL INVESTORS:

DPI OIL SERVICE PARTNERS LIMITED PARTNERSHIP

By Duff & Phelps/Inverness LLC
Managing General Partner

By: /s/ W. MCCOMB DUNWOODY
W. McComb Dunwoody
President

DPI PARTNERS II

By: /s/ W. MCCOMB DUNWOODY
W. McComb Dunwoody
Managing Partner

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ ABIGAL WOLF
Title: Authorized Signature

FIRST RESERVE FUND V, LIMITED
PARTNERSHIP

By: First Reserve Corporation,
as Managing General Partner

By: /s/ BRUCE ROTHSTEIN

Bruce Rothstein
Vice President

FIRST RESERVE FUND V-2, LIMITED
PARTNERSHIP

By: First Reserve Corporation,
as Managing General Partner

By: /s/ BRUCE ROTHSTEIN

Bruce Rothstein
Vice President

FIRST RESERVE FUND VI, LIMITED
PARTNERSHIP

By: First Reserve Corporation,
as Managing General Partner

By: /s/ BRUCE ROTHSTEIN

Bruce Rothstein
Vice President

MANAGEMENT INVESTORS:

/s/ JOEL V. STAFF
Joel V. Staff

/s/ C. R. BEARDEN
C. R. Bearden

/s/ LYNN L. LEIGH
Lynn L. Leigh

/s/ JERRY N. GAUCHE
Jerry N. Gauche

/s/ PAUL M. NATION
Paul M. Nation

BANK OF AMERICA TEXAS, N.A.
as Trustee of the Trust created
pursuant to the National-Oilwell
Supplemental Savings Plan

By: /s/ GARY L. CHURCH
Name: Gary L. Church
Title: Vice President

By: /s/ SHELBY A. BEER
Name: Shelby A. Beer
Title: Vice President

SPOUSES:

/s/ M. M. STAFF
M. M. Staff

/s/ MARY R. BEARDEN
Mary R. Bearden

/s/ BETTY BARNETT LEIGH
Betty Barnett Leigh

/s/ CATHY K. GAUCHE
Cathy K. Gauche

/s/ BEVERLY W. NATION
Beverly W. Nation

MERRILL LYNCH & CO. C/F
Jerry N. Gauche, IRA
Account Number 795-81K02

By /s/ ILLEGIBLE
Authorized Signatory

/s/ EDGAR J. MARSTON III
Edgar J. Marston III

Proxy under Agreement dated January 1996 among the Company, Edgar J. Marston III and participants in the National-Oilwell Supplemental Savings Plan, as amended and Trust related thereto

EXHIBIT A-1

STOCK AWARD AND LONG-TERM INCENTIVE PLAN

NOW HOLDINGS, INC.

STOCK AWARD AND LONG-TERM INCENTIVE PLAN

I. PURPOSE

The purpose of the NOW Holdings, Inc. Stock Award and Long-Term Incentive Plan (the "Plan") is to provide a means whereby NOW Holdings, Inc., a Delaware corporation (the "Company"), and its Subsidiaries may attract able persons to enter the employ of the Company in key positions and to provide a means whereby those key employees upon whom the responsibilities of the successful administration and management of the Company rest, and whose present and potential contributions to the welfare of the Company are of importance, can acquire and maintain stock ownership, thereby strengthening their concern for the long-term welfare of the Company and their desire to remain in its employ. A further purpose of the Plan is to provide such key employees with additional incentive and reward opportunities designed to enhance the profitable growth of the Company over the long term. Accordingly, the Plan provides for granting Incentive Stock Options, options which do not constitute Incentive Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Performance Share Awards, Stock Value Equivalent Awards, or any combination of the foregoing, as is best suited to the circumstances of the particular employee as provided herein.

II. DEFINITIONS

The following definitions shall be applicable throughout the Plan unless specifically modified by any paragraph:

(a) "AWARD" means, individually or collectively, any Option, Stock Appreciation Right, Restricted Stock Award, Performance Share Award or Stock Value Equivalent Award.

(b) "BOARD" means the Board of Directors of NOW Holdings, Inc.

(c) "CODE" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations under such section.

(d) "COMMITTEE" means the committee selected by the Board to administer the Plan in accordance with Paragraph (a) of Article IV of the Plan.

(e) "COMMON STOCK" means the common stock, par value $0.01 per share, of NOW Holdings, Inc.

(f) "COMPANY" means NOW Holdings, Inc.

(g) "FAIR MARKET VALUE" means the amount determined by the Committee in such manner as it deems appropriate.

(h) "HOLDER" means an employee of the Company (or his guardian or legal representative) who has been granted an Award.

(i) "INCENTIVE STOCK OPTION" means an option within the meaning of section 422 of the Code to purchase Common Stock.

(j) "NONQUALIFIED OPTION" means an option to purchase Common Stock which is not an Incentive Stock Option.

(k) "OPTION" means an Award granted under Article VII of the Plan and includes both Incentive Stock Options and Nonqualified Options.

(l) "OPTION AGREEMENT" means a written agreement between the Company and an employee with respect to an Option.

(m) "OPTIONEE" means an employee who has been granted an Option.

(n) "PARENT CORPORATION" shall have the meaning set forth in section 424(e) of the Code.

(o) "PERFORMANCE SHARE AWARD" means an Award granted under Article X of the Plan.

(p) "PLAN" means the NOW Holdings, Inc. Stock Award and Long-Term Incentive Plan.

(q) "RESTRICTED STOCK AWARD" means an Award granted under Article IX of the Plan.

(r) "SPREAD" means, in the case of a Stock Appreciation Right, an amount equal to the excess, if any, of the Fair Market Value of a share of Common Stock on the date such right is exercised over the exercise price of such Stock Appreciation Right.

(s) "STOCK APPRECIATION RIGHT" means an Award granted under Article VIII of the Plan.

(t) "STOCK APPRECIATION RIGHTS AGREEMENT" means a written agreement between the Company and an employee with respect to an Award of Stock Appreciation Rights.

(u) "STOCK VALUE EQUIVALENT AWARD" means an Award granted under Article XI of the Plan.

(v) "SUBSIDIARY" means a company (whether a corporation, partnership, joint venture or other form of entity) in which the Company, or a corporation in which the Company owns a majority of the shares of capital stock or equity interests, directly or indirectly, except that with

respect to the issuance of Incentive Stock Options the term "Subsidiary" shall have the same meaning as the term "subsidiary corporation" as defined in section 424(f) of the Code.

III. EFFECTIVE DATE AND DURATION OF THE PLAN

The Plan shall be effective upon the date of its adoption by the Board, provided the Plan is approved by the stockholders of the Company within twelve months thereafter. Notwithstanding any provision of the Plan or in any Option Agreement or Stock Appreciation Rights Agreement, no Option or Stock Appreciation Right shall be exercisable prior to such stockholder approval. No further Awards may be granted under the Plan after ten years from the date the Plan is adopted by the Board. Subject to the provisions of Article XIII, the Plan shall remain in effect until all Options and Stock Appreciation Rights granted under the Plan have been exercised or expired by reason of lapse of time, all restrictions imposed upon Restricted Stock Awards have lapsed and all Performance Share Awards and Stock Value Equivalent Awards have been satisfied.

IV. ADMINISTRATION

(a) COMPOSITION OF COMMITTEE. The Plan shall be administered by the Committee which shall be appointed by the Board.

(b) POWERS. The Committee shall have sole authority, in its discretion, to determine which employees of the Company and its Subsidiaries shall receive an Award, the time or times when such Award shall be made, whether an Incentive Stock Option, Nonqualified Option or Stock Appreciation Right shall be granted, the number of shares of Common Stock which may be issued under each Option, Stock Appreciation Right and Restricted Stock Award, and the value of each Performance Share Award and Stock Value Equivalent Award. In making such determinations the Committee may take into account the nature of the services rendered by the respective employees, their present and potential contribution to the Company's success and such other factors as the Committee in its discretion shall deem relevant.

(c) ADDITIONAL POWERS. The Committee shall have such additional powers as are delegated to it by the other provisions of the Plan. Subject to the express provisions of the Plan, the Committee is authorized to construe the Plan and the respective agreements executed thereunder, to prescribe such rules and regulations relating to the Plan as it may deem advisable to carry out the Plan, and to determine the terms, restrictions and provisions of each Award, including such terms, restrictions and provisions as shall be requisite in the judgment of the Committee to cause designated Options to qualify as Incentive Stock Options, and to make all other determinations necessary or advisable for administering the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in any agreement relating to an Award in the manner and to the extent it shall deem expedient to carry it into effect. The determinations of the Committee on the matters referred to in this Article IV shall be final and binding for all purposes and upon all interested persons and their heirs, successors and personal representatives.

V. GRANT OF OPTIONS, STOCK APPRECIATION RIGHTS, RESTRICTED STOCK AWARDS, PERFORMANCE SHARE AWARDS AND STOCK VALUE EQUIVALENT AWARDS; SHARES SUBJECT TO THE PLAN

(a) AWARD LIMITS. The Committee may from time to time grant Awards to one or more employees determined by it to be eligible for participation in the Plan in accordance with the provisions of Article VI. The aggregate number of shares of Common Stock that may be issued under the Plan shall not exceed 85,573 shares. Any of such shares which remain unissued and which are not subject to outstanding Awards at the termination of the Plan shall cease to be subject to the Plan, but, until termination of the Plan, the Company shall at all times reserve a sufficient number of shares to meet the requirements of the Plan. Shares shall be deemed to have been issued under the Plan only to the extent actually issued and delivered pursuant to an Award. To the extent that an Award lapses or the rights of its Holder terminate any shares of Common Stock subject to such Award shall again be available for the grant of an Award. The aggregate number of shares which may be issued under the Plan shall be subject to adjustment in the same manner as provided in Article) XII with respect to shares of Common Stock subject to Options then outstanding. Separate stock certificates shall be issued by the Company for those shares acquired pursuant to the exercise of an Incentive Stock Option and for those shares acquired pursuant to the exercise of a Nonqualified Option.

(b) STOCK OFFERED. The stock to be offered pursuant to the grant of an Award may be authorized but unissued Common Stock or Common Stock previously issued and outstanding and reacquired by the Company.

VI. ELIGIBILITY

Awards made pursuant to the Plan may be granted only to individuals who, at the time of grant, are key employees of the Company or any Parent Corporation or Subsidiary of the Company. Awards may not be granted to any director of the Company who is not an employee of the Company or to any member of the Committee. An Award made pursuant to the Plan may be granted on more than one occasion to the same person, and such Award may include an Incentive Stock Option, a Nonqualified Option, an Award of Stock Appreciation Rights, a Restricted Stock Award, a Performance Share Award, a Stock Value Equivalent Award or any combination thereof. Each Award shall be evidenced by a written instrument duly executed by or on behalf of the Company.

VII. OPTIONS

(a) OPTION AGREEMENT. Each Option shall be evidenced by an Option Agreement between the Company and the Optionee which shall contain such terms and conditions as may be approved by the Committee. The terms and conditions of the respective Option Agreements need not be identical. Specifically, an Option Agreement may provide for the payment of the option price, in whole or in part, by the delivery of a number of shares of Common Stock (plus cash if necessary) having a Fair Market Value equal to such option price. Each Option Agreement shall provide that

the Option may not be exercised earlier than six months from the date of grant and shall specify the effect of termination of employment on the exercisability of the Option.

(b) OPTION PERIOD. The term of each Option shall be as specified by the Committee at the date of grant.

(c) LIMITATIONS ON EXERCISE OF OPTION. An Option shall be exercisable in whole or in such installments and at such times as determined by the Committee.

(d) SPECIAL LIMITATIONS ON INCENTIVE STOCK OPTIONS. To the extent that the aggregate Fair Market Value (determined at the time the respective Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of the Company and its Parent Corporation and Subsidiaries exceeds $100,000, such excess Incentive Stock Options shall be treated as Nonqualified Options. The Committee shall determine, in accordance with applicable provisions of the Code, Treasury Regulations and other administrative pronouncements, which of an Optionee's Incentive Stock Option will not constitute Incentive Stock Options because of such limitation and shall notify the Optionee of such determination as soon as practicable after such determination. No Incentive Stock Option shall be granted to an individual if, at the time the Option is granted, such individual owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its Parent Corporation or a Subsidiary, within the meaning of section 422(b)(6) of the Code, unless (1) at the time such Option is granted the option price is at least 110% of the Fair Market Value of the Common Stock subject to the Option and (ii) such Option by its terms is not exercisable after the expiration of five years from the date of grant.

(e) OPTION PRICE. The purchase price of Common Stock issued under each Option shall be determined by the Committee, but such purchase price shall not be less than the Fair Market Value of Common Stock subject to the Option on the date the Option is granted.

(f) OPTIONS AND RIGHTS IN SUBSTITUTION FOR STOCK OPTIONS GRANTED BY OTHER CORPORATION. Options and Stock Appreciation Rights may be granted under the Plan from time to time in substitution for stock options held by employees of corporations who become, or who became prior to the effective date of the Plan, key employees of the Company or of any Subsidiary as a result of a merger or consolidation of the employing corporation with the Company or such Subsidiary, or the acquisition by the Company or a Subsidiary of all or a portion of the assets of the employing corporation, or the acquisition by the Company or a Subsidiary of stock of the employing corporation with the result that such employing corporation becomes a Subsidiary.

VIII. STOCK APPRECIATION RIGHTS

(a) STOCK APPRECIATION RIGHTS. A Stock Appreciation Right is the right to receive an amount equal to the Spread with respect to a share of Common Stock upon the exercise of such Stock Appreciation Right. Stock Appreciation Rights may be granted in connection with the grant of an Option, in which case the Option Agreement will provide that exercise of Stock Appreciation

Rights will result in the surrender of the right to purchase the shares under the Option as to which the Stock Appreciation Rights were exercised. Alternatively, Stock Appreciation Rights may be granted independently of Options in which case each Award of Stock Appreciation Rights shall be evidenced by a Stock Appreciation Rights Agreement between the Company and the Holder which shall contain such terms and conditions as may be approved by the Committee. The terms and conditions of the respective Stock Appreciation Rights Agreements need not be identical. The Spread with respect to a Stock Appreciation Right may be payable either in cash, shares of Common Stock with a Fair Market Value equal to the Spread or in a combination of cash and shares of Common Stock. Upon the exercise of any Stock Appreciation Rights granted hereunder, the number of shares reserved for issuance under the Plan shall be reduced only to the extent that shares of Common Stock are actually issued in connection with the exercise of such Stock Appreciation Right. Each Stock Appreciation Rights Agreement shall provide that the Stock Appreciation Rights may not be exercised earlier than six months from the date of grant and shall specify the effect of termination of employment on the exercisability of the Stock Appreciation Rights.

(b) EXERCISE PRICE. The exercise price of each Stock Appreciation Right shall be determined by the Committee, but such exercise price shall not be less than the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Right is granted.

(c) EXERCISE PERIOD. The term of each Stock Appreciation Right shall be as specified by the Committee at the date of grant.

(d) LIMITATIONS ON EXERCISE OF STOCK APPRECIATION RIGHT. A Stock Appreciation Right shall be exercisable in whole or in such installments and at such times as determined by the Committee.

IX. RESTRICTED STOCK AWARDS

(a) RESTRICTION PERIOD TO BE ESTABLISHED BY THE COMMITTEE. At the time a Restricted Stock Award is made, the Committee shall establish a period of time (the "Restriction Period") applicable to such Award. Each Restricted Stock Award may have a different Restriction Period, as determined in the discretion of the Committee. The Restriction Period applicable to a particular Restricted Stock Award shall not be changed except as permitted by Paragraph (b) of this Article or by Article XII.

(b) OTHER TERMS AND CONDITIONS. Common Stock awarded pursuant to a Restricted Stock Award shall be represented by a stock certificate registered in the name of the Holder of such Restricted Stock Award or, at the option of the Company, in the name of a nominee of the Company. The Holder shall have the right to receive dividends during the Restriction Period (subject to the terms of any Restricted Stock Agreement), to vote the Common Stock subject thereto and to enjoy all other stockholder rights (subject to the terms of any Restricted Stock Agreement), except that (I) the Holder shall not be entitled to possession of the stock certificate until the Restriction Period shall have expired, (ii) the Company shall retain custody of the stock during the Restriction Period, (iii) the Holder may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the stock during the Restriction Period and (iv) a breach of the terms and conditions established by the

Committee pursuant to the Restricted Stock Award shall cause a forfeiture of the Restricted Stock Award. At the time of such Award, the Committee may, in its sole discretion, prescribe additional terms, conditions or restrictions relating to Restricted Stock Awards, including, but not limited to, rules pertaining to the termination of employment (by retirement, disability, death or otherwise) of a Holder prior to expiration of the Restriction Period.

(c) PAYMENT FOR RESTRICTED STOCK. A Holder shall be required to make such payment for Common Stock received pursuant to a Restricted Stock Award as may be required by law or as the Committee may, in its discretion, determine to charge the Holder.

(d) MISCELLANEOUS. Nothing in this Article shall prohibit the exchange of shares issued under the Plan (whether or not then subject to a Restricted Stock Award) pursuant to a plan of reorganization for stock or securities in the Company or another corporation a party to the reorganization, but the stock or securities so received for shares then subject to the restrictions of a Restricted Stock Award shall become subject to the restrictions of such Restricted Stock Award. Any shares of stock received as a result of a stock split or stock dividend with respect to shares then subject to a Restricted Stock Award shall also become subject to the restrictions of the Restricted Stock Award.

X. PERFORMANCE SHARE AWARDS

(a) PERFORMANCE PERIOD. The Committee shall establish, with respect to and at the time of each Performance Share Award, a performance period over which the performance applicable to the Performance Share Award of the Holder shall be measured.

(b) PERFORMANCE SHARE AWARDS. Each Performance Share Award may have a maximum value established by the Committee at the time of such Award.

(c) PERFORMANCE MEASURES. A Performance Share Award may be awarded to an employee contingent upon future performance of the employee, the Company or any Subsidiary, division or department thereof by or in which he is employed during the performance period, the Fair Market Value of Common Stock or the increase thereof during the performance period, combinations thereof, or such other provisions as the Committee may determine to be appropriate. The Committee shall establish the performance measures applicable to such performance prior to the beginning of the performance period but subject to such later revisions as the Committee shall deem appropriate to reflect significant, unforeseen events or changes.

(d) AWARDS CRITERIA. In determining the value of Performance Share Awards, the Committee may take into account an employee's responsibility level, performance, potential, other Awards and such other considerations as it deems appropriate.

(e) PAYMENT. Following the end of the performance period, the Holder of a Performance Share Award shall be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Share Award, if any, based on the achievement of the performance measures for such performance period, as determined by the Committee in its sole discretion. Payment of a

Performance Share Award (i) may be made in cash, Common Stock or a combination thereof, as determined by the Committee in its sole discretion, (ii) shall be made in a lump sum or in installments as prescribed by the Committee in its sole discretion and (iii) to the extent applicable, shall be based on the Fair Market Value of the Common Stock on the payment date. If a payment of cash is to be made on a deferred basis, the Committee shall establish whether interest shall be credited, the rate thereof and any other terms and conditions applicable thereto.

(f) TERMINATION OF EMPLOYMENT. The Committee shall determine the effect of termination of employment during the performance period on an employee's Performance Share Award.

XI. STOCK VALUE EQUIVALENT AWARDS

(a) STOCK VALUE EQUIVALENT AWARDS. Stock Value Equivalent Awards are rights to receive an amount equal to the Fair Market Value of shares of Common Stock or rights to receive an amount equal to any appreciation or increase in the Fair Market Value of Common Stock over a specified period of time, which vest over a period of time as established by the Committee, without payment of any amounts by the Holder thereof (except to the extent otherwise required by law) or satisfaction of any performance criteria or objectives. Each Stock Value Equivalent Award may have a maximum value established by the Committee at the time of such Award.

(b) AWARD PERIOD. The Committee shall establish, with respect to and at the time of each Stock Value Equivalent Award, a period over which the Award shall vest with respect to the Holder.

(c) AWARDS CRITERIA. In determining the value of Stock Value Equivalent Awards, the Committee may take into account an employee's responsibility level, performance, potential, other Awards and such other considerations as it deems appropriate.

(d) PAYMENT. Following the end of the determined period for a Stock Value Equivalent Award, the Holder of a Stock Value Equivalent Award shall be entitled to receive payment of an amount, not exceeding the maximum value of the Stock Value Equivalent Award, if any, based on the then vested value of the Award. Payment of a Stock Value Equivalent Award (i) shall be made in cash, (ii) shall be made in a lump sum or in installments as prescribed by the Committee in its sole discretion and (iii) shall be based on the Fair Market Value of the Common Stock on the payment date. Cash dividend equivalents may be paid during, or may be accumulated and paid at the end of, the determined period with respect to a Stock Value Equivalent Award, as determined by the Committee. If payment of cash is to be made on a deferred basis, the Committee shall establish whether interest shall be credited, the rate thereof and any other terms and conditions applicable thereto.

(e) TERMINATION OF EMPLOYMENT. The Committee shall determine the effect of termination of employment during the applicable vesting period on an employee's Stock Value Equivalent Award.

XII. RECAPITALIZATION OR REORGANIZATION

(a) Except as hereinafter otherwise provided, Options, Stock Appreciation Rights, Restricted Stock Awards, Performance Share Awards, Stock Value Equivalent Awards and any agreements evidencing such Awards shall be subject to adjustment by the Committee at its discretion as to the number and price of shares of Common Stock or other consideration subject to such Awards in the event of changes in the outstanding Common Stock by reason of dividends payable in stock of the Company, stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization occurring after the date of the grant of any such Option or Awards.

(b) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities having any priority or preference with respect to or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(c) The shares with respect to which Awards may be granted are shares of Common Stock as presently constituted, but if, and whenever, prior to the expiration of an Option theretofore granted, the Company shall effect a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend on Common Stock payable in stock of the Company, without receipt of consideration by the Company, the number of shares of Common Stock with respect to which such Award may thereafter pertain (I) in the event of an increase in the number of outstanding shares shall be proportionately increased, and the purchase price per share shall be proportionately reduced, and (ii) in the event of a reduction in the number of outstanding shares shall be proportionately reduced, and the purchase price per share shall be proportionately increased.

(d) If the Company recapitalizes or otherwise changes its capital structure, an Award theretofore granted shall be adjusted to reflect such recapitalization to the extent appropriate as determined by the Committee.

XIII. AMENDMENT OR TERMINATION OF THE PLAN

The Board in its discretion may terminate the Plan or alter or amend the Plan or any part thereof from time to time; provided that no change in any Award theretofore granted may be made which would impair the rights of the Holder without the consent of the Holder, and provided, further, that the Board may not, without approval of the stockholders, amend the Plan:

(a) to increase the aggregate number of shares which may be issued pursuant to the provisions of the Plan on exercise or surrender of Options or Stock Appreciation Rights or pursuant to Restricted Stock Awards or Performance Share Awards, except as provided in Article XII;

(b) to change the minimum Option price;

(c) to change the class of employees eligible to receive Awards or increase materially the benefits accruing to employees under the Plan;

(d) to extend the maximum period during which Awards may be granted under the Plan; or

(e) to modify materially the requirements as to eligibility for participation in the Plan.

XIV. OTHER

(a) NO RIGHT TO AN AWARD. Neither the adoption of the Plan nor any action of the Board or of the Committee shall be deemed to give an employee any right to be granted an Option, a Stock Appreciation Right, a Restricted Stock Award or a Performance Share Award or Stock Value Equivalent Award or any other rights hereunder except as may be evidenced by an Option Agreement, Stock Appreciation Rights Agreement, Restricted Stock Agreement or other instrument evidencing an Award duly executed on behalf of the Company, and then only to the extent and on the terms and conditions expressly set forth therein. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to assure the payment of any Award.

(b) NO EMPLOYMENT RIGHTS CONFERRED. Nothing contained in the Plan or in any Award made hereunder shall (I) confer upon any employee any right with respect to continuation of employment with the Company or any Subsidiary or (ii) interfere in any way with the right of the Company or any Subsidiary to terminate his or her employment at any time.

(c) OTHER LAWS; WITHHOLDING. The Company shall not be obligated to issue any Common Stock pursuant to any Award granted under the Plan at any time when the offering of the shares covered by such Award has not been registered under the Securities Act of 1933 and such other state and federal laws, rules or regulations as the Company or the Committee deems applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration requirements of such laws, rules or regulations available for the issuance and sale of such shares. No fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid. The Company shall have the right to deduct in connection with all Awards any taxes required by law to be withheld and to require any payments necessary to enable it to satisfy its withholding obligations. The Committee may permit the Holder of an Award to elect to surrender, or authorize the Company to withhold, shares of Common Stock (valued at their Fair Market Value on the date of surrender or withholding of such shares) in satisfaction of the Company's withholding obligation.

(d) NO RESTRICTION ON CORPORATE ACTION. Nothing contained in the Plan shall be construed to prevent the Company or any Subsidiary from taking any corporate action which is deemed by the Company or such Subsidiary to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any Award made under the Plan. No

employee, beneficiary or other person shall have any claim against the Company or any Subsidiary as a result of any such action.

(e) RESTRICTIONS ON TRANSFER. An Award shall not be transferable otherwise than by will or the laws of descent and distribution and shall be exercisable during the lifetime of the Holder only by such Holder or the Holder's guardian or legal representative. The Option Agreement, Stock Appreciation Rights Agreement, Restricted Stock Agreement or other written instrument evidencing an Award shall specify the effect of the death of the Holder on the Award.

(f) SEVERABILITY. If any provision of this Plan or an Award shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions thereof; instead, each provision of the Plan or an Award shall be fully severable and shall be construed and enforced as if said illegal or invalid provision had never been included therein.

(g) LIMITATION ON ACTIONS. Every right of action by or on behalf of the Company or by any shareholder against any past, present, or future member of the Board, the Committee, or any officer or employee of the Company arising out of or in connection with this Plan shall, regardless of the place where the action may be brought and regardless of the place of residence of any such director, Committee member, officer or employee, cease and be barred by the expiration f three years from the later of: (i) the date of the act or omission in respect of which such right of action arises or (ii) the first date upon which there has been made generally available to shareholders an annual report of the Company and a proxy statement for the annual meeting of shareholders following the issuance of such annual report, which annual report and proxy statement alone or together set forth for the related period, the amount of the allocations. In addition, any and all right of action by any employee (past, present or future) against the Company or any member of the Committee arising out of or in connection with this Plan will, regardless of the place where action may be brought and regardless of the place of residence of any Committee member, cease and be barred by the expiration of three years from the date of the act or omission in respect of which such right of action arises.

(h) GOVERNING LAW. This Plan shall be governed by, and construed in accordance with, the internal laws of the State of Texas without regard to the principles of conflicts of law thereof that would require the application of the laws of any jurisdiction other than Texas, except to the extent that it implicates matters which are the subject of the General Corporation Law of the State of Delaware which matters shall be governed by the latter law.

EXHIBIT A-2

RESTRICTED STOCK AGREEMENT

RESTRICTED STOCK AGREEMENT

AGREEMENT made this 16th day of January, 1996 between NOW Holdings, Inc., a Delaware corporation (the "Company"), and _____ ("Employee").

1. AWARD.

(a) SHARES. Pursuant to the NOW Holdings, Inc. Stock Award and Long-Term Incentive Plan (the "Plan") and upon payment to the Company by Employee of $0.01 per share cash, shares (the "Restricted Shares") of the Company's common stock, par value $0.01 per share ("Stock"), shall be issued by the Company as hereinafter provided in Employee's name subject to certain restrictions thereon.

(b) ISSUANCE OF RESTRICTED SHARES. The Restricted Shares shall be issued upon acceptance hereof by Employee and upon satisfaction of the conditions of this Agreement.

(c) PLAN INCORPORATED. Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Shares shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which Plan is incorporated herein by reference as a part of this Agreement.

2. RESTRICTED SHARES. Employee hereby accepts the Restricted Shares when issued and agrees with respect thereto as follows:

(a) FORFEITURE RESTRICTIONS. The Restricted Shares may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of to the extent then subject to the Forfeiture Restrictions (as hereinafter defined), and in the event of termination of Employee's employment with the Company for any reason, Employee shall, for no consideration other than payment by the Company to Employee of $0.01 per share cash, forfeit, effective as of the time of termination of employment, to the Company all Restricted Shares to the extent then subject to the Forfeiture Restrictions. It is understood and agreed by Employee that the Company may from time to time declare dividends on, and make distributions with respect to, its Common Stock, including without limitation, securities or other property received by the Company in connection with the sale of a portion of the Company's business. In the event that Employee is terminated for any reason prior to the actual payment of such dividend or distribution (and whether before or after the declaration of, or record date for, such dividend or distribution and whether before or after completion of such sale of a portion of the Company's business), Employee will not be entitled to receive any such dividends or distributions with respect to any Restricted Shares that are forfeited to the Company as provided herein. If Employee remains an Employee at the time of actual payment of such dividend or distribution, Employee shall be entitled to receive such dividends and distributions only with respect to Restricted Shares

as to which Forfeiture Restriction have lapsed. Any remaining dividends and distributions with respect to Restricted Shares shall be paid to Employee at the time of subsequent lapsing of Forfeiture Restriction on such Restricted Shares. The prohibition against transfer and the obligation to forfeit and surrender Restricted Shares to the Company upon termination of employment are herein referred to as "Forfeiture Restrictions." The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of Restricted Shares.

(b) LAPSE OF FORFEITURE RESTRICTIONS. The Forfeiture Restrictions shall lapse as to the Restricted Shares in accordance with the following schedule provided that Employee has been continuously employed by the Company from the date of this Agreement through the lapse date:

Lapse Date	Percentage of Total Number of Restricted Shares as to Which Forfeiture Restrictions Lapse
First Anniversary of the date of this Agreement	20%
Second Anniversary of the date of this Agreement	an additional 20%
Third Anniversary of the date of this Agreement	an additional 20%
Fourth Anniversary of the date of this Agreement	an additional 20%
Fifth Anniversary of the date of this Agreement	the final 20%

In the event of a merger or consolidation of the Company, a sale of all or substantially all of the assets of the Company, or a sale of all of the outstanding Class A Common Stock and Common Stock of the Company, in which all of the stockholders of the Company receive in such transaction cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million ("Acceleration Transaction"), all of the Forfeiture Restrictions shall lapse immediately prior to the effectiveness of such transaction.

(c) TAX BONUS. Upon the occurrence of an Acceleration Transaction, the Company shall pay to the Employee with respect to any Acceleration Transaction which is subject to the tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, (the "Code") a tax bonus as described in this Paragraph (c). The tax bonus payable to an Employee under this Paragraph (c) shall be equal to the amount determined by (i) determining the portion of the Acceleration Transaction which is treated as excess parachute payments (within the meaning of Section 28OG of the Code or the corresponding provision of any successor statute) and which is subject to the tax imposed under Section 4999 of the Code or the corresponding provision of any

successor statute (the "Parachute Amount"), (ii) determining the decimal which expresses the maximum rate of tax imposed under section 4999 of the Code or the corresponding provision of any successor statute (the "Parachute Tax Rate") and the maximum statutory rate, expressed as a decimal, of Federal income tax applicable to the Employee (after reflecting all deductions and adjustments) applicable to the Employee for the taxable year in which the Acceleration Transaction occurs (the "Regular Tax Rate"), (iii) multiplying the Parachute Amount by the Parachute Tax Rate, (iv) multiplying the amount determined in item (iii) by 2/3 and (v) multiplying the amount determined in item (iv) by a fraction, the numerator of which is one and the denominator of which is one minus the Regular Tax Rate.

(d) CERTIFICATES. A certificate evidencing the Restricted Shares shall be issued by the Company in Employee's name, or at the option of the Company, in the name of a nominee of the Company, pursuant to which Employee shall have voting rights and shall be entitled to receive all dividends unless and until the Restricted Shares are forfeited pursuant to the provisions of this Agreement. The certificate shall bear a legend as determined by the committee which administers the Plan (the "Committee") evidencing the nature of the Restricted Shares, and the Company may cause the certificate to be delivered upon issuance to the Secretary of the Company or to such other depository as may be designated by the Committee as a depository for safekeeping until the forfeiture and surrender occurs or the Forfeiture Restrictions lapse pursuant to the terms of the Plan and this award. Upon request of the Committee, Employee shall deliver to the Company a stock power, endorsed in blank, relating to the Restricted Shares then subject to the Forfeiture Restrictions. Upon the lapse of the Forfeiture Restrictions without forfeiture and surrender, the Company shall cause a new certificate or certificates to be issued without legend in the name of Employee in exchange for the certificate evidencing the Restricted Shares. Notwithstanding any other provisions of this Agreement, the issuance or delivery of any shares of Stock (whether subject to restrictions or unrestricted) may be postponed for such period as may be required to comply with applicable requirements of any national securities exchange or any requirements under any law or regulation applicable to the issuance or delivery of such shares. The Company shall not be obligated to issue or deliver any shares of Stock if the issuance or delivery thereof shall constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.

3. STOCKHOLDERS AGREEMENT. Following the lapse of the Forfeiture Restrictions as to Restricted Shares (whether in whole or in part), the shares as to which the Forfeiture Restrictions lapsed shall be fully subject to all provisions of the Stockholders Agreement among NOW Holdings, Inc. and its Stockholders dated as of January 16, 1996.

4. WITHHOLDING OF TAX. To the extent that the receipt of the Restricted Shares or the lapse of any Forfeiture Restrictions results in income to Employee for federal or state income tax purposes, Employee shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money or, if the Committee so determines, shares of unrestricted Stock as the Company may require to meet its obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or Stock

remuneration then or thereafter payable to Employee any tax required to be withheld by reason of such resulting compensation income.

5. STATUS OF STOCK. Employee agrees that the Restricted Shares will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable federal or state securities laws. Employee also agrees (i) that the certificates representing the Restricted Shares may bear such legend or legends as the Committee deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the Restricted Shares on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Restricted Shares.

6. EMPLOYMENT RELATIONSHIP. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company, any successor corporation or a parent or subsidiary corporation (as defined in section 424 of the Internal Revenue Code of 1986, as amended) of the Company or any successor corporation or a Subsidiary (as defined in the Plan). Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, and its determination shall be final.

7. COMMITTEE'S POWERS. No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee pursuant to the terms of the Plan, including, without limitation, the Committee's rights to make certain determinations and elections with respect to the Restricted Shares.

8. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

9. SECTION 83(b) ELECTION. As a condition to receiving the Restricted Shares, Employee agrees to make the election pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, to include the excess of the fair market value of the Restricted Shares as of the date of issuance over the amount paid by the Employee for such Restricted Shares in gross income in the year of such issuance.

10. NOTICES. Any notice or other communication required or permitted to be made or given hereunder will be sufficiently made or given if sent by certified mail addressed, if to Employee, at his address as set forth in the Company's regular employment records and, if to Company, addressed to it at its principal office.

11. GOVERNING LAW. This Plan shall be governed by, and construed in accordance with, the internal laws of the State of Texas without regard to the principles of conflicts of law

thereof that would require the application of the laws of any jurisdiction other than Texas, except to the extent that it implicates matters which are the subject of the General Corporation Law of the State of Delaware which matters shall be governed by the latter law.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and Employee has executed this Agreement, all as of the date first above written.

NOW HOLDINGS, INC.

By:

James C. Comis III
Senior Vice President-Finance

EMPLOYEE

EXHIBIT B-1

VALUE APPRECIATION BONUS PLAN A

NOW HOLDINGS, INC.

VALUE APPRECIATION AND INCENTIVE PLAN A

I. ESTABLISHMENT AND PURPOSE

(a) ESTABLISHMENT OF THE PLAN. NOW HOLDINGS, INC. (the "Company") hereby establishes, effective as of January 16, 1996, the NOW HOLDINGS, INC. VALUE APPRECIATION AND INCENTIVE PLAN A (the "Plan") the terms and provisions of which are set forth below.

(b) PURPOSES. The purposes of the Plan are to focus Participants, both as a team and individually, on achieving key strategic and financial objectives of the Company and its Affiliates, to reward them for enhancing the value of the Company thereby benefitting its stockholders, to encourage them to devote their best efforts to the business and operation of the Company, its subsidiaries and its Affiliates by offering them a reward opportunity based on individual contributions and corporate performance and to enhance the ability of the Company to attract and retain employees of outstanding competence and ability.

II. DEFINITIONS

As used in the Plan, the terms below shall have the following meanings ascribed to them:

(a) "AFFILIATE" shall have the same meaning as the term "Affiliate" as defined in the Stockholders Agreement.

(b) "APPRAISED VALUE" shall mean the fair market value of the Fully Diluted Common Stock as determined in good faith by the Board of Directors of the Company, supported by the opinion of a nationally recognized investment banking firm selected by the Board of Directors of the Company. For purposes of determining the Appraised Value, the fair market value of the Fully Diluted Common Stock shall equal the price per share of Common Stock that could be obtained in an open (non-forced) sale of all of the Fully Diluted Common Stock, with ample time for marketing and closing and assigning equal value to each share of Fully Diluted Common Stock.

(c) "CAPITAL INVESTMENT" as a given date refers to: (i) $30,000,000; plus (ii) capital contributions, and all amounts paid for the purchase of capital stock, by the Stockholders to the Company between January 16,1996 and such date.

(d) "CAPITAL INVESTMENT COMMON STOCK VALUE" refers to the Common Stock Value, related to 1,200 shares of Class A Common Stock and 880,198 shares of Common Stock.

(e) "CLASS A COMMON STOCK" refers to the capital stock of the Company consisting of its Class A common stock, par value $.01 per share.

(f) "COMMITTEE" refers to the Committee appointed by the Board of Directors of the Company to administer the Plan.

(g) "COMMON STOCK" refers to the capital stock of the Company consisting of its common stock, par value $.01 per share.

(h) "COMMON STOCK VALUE" refers to (i) in the case of a Sale of the Company, the aggregate value of the Fully Diluted Common Stock determined with reference to the per share price for, or the amount per share distributed to, such Fully Diluted Common Stock as established pursuant to such transaction, (ii) in the case of a Qualified Public Offering, the aggregate value of the outstanding Common Stock, including all shares of Common Stock issuable under outstanding options and warrants, determined with reference the Net Public Offering Price for such Common Stock as established in such offering, and (iii) in the case of a Payment Date described in (o)(3) below, the Appraised Value of the Fully Diluted Common Stock; and all amounts payable under the NOW Holdings, Inc. Value Appreciation and Incentive Plan B, and in the case set forth in clause (iii) above reduced by the sum of (1) all transaction expenses and (2) all amounts payable under the NOW Holdings, Inc. Value Appreciation and Incentive Plan B.

(i) "COMPANY" refers to NOW Holdings, Inc., a Delaware corporation, and any successor thereto.

(j) "ELIGIBLE EMPLOYEE" refers to any individual who is a participant in the NOW Holdings, Inc. Value Appreciation Bonus Plan B and any other key employee of the Company or of any Affiliate of the Company.

(k) "FULLY DILUTED COMMON STOCK" shall have the same meaning as the term "Fully Diluted Common Stock" as defined in the Stockholders Agreement.

(l) "IRR AMOUNT" means an amount equal to: (i) if the Payment Date occurs on or before January 16, 1999, that amount which equals a 35.0% internal rate of return on the Capital Investment; (ii) if the Payment Date occurs after January 16, 1999 but on or before January 16, 200 1, that amount which equals a 32.5% internal rate of return on the Capital Investment; or (iii) if the Payment Date occurs after January 16, 2001, that amount which equals a 30.0% internal rate of return on the Capital Investment.

(m) "MINIMUM REQUIRED RETURN ON CAPITAL INVESTMENT" means the minimum amount when applied to the Capital Investment would result in the IRR Amount being achieved.

(n) "NET PUBLIC OFFERING PRICE" shall have the same meaning as defined in the Restated Certificate of Incorporation of the Company.

(o) "PARTICIPANT" refers to an Eligible Employee who has been designated by the Committee pursuant to Article 3 as a Participant in the Plan.

(p) "PAYMENT DATE" refers to the first to occur of the following:

(1) The closing date of a Sale of the Company.

(2) The closing date of a Qualified Public Offering.

(3) The first date as of which the Stockholders have received from the Company as dividends, distributions or for the repurchase of Class A Common Stock, cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million (valued at the fair market value thereof as determined by the Board of Directors of the Company) equal to the Capital Investment.

provided, however, that an event described above shall not result in a Payment Date for purposes of the Plan unless the Capital Investment Common Stock Value on such date equals or exceeds the IRR Amount.

(q) "PLAN TERM" refers to the period that this Plan shall be in effect and shall be the period of January 16, 1996 to the Payment Date or, if earlier, the date the Plan is terminated pursuant to Article IX.

(r) "PUBLIC OFFERING" refers to a public offering and sale of equity securities of the Company pursuant to an effective registration statement on Form S- I under the Securities Act of 1933, as amended, or any similar Federal statute then in effect.

(s) "QUALIFIED PUBLIC OFFERING" refers to a Public Offering of Common Stock, at the conclusion of which the aggregate number of issued and outstanding shares of Common Stock that have been sold to the public pursuant to one or more effective registration statements under the Securities Act of 1933, as amended, or any similar Federal statute then in effect is equal to at least 20% of the Fully Diluted Common Stock after giving effect to such sale.

(t) "SALE OF THE COMPANY" refers to (x) a merger of the Company, a sale of all or substantially all of the assets of the Company, or a sale of all of the Class A Common Stock and Common Stock of the Company, (y) in which all of the stockholders of the Company receive in such transaction the same consideration consisting of cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million.

(u) "STOCKHOLDERS" refers to any person or entity other than the Company which is a party to the Stockholders Agreement.

(v) "STOCKHOLDERS AGREEMENT" refers to the Stockholders Agreement Among Now Holdings, Inc and its Stockholders, dated as of January 16, 1996, as it may be amended thereafter from time-to-time.

(w) "TOTAL AVAILABLE VALUE APPRECIATION UNITS" means 100 Value Appreciation Units.

(x) "VALUE APPRECIATION UNIT", means a phantom unit credited to a Participant under the Plan for purposes of measuring his or her allocable share, if any, of the aggregate bonus amount payable as of the Payment Date.

III. PARTICIPATION AND VALUE APPRECIATION UNITS

(a) PARTICIPATION DESIGNATION. The Committee may designate Eligible Employees as Participants in the Plan at any time during the term of the Plan. It is anticipated that participation in the Plan may vary from time to time. In selecting Eligible Employees to participate in the Plan, the Committee shall establish such criteria as it may deem relevant in making such selection. An Eligible Employee who has been designated by the Committee as a Participant in the Plan shall have no right of continued participation in the Plan and may be removed by the Committee as a Participant in the Plan at any time.

(b) CREDITING OF VALUE APPRECIATION UNITS. Coincident with the designation of an individual as a Participant in the Plan, the Committee shall credit to a Participant a number of whole or fractional Value Appreciation Units. The Committee shall establish such criteria as it may deem relevant in determining the number of Value Appreciation Units to be assigned to a Participant. It is anticipated that Participants will be assigned differing numbers of Value Appreciation Units. At any time during the Plan Term, the Committee may increase or decrease the number of Value Appreciation Units then credited to a Participant in its sole discretion, but in no event shall the aggregate Value Appreciation Units awarded under the Plan exceed the Total Available Value Appreciation Units.

IV. VALUE APPRECIATION UNIT DISTRIBUTIONS

(a) FORM AND TIME OF DISTRIBUTIONS. Distributions attributable to a Participant's Value Appreciation Units credited to him or her as of the Payment Date shall be paid in a lump sum as soon as practicable after the Payment Date. Distributions attributable to a Participant's Value Appreciation Units credited to him or her as of the Payment Date shall be paid in cash except that if the Payment Date results from the occurrence of a Qualified Public Offering, the Company shall have the right, in its sole discretion, to effect such distribution in the form of whole shares of Common Stock with the number of shares of such Common Stock to be distributed to a Participant being equal to his or her distribution amount as determined pursuant to (b) below divided by the Net Public Offering Price.

(b) DISTRIBUTION AMOUNT. For any Participant who remains employed by the Company as of the Payment Date and who is not as of such date a participant in the NOW Holdings, Inc. Value Appreciation and Incentive Plan B, the amount of distribution payable as of such date with respect to Value Appreciation Units credited to him or her as of the Payment Date shall be a dollar amount equal to the lesser of (i) the product of (a) the Common Stock Value multiplied by (b) 0.04 and the maximum amount of payments under this Value Appreciation and Incentive Plan A that would not result in a Capital Investment Common Stock Value below that Minimum Required Return on

Capital Investment, multiplied by (ii) a fraction, the numerator of which is the number of such Participant's Value Appreciation Units as of such date and the denominator of which is 80. For any Participant who remains employed by the Company as of the Payment Date and who is as of such date a participant in the NOW Holdings, Inc. Value Appreciation And Incentive Plan B, the amount of distribution payable as of such date with respect to Value Appreciation Units credited to him or her as of the Payment Date shall be a dollar amount equal to the lesser of (i) the product of (a) the Common Stock Value multiplied by (b) 0.01 and the maximum amount of payments under this Value Appreciation and Incentive Plan A that would not result in a Capital Investment Common Stock Value below that Minimum Required Return on Capital Investment, multiplied by (ii) a fraction, the numerator of which is the number of such Participant's Value Appreciation Units as of such date and the denominator of which is 20. In no event shall the aggregate Value Appreciation Units credited to Participants who are participants in the NOW Holdings, Inc. Value Appreciation and Incentive Plan B exceed 20.

(c) EXTRAORDINARY EVENT ADJUSTMENTS. If an extraordinary event outside of the control of the Company occurs which would result in a substantial distortion from the ordinary operation of the Plan, the Board of Directors of the Company, in its sole discretion, may make such adjustment to the operation of the Plan as it determines to be appropriate.

(d) TAX BONUS. In addition to amounts payable under the Plan pursuant to Paragraph (b) above, the Company shall pay to any Participant with respect to any distributions under the Plan which are subject to the tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, (the "Code") a tax bonus as described in this Paragraph (d). The tax bonus payable to a Participant under this Paragraph (d) shall be equal to the amount determined by (i) determining the aggregate amounts distributed to the Participant pursuant to Paragraph (b) above which are treated as excess parachute payments (within the meaning of Section 28OG of the Code or the corresponding provision of any successor statute) and which are subject to the tax imposed under Section 4999 of the Code or the corresponding provision of any successor statute (the "Parachute Amount"), (ii) determining the decimal which expresses the maximum rate of tax imposed under section 4999 of the Code or the corresponding provision of any successor statute (the "Parachute Tax Rate") and the maximum statutory rate, expressed as a decimal, of Federal income tax applicable to the Participant (after reflecting all deductions and adjustments) applicable to the Participant for the taxable year in which he receives the distributions pursuant to Paragraph (b) above (the" Regular Tax Rate"), (iii) multiplying the Parachute Amount by the Parachute Tax Rate, (iv) multiplying the amount determined in item (iii) by 2/3 and (v) multiplying the amount determined in item (iv) by a fraction, the numerator of which is one and the denominator of which is one minus the Regular Tax Rate.

VI. TERMINATION OF EMPLOYMENT

In the event that a Participant ceases to be employed with the Company and its Affiliates for any reason prior to the Payment Date his or her Value Appreciation Units will be forfeited and he or she will not thereafter be entitled to any Plan distributions.

VII. ARBITRATION

Any and all claims, demands, cause of action, disputes, controversies and other matters in question arising out of or relating to this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement, involving the Company or an Affiliate thereof and a Participant (all of which are referred to herein as "Claims"), even though some or all of such Claims allegedly are extra-contractual in nature, whether such Claims sound in contract, tort or otherwise, at law or in equity, under state or federal law, whether provided by statute or the common law, for damages or any other relief, including equitable relief and specific performance, shall be resolved and decided by binding arbitration pursuant to the Federal Arbitration Act in accordance with the Commercial Arbitration Rules then in effect with the American Arbitration Association. In the arbitration proceeding the Participant shall select one arbitrator, the Company shall select one arbitrator and the two arbitrators so selected shall select a third arbitrator. Should one party fail to select an arbitrator within five days after notice of the appointment of an arbitrator by the other party or should the two arbitrators selected by the Participant and the Company fail to select an arbitrator within ten days after the date of the appointment of the last of such two arbitrators, any person sitting as a Judge of the United States District Court of the Southern District of Texas, Houston Division, upon application of the Participant or the Company, shall appoint an arbitrator to fill such space with the same force and effect as though such arbitrator had been appointed in accordance with the immediately preceding sentence. The decision of a majority of the arbitrators shall be binding on the Participant, and the Company and their Affiliates. The arbitration proceeding shall be conducted in Houston, Texas. Judgment upon any award rendered in any such arbitration proceeding may be entered by any federal or state court having jurisdiction. This agreement to arbitrate shall be enforceable in either federal or state court. The enforcement of this agreement to arbitrate and all procedural aspects of this Agreement to arbitrate, including but not limited to, the construction and interpretation of this agreement to arbitrate, the scope of the arbitrable issues, allegations of waiver, delay or defenses to arbitrability, and the rules governing the conduct of the arbitration, shall be governed by and construed pursuant to the Federal Arbitration Act. In deciding the substance of any such Claim, the Arbitrators shall apply the substantive laws of the State of Texas; provided, however, that the Arbitrators shall have no authority to award treble, exemplary or punitive type damages under any circumstances regardless of whether such damages may be available under Texas law, the parties hereby waiving their right, if any, to recover treble, exemplary or punitive type damages in connection with any such Claims.

VIII. ADMINISTRATIVE PROVISIONS

(a) ADMINISTRATIVE GUIDELINES. The Plan shall be implemented and administered in accordance with such rules, regulations and interpretations as may be established from time to time by the Committee for the implementation and administration of this Plan that are not inconsistent with the provisions thereof.

(b) ADMINISTRATION. The Plan shall be administered by the Committee which shall have the power and responsibility to take such actions as may be appropriate or necessary to effectuate orderly administration of the Plan and to interpret and construe the terms and provisions of the Plan;

provided, however, that such interpretations and constructions shall be consistent with the written provisions of the Plan.

(c) LIMITATION OF LIABILITY. The members of the Committee and any other person acting under the direction of the Committee, shall not be liable for any act or failure to act hereunder. except for gross negligence or fraud, and the Company shall indemnify the members of the Committee, and such other persons against all expenses, fines, judgments, and/or penalties incurred in connection with any claim or proceeding seeking to impose such liability.

IX. OTHER PROVISIONS

(a) EMPLOYMENT. Nothing in this Plan nor any action taken by the Company, the Board of Directors of the Company or the Committee under the provisions hereof shall be construed as a contract of employment between the Company and a Participant or interfere with or limit in any way the right of the Company to terminate any such Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company. For purposes of the Plan. a Participant will be deemed to be employed by the Company for so long as he or she is employed by the Company or an Affiliate of the Company.

(b) NONTRANSFERABILITY. No right or interest of any Participant under this Plan shall be assignable or transferable, pledged or encumbered in any manner, or subject to any lien, directly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge and bankruptcy.

(c) AMENDMENTS AND TERMINATION. The Company at any time and from time to time, may modify or amend, in whole or in part, any or all of the provisions of this Plan or suspend or terminate the Plan entirely; provided, however, that in the event of a termination of the Plan prior to a Payment Date, each Participant shall be entitled to a Plan distribution in full satisfaction of all amounts owed under the Plan equal to the distribution amount or amounts determined pursuant to Paragraph (b) of Article IV above substituting the date of termination of the Plan for the Payment Date if the fair market value as determined by the Board of Directors of the Company of the Common Stock as of such date equals or exceeds the IRR Amount as of such date. The Plan shall automatically terminate and no further amounts shall be paid under the Plan following payment of the last amount owed as a result of occurrence of the Payment Date.

(d) GOVERNING LAW. The Plan shall be construed in accordance with and governed by the laws of the State of Texas.

(e) WITHHOLDING TAXES. The Company shall have the right to deduct from all payments under this Plan any federal, state or local taxes required by law to be withheld with respect to such payments.

(g) NATURE OF PLAN. The Plan shall constitute an unfunded, unsecured obligation of the Company to make payments of incentive compensation to certain employees from its general assets in accordance with the Plan. Accordingly:

(1) Value Appreciation Units awarded under the Plan and accounting maintained by the Company merely constitute mechanisms for measuring such incentive compensation and do not constitute a property right or interest in the Company or in any asset owned by the Company or its subsidiaries;

(2) neither the establishment of the Plan, the awarding of Value Appreciation Units nor the creation or maintenance of Plan accounting records shall be deemed to create an escrow or trust fund of any kind; and

(3) the Participant and any person claiming under Participant shall rely solely on the unsecured promise of the Company set forth herein, and nothing in the Plan shall be construed to give the Participant or anyone claiming under the Participant any right, title, interest or claim in or to any specific asset, fund, entity, reserve, account, or property of any kind whatsoever owned by the Company or any Affiliate of the Company.

EXECUTED this 16th day of January, 1996.

ATTEST: NOW HOLDINGS, INC.

By

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JAMES C. COMIS, III, SECRETARY JOEL V. STAFF, PRESIDENT AND CHIEF EXECUTIVE OFFICER

EXHIBIT B-2

VALUE APPRECIATION BONUS PLAN B

NOW HOLDINGS, INC.

VALUE APPRECIATION AND INCENTIVE PLAN B

I. ESTABLISHMENT AND PURPOSE

(a) ESTABLISHMENT OF THE PLAN. NOW HOLDINGS, INC. (the "Company") hereby establishes, effective as of January 16, 1996, the NOW HOLDINGS, INC. VALUE APPRECIATION AND INCENTIVE PLAN B (the "Plan") the terms and provisions of which are set forth below.

(b) PURPOSES. The purposes of the Plan are to focus Participants, both as a team and individually, on achieving key strategic and financial objectives of the Company and its Affiliates, to reward them for enhancing the value of the Company thereby benefitting its stockholders, to encourage them to devote their best efforts to the business and operation of the Company, its subsidiaries and its Affiliates by offering them a reward opportunity based on individual contributions and corporate performance and to enhance the ability of the Company and its Affiliates to attract and retain employees of outstanding competence and ability.

II. DEFINITIONS

As used in the Plan, the terms below shall have the following meanings ascribed to them:

(a) "AFFILIATE" shall have the same meaning as the term "Affiliate" as defined in the Stockholders Agreement.

(b) "APPRAISED VALUE" shall mean the fair market value of the Fully Diluted Common Stock as determined in good faith by the Board of Directors of the Company, supported by the opinion of a nationally recognized investment banking firm selected by the Board of Directors of the Company. For purposes of determining the Appraised Value, the fair market value of the Fully Diluted Common Stock shall equal the price per share of Common Stock that could be obtained in an open (non-forced) sale of all of the Fully Diluted Common Stock, with ample time for marketing and closing and assigning equal value to each share of Fully Diluted Common Stock.

(c) "AWARD" refers to either a Restricted Stock Award or an Option as such terms are defined in the NOW Holdings, Inc. Stock Award and Long-Term Incentive Plan.

(d) "CAPITAL INVESTMENT" as a given date refers to: (i) $30,000,000; plus (ii) capital contributions, and all amounts paid for the purchase of capital stock, by the Stockholders to the Company between January 16, 1996 and such date.

(e) "CAPITAL INVESTMENT COMMON STOCK VALUE" refers to the Common Stock Value, related to 1,200 shares of Class A Common Stock and 880,198 shares of Common Stock.

(f) "CLASS A COMMON STOCK" refers to the capital stock of the Company consisting of its Class A common stock, par value $.01 per share.

(g) "Committee" refers to the Committee appointed by the Board of Directors of the Company to administer the Plan.

(h) "COMMON STOCK" refers to the capital stock of the Company consisting of its common stock, par value $.01 per share.

(i) "COMMON STOCK VALUE" refers to (i) in the case of a Sale of the Company, the aggregate value of the Fully Diluted Common Stock determined with reference to the per share price for, or the amount per share distributed to, such Fully Diluted Common Stock as established pursuant to such transaction, (ii) in the case of a Qualified Public Offering, the aggregate value of the outstanding Common Stock, including all shares of Common Stock issuable under outstanding options and warrants, determined with reference the Net Public Offering Price for such Common Stock as established in such offering, and (iii) in the case of a Payment Date described in (0)(3) below, the Appraised Value of the Fully Diluted Common Stock; and all amounts payable under this Plan, and in the case set forth in clause (iii) above reduced by the sum of (1) all transaction expenses and (2) all amounts payable under this Plan.

(j) "COMPANY" refers to NOW Holdings, Inc., a Delaware corporation, and any successor thereto.

(k) "FULLY DILUTED COMMON STOCK" shall have the same meaning as the term "Fully Diluted Common Stock" as defined in the Stockholders Agreement.

(l) "IRR AMOUNT" means that amount which equals a 25.0% internal rate of return on the Capital Investment.

(m) "MINIMUM REQUIRED RETURN ON CAPITAL INVESTMENT" means the minimum amount when applied to the Capital Investment would result in the IRR Amount being achieved.

(n) "NET PUBLIC OFFERING PRICE" shall have the same meaning as defined in the Restated Certificate of Incorporation of the Company.

(o) "PARTICIPANT" refers to any key employee of the Company or of any Affiliate of the Company who has received an Award.

(p) "PAYMENT DATE" refers to the first to occur of the following:

(1) The closing date of a Sale of the Company.

(2) The closing date of a Qualified Public Offering.

(3) The first date as of which the Stockholders have received from the Company as dividends, distributions or for the repurchase of Class A Common Stock, cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million (valued at the fair market value

thereof as determined by the Board of Directors of the Company) equal to the Capital Investment.

provided, however, that an event described above shall not result in a Payment Date for purposes of the Plan unless the Capital Investment Common Stock Value on such date equals or exceeds the IRR Amount on such date.

(q) "PLAN TERM" refers to the period that this Plan shall be in effect and shall be the period of January 16, 1996 to the Payment Date or, if earlier, the date the Plan is terminated pursuant to Article VIII.

(r) "PUBLIC OFFERING" refers to a public offering and sale of equity securities of the Company pursuant to an effective registration statement on Form S-1 under the Securities Act of 1933, as amended, or any similar Federal statute then in effect.

(s) "QUALIFIED PUBLIC OFFERING" refers to a Public Offering of Common Stock, at the conclusion of which the aggregate number of issued and outstanding shares of Common Stock that have been sold to the public pursuant to one or more effective registration statements under the Securities Act of 1933, as amended, or any similar Federal statute then in effect is equal to at least 20% of the Fully Diluted Common Stock after giving effect to such sale.

(t) "SALE OF THE COMPANY" refers to (x) a merger of the Company, a sale of all or substantially all of the assets of the Company, or a sale of all of the Class A Common Stock and Common Stock of the Company, (y) in which all of the stockholders of the Company receive in such transaction the same consideration consisting of cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million.

(u) "STOCKHOLDERS" refers to any person or entity other than the Company which is a party to the Stockholders Agreement.

(v) "STOCKHOLDERS AGREEMENT" refers to the Stockholders Agreement Among Now Holdings, Inc. and its stockholders, dated as of January 16, 1996, as it may be amended thereafter from time-to-time.

III. PARTICIPATION

Any employee of the Company or any Affiliate of the Company who has received an Award shall automatically be a Participant.

IV. DISTRIBUTIONS

(a) FORM AND TIME OF DISTRIBUTIONS. Distributions paid to a Participant under the Plan as of the Payment Date shall be paid in a lump sum as soon as practicable after the Payment Date. Plan distributions shall be paid in cash except that if the Payment Date results from the occurrence of a Qualified Public Offering, the Company shall have the right, in its sole discretion, to effect such distributions in the form of whole shares of Common Stock with the number of shares of such

Common Stock to be distributed to a Participant being equal to his or her distribution amount as determined pursuant to (b) below divided by the Net Public Offering Price.

(b) DISTRIBUTION AMOUNT. The total amount of distribution payable under the Plan to a Participant with respect to the Payment Date shall be an amount equal to $3,490,000 multiplied by a fraction, the numerator of which is the number of shares of Common Stock issued or issuable to such Participant as of such date under an Award (whether as a restricted stock or as a stock option), and the denominator of which is the maximum number of shares of Common Stock that may be issued under the Company's Stock Award and Long-Term Incentive Plan; provided, however, that the actual amount paid to each Participant shall be the total amount payable multiplied by a fraction, the numerator of which is the number of shares of Common Stock under such Participant's Award as to which forfeiture restrictions have lapsed or options have vested, and the denominator of which is the total number of shares of Common Stock under such Participant's Award. Any amounts payable that are not paid at the Payment Date shall be held by the Company and paid to the Participant proportionately as forfeiture restrictions lapse or options vest in the future under the Award. No amounts, however, shall be paid to any Participant with respect to shares of restricted stock forfeited or unvested options upon any Participant's termination of employment before or after the Payment Date.

(c) EXTRAORDINARY EVENT ADJUSTMENTS. If an extraordinary event outside of the control of the Company occurs which would result in a substantial distortion from the ordinary operation of the Plan, the Board of Directors of the Company, in its sole discretion, may make such adjustment to the operation of the Plan as it determines to be appropriate.

(d) TAX BONUS. In addition to amounts payable under the Plan pursuant to Paragraph (b) above, the Company shall pay to any Participant with respect to any distributions under the Plan which are subject to the tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, (the "Code") a tax bonus as described in this Paragraph (d). The tax bonus payable to a Participant under this Paragraph (d) shall be equal to the amount determined by (i) determining the aggregate amounts distributed to the Participant pursuant to Paragraph (b) above which are treated as excess parachute payments (within the meaning of Section 280G of the Code or the corresponding provision of any successor statute) and which are subject to the tax imposed under Section 4999 of the Code or the corresponding provision of any successor statute (the "Parachute Amount"), (ii) determining the decimal which expresses the maximum rate of tax imposed under section 4999 of the Code or the corresponding provision of any successor statute (the "Parachute Tax Rate") and the maximum statutory rate, expressed as a decimal, of Federal income tax applicable to the Participant (after reflecting a deductions and adjustments) applicable to the Participant for the taxable year in which he receives the distributions pursuant to Paragraph (b) above (the "Regular Tax Rate"), (iii) multiplying the Parachute Amount by the Parachute Tax Rate, (iv) multiplying the amount determined in item (iii) by 2/3 and (v) multiplying the amount determined in item (iv) by a fraction, the numerator of which is one and the denominator of which is one minus the Regular Tax Rate.

VI. ARBITRATION

Any and all claims, demands, cause of action, disputes, controversies and other matters in question arising out of or relating to this Agreement, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of this Agreement, involving the Company or

an Affiliate thereof and a Participant (all of which are referred to herein as "Claims"), even though some or all of such Claims allegedly are extra-contractual in nature, whether such Claims sound in contract, tort or otherwise, at law or in equity, under state or federal law, whether provided by statute or the common law, for damages or any other relief, including equitable relief and specific performance, shall be resolved and decided by binding arbitration pursuant to the Federal Arbitration Act in accordance with the Commercial Arbitration Rules then in effect with the American Arbitration Association. In the arbitration proceeding the Participant shall select one arbitrator, the Company shall select one arbitrator and the two arbitrators so selected shall select a third arbitrator. Should one party fail to select an arbitrator within five days after notice of the appointment of an arbitrator by the other party or should the two arbitrators selected by the Participant and the Company fail to select an arbitrator within ten days after the date of the appointment of the last of such two arbitrators, any person sitting as a Judge of the United States District Court of the Southern District of Texas, Houston Division, upon application of the Participant or the Company, shall appoint an arbitrator to fill such space with the same force and effect as though such arbitrator had been appointed in accordance with the immediately preceding sentence. The decision of a majority of the arbitrators shall be binding on the Participant, and the Company and their Affiliates. The arbitration proceeding shall be conducted in Houston, Texas. Judgment upon any award rendered in any such arbitration proceeding may be entered by any federal or state court having jurisdiction. This agreement to arbitrate shall be enforceable in either federal or state court. The enforcement of this agreement to arbitrate and all procedural aspects of this Agreement to arbitrate, including but not limited to, the construction and interpretation of this agreement to arbitrate, the scope of the arbitrable issues, allegations of waiver, delay or defenses to arbitrability, and the rules governing the conduct of the arbitration, shall be governed by and construed pursuant to the Federal Arbitration Act. In deciding the substance of any such Claim, the Arbitrators shall apply the substantive laws of the State of Texas; provided, however, that the Arbitrators shall have no authority to award treble, exemplary or punitive type damages under any circumstances regardless of whether such damages may be available under Texas law, the parties hereby waiving their right, if any, to recover treble, exemplary or punitive type damages in connection with any such Claims.

VII. ADMINISTRATIVE PROVISIONS

(a) ADMINISTRATIVE GUIDELINES. The Plan shall be implemented and administered in accordance with such rules, regulations and interpretations as may be established from time to time by the Committee for the implementation and administration of this Plan that are not inconsistent with the provisions thereof.

(b) ADMINISTRATION. The Plan shall be administered by the Committee which shall have the power and responsibility to take such actions as may be appropriate or necessary to effectuate orderly administration of the Plan and to interpret and construe the terms and provisions of the Plan; provided, however, that such interpretations and constructions shall be consistent with the written provisions of the Plan.

(c) LIMITATION OF LIABILITY. The members of the Committee and any other person acting under the direction of the Committee, shall not be liable for any act or failure to act hereunder, except for gross negligence or fraud, and the Company shall indemnify the members of the Committee, and such other persons against all expenses, fines, judgments, and/or penalties incurred in connection with any claim or proceeding seeking to impose such liability.

VIII. OTHER PROVISIONS

(a) EMPLOYMENT. Nothing in this Plan nor any action taken by the Company, the Board of Directors of the Company or the Committee under the provisions hereof shall be construed as a contract of employment between the Company and a Participant or interfere with or limit in any way the right of the Company to terminate any such Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

(b) NONTRANSFERABILITY. No right or interest of any Participant under this Plan shall be assignable or transferable, pledged or encumbered in any manner, or subject to any lien, directly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge and bankruptcy.

(c) AMENDMENTS AND TERMINATION. The Company at any time and from time to time, may modify or amend, in whole or in part, any or all of the provisions of this Plan or suspend or terminate the Plan entirely; provided, however, that in the event of a termination of the Plan prior to the Payment Date, each Participant shall be entitled to a Plan distribution in full satisfaction of all amounts owed under the Plan equal to the distribution amount or amounts determined pursuant to Paragraph (b) of Article IV above substituting the date of termination of the Plan for the Payment Date if the fair market value of the Common Stock as of such date as determined by the Board of Directors of the Company equals or exceeds the IRR Amount as of such date. The Plan shall automatically terminate and no further amounts shall be paid under the Plan following payment of the last amount owed as a result of the occurrence of the Payment Date.

(d) GOVERNING LAW. This Plan shall be construed in accordance with and governed by the laws of the State of Texas.

(e) WITHHOLDING TAXES. The Company shall have the right to deduct from all payments under this Plan any federal, state or local taxes required by law to be withheld with respect to such payments.

(f) NATURE OF PLAN. The Plan shall constitute an unfunded, unsecured obligation of the Company to make payments of incentive compensation to certain employees from its general assets in accordance with the Plan. Accordingly:

(1) accounting maintained by the Company merely constitute mechanisms for measuring such incentive compensation and do not constitute a property right or interest in the Company or in any asset owned by the Company or its subsidiaries;

(2) neither the establishment of the Plan, nor the creation or maintenance of Plan accounting records shall be deemed to create an escrow or trust fund of any kind; and

(3) the Participant and any person claiming under Participant shall rely solely on the unsecured promise of the Company set forth herein, and nothing in the Plan shall be construed to give the Participant or anyone claiming under the

Participant any right, title, interest or claim in or to any specific asset, fund, entity, reserve, account, or property of any kind whatsoever owned by the Company or any Affiliate of the Company.

EXECUTED this 16th day of January, 1996.

ATTEST: NOW HOLDINGS, INC.

By

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JAMES C. COMIS, III, SECRETARY

JOEL V. STAFF, PRESIDENT AND CHIEF EXECUTIVE OFFICER

EXHIBIT C
TO THE STOCKHOLDERS AGREEMENT

INVESTORS	INCREMENTAL NUMBER OF CLASS A COMMON STOCK SHARES PURCHASED
DPI OIL SERVICE PARTNERS LIMITED PARTNERSHIP	75.45
FIRST RESERVE CORPORATION	
First Reserve Fund VI, Limited Partnership	81.46
First Reserve Fund V, Limited Partnership	3.54
First Reserve Fund V-2, Limited Partnership	3.54
Total First Reserve Corporation	88.55
NATIONAL-OILWELL MANAGEMENT	
Joel V. Staff	9.03
C. R. Bearden	3.43
Jerry N. Gauche	2.29
Lynn L. Leigh	2.29
Paul M. Nation	1.49
Total National-Oilwell Management	18.51
GECC	16.00
RESERVED FOR ISSUANCE	
Total	1.49
	200.00

WAIVER AND FIRST AMENDMENT TO STOCKHOLDERS AGREEMENT

THIS WAIVER AND FIRST AMENDMENT TO STOCKHOLDERS AGREEMENT (this "Agreement") dated as of July 24, 1996, among NOW HOLDINGS, INC., a Delaware corporation (together with its successors and assigns, the "Company"), DPI OIL SERVICE PARTNERS LIMITED PARTNERSHIP ("DPIOSP"), DPI PARTNERS II ("DPI Partners"), FIRST RESERVE FUND V, LIMITED PARTNERSHIP, FIRST RESERVE FUND V-2, LIMITED PARTNERSHIP and FIRST RESERVE FUND VI, LIMITED PARTNERSHIP (collectively, the "First Reserve Stockholders"), GENERAL ELECTRIC CAPITAL CORPORATION ("GE Capital") (DPIOSP, DPI Partners, the First Reserve Stockholders and GE Capital, together with their respective successors and assigns, are collectively referred to herein as the "Institutional Investors"), the individuals and trustees named on the signature page hereof under "Original Management Investors" (collectively, together with their respective successors and assigns, the "Original Management Investors"), and the individuals and trustees named on the signature page hereof under "New Management Investors" (collectively, together with their respective successors and assigns, the "New Management Investors"). The Institutional Investors and the Original Management Investors are collectively referred to herein as the "Original Stockholders", and the Original Management Investors and the New Management Investors are collectively referred to herein as the "Management Investors".

WITNESSETH:

WHEREAS, the Company and the Original Stockholders are party to that certain Stockholders Agreement dated as of January 16, 1996 setting forth certain rights and obligations in connection with the investment in the Company by the Original Stockholders (the "Stockholders Agreement");

WHEREAS, Joel V. Staff, one of the Original Management Investors, desires to transfer 22,400 shares of Common Stock and 25,674 shares of Restricted Common Stock (collectively, the "Staff Stock") to the trusts (the "Trusts") created by that certain Trust Agreement (the "Trust Agreement") dated April 12, 1989 by and among Joel V. Staff and Mary Martha Staff, as Trustors, and Richard Staff, as Trustee, and for this reason desires to obtain the waiver of the Original Stockholders of certain provisions of the Stockholders Agreement;

WHEREAS, the Company desires to purchase 8,557 shares of Common Stock (the "Leigh Stock") issued to Lynn L. Leigh pursuant to the terms of that certain Restricted Stock Agreement dated as of January 16, 1996 by and between the Company and Lynn L. Leigh pursuant to the terms of that certain Stock Purchase Agreement dated as of even date herewith between Lynn L. Leigh and the Company (the "Stock Purchase Agreement") and for this reason desires to obtain the waiver of the Original Stockholders of certain provisions of the Stockholders Agreement;

WHEREAS, the Company desires to issue (a).52 shares of Class A Common Stock to Bank of America Texas, N.A., as Trustee of the Trust created pursuant to the National-Oilwell Supplemental Savings Plan ("Bank of America"), (b) 8 shares of Class A Common Stock and 5,868 shares of Common Stock to Steven W. Krablin, and (c) 9.88 shares of Class A Common Stock and 7,628 shares of Common Stock to James J. Fasnacht (all of such shares of Class A Common Stock

and Common Stock are herein collectively referred to as the "Management Stock"), each of which is a New Management Investor, pursuant to those certain Subscription Agreements dated of even date herewith between the Company and Steven W. Krablin, James J. Fasnacht and Bank of America, respectively, (collectively, the "Subscription Agreements") and for this reason desires to obtain the waiver of the Original Stockholders of certain provisions of the Stockholders Agreement;

WHEREAS, the Company desires to issue 8,557 shares of Common Stock to each of Steven W. Krablin, James J. Fasnacht and Merrill A. Miller, Jr. pursuant to the Stock Award and Long-Term Incentive Plan of the Company, as permitted pursuant to Section 5.6(b)(vi) and Section 2.1 (b)(iv)(B) of the Stockholders Agreement;

WHEREAS, the Board of Directors and the stockholders of the Company have adopted and approved (a) the Stock Award and Long-Term Incentive Plan of the Company in the form attached hereto as Exhibit A (the "Stock Incentive Plan"), and (b) the Value Appreciation Bonus Plan A of the Company in the form attached hereto as Exhibit B and the Value Appreciation Bonus Plan B of the Company in the form attached hereto as Exhibit C (collectively, the "Bonus Plans");

WHEREAS, the Stock Incentive Plan and the Bonus Plans attached hereto more accurately reflect the intentions of the parties to the Stockholders Agreement as of January 16, 1996 than the forms of Stock Award and Long-Term Incentive Plan, Value Appreciation Bonus Plan A and the Value Appreciation Bonus Plan B attached to the Stockholders Agreement;

WHEREAS, the Company, the Institutional Investors, and the Management Investors desire that all references in the Stockholders Agreement to the Stock Award and Long-Term Incentive Plan and the Value Appreciation Bonus Plan A and the Value Appreciation Bonus Plan B attached to the Stockholders Agreement be deemed to be references to the Stock Incentive Plan and Bonus Plans; and

WHEREAS, the Company and the Original Stockholders are willing to waive certain provisions of the Stockholders Agreement to allow for (a) the transfer by Joel V. Staff of the Staff Stock to the Trusts, (b) the transfer by Lynn L. Leigh of the Leigh Stock to the Company, and (c) the issuance of the Management Stock to Steven W. Krablin, James J. Fasnacht and Bank of America, subject to and in accordance with the terms and provisions contained herein;

NOW, THEREFORE, in consideration of the mutual agreements and understanding set forth herein, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

Terms used in this Agreement that are not defined in this Agreement and are defined in the Stockholders Agreement shall have the meaning given to such terms in the Stockholders Agreement.

ARTICLE 2
WAIVERS

Subject to the execution and delivery of this Agreement by each other party hereto and the other terms and provisions of this Agreement, each of the Original Stockholders hereby waives the following provisions of and rights under the Stockholders Agreement for the limited purposes set forth below:

(a) The restrictions on transfer set forth in Section 4.1 of the Stockholders Agreement, only insofar as such restrictions on transfer prohibit the transfer of the Staff Stock to the Trusts and the transfer of the Leigh Stock to the Company; and

(b) The rights of such Original Stockholder to purchase or receive any of (i) the Staff Stock, in connection with the transfer of the Staff Stock from Joel V. Staff to the Trusts, (ii) the Leigh Stock, in connection with the transfer of the Leigh Stock from Lynn L. Leigh to the Company pursuant to the Stock Purchase Agreement, and (iii) the Management Stock, in connection with the transfer of the Management Stock to Steven W. Krablin, James J. Fasnacht and Bank of America pursuant to the Subscription Agreements, in each case pursuant to Article V of the Stockholders Agreement.

ARTICLE 3
NEW MANAGEMENT INVESTORS

Each of the New Management Investors shall be deemed to be a "Management Investor" under the Stockholders Agreement, and each New Management Investor and all Class A Common Stock and all Common Stock held by such New Management Investor shall be bound by and have the benefit of all terms and provisions of the Stockholders Agreement applicable to Management Investors under the Stockholders Agreement.

ARTICLE 4
STOCK INCENTIVE PLAN AND BONUS PLANS

In order to more fully reflect the intention of the parties at the time of execution of the Stockholders Agreement, the Stock Incentive Plan and the Bonus Plans shall replace the Stock Award and Long-Term Incentive Plan and the Value Appreciation and Bonus Plan A and the Value Appreciation Bonus Plan B attached to the Stockholders Agreement, respectively, and all references in the Stockholders Agreement to such Stock Award and Long-Term Incentive Plan and such Value Appreciation Bonus Plan A and Value Appreciation Bonus Plan B shall be deemed to refer to the Stock Incentive Plan and the Bonus Plans, respectively.

ARTICLE 5
MISCELLANEOUS

5.1 Representations of Joel V. Staff. Joel V. Staff hereby represents and warrants to each other party hereto that the Trust Agreement has not been amended or modified in any respect since the execution thereof on April 12, 1989 and that Richard Staff, brother of Joel V. Staff, is the sole trustee thereof.

5.2 Successors and Assigns. The terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the respective successors and assigns of the parties hereto.

5.3 Entire Agreement. This Agreement contains the entire agreement among the parties hereto with respect to the subject transactions contemplated hereby and supersedes all prior oral and written agreements and memoranda and undertakings among the parties hereto with regard to the subject matter hereof. Except as amended hereby, the Stockholders Agreement is hereby ratified and confirmed in all respects.

5.4 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN DELAWARE).

5.5 Headings. The Article and Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

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

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

COMPANY:

NOW HOLDINGS, INC.

By: /s/ JOEL V. STAFF

Joel V. Staff
President

INSTITUTIONAL INVESTORS:

DPI OIL SERVICE PARTNERS
LIMITED PARTNERSHIP

By: Duff & Phelps/Inverness LLC
Managing General Partner

By: /s/ W. McCOMB DUNWOODY

W. McComb Dunwoody
President

DPI PARTNERS II

By: /s/ W. McCOMB DUNWOODY

W. McComb Dunwoody
Managing Partner

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ ABIGAIL UBLY

Authorized Signature

FIRST RESERVE FUND V, LIMITED
PARTNERSHIP

By: Fiat Reserve Corporation
Managing General Partner

By: /s/ BRUCE ROTHSTEIN

Bruce Rothstein
Vice President

FIRST RESERVE FUND V-2, LIMITED PARTNERSHIP

By: First Reserve Corporation
Managing General Partner

By: /s/ BRUCE ROTHSTEIN
Bruce Rothstein
Vice President

FIRST RESERVE FUND VI, LIMITED PARTNERSHIP

By: First Reserve Corporation
Managing General Partner

By: /s/ BRUCE ROTHSTEIN
Bruce Rothstein
Vice President

ORIGINAL MANAGEMENT INVESTORS:	SPOUSES:
/s/ JOEL V. STAFF	/s/ M.M. STAFF
Joel V. Staff	M.M. Staff
/s/ C.R. BEARDEN	/s/ NANCY R. BEARDEN
C.R. Bearden	Nancy R. Bearden
/s/ LYNN L. LEIGH	/s/ BETTY BARNETT LEIGH
Lynn L. Leigh	Betty Barnett Leigh
/s/ JERRY N. GAUCHE	/s/ CATHY K. GAUCHE
Jerry N. Gauche	Cathy K. Gauche
/s/ PAUL M. NATION	/s/ BEVERLY N. NATION
Paul M. Nation	Beverly N. Nation

BANK OF AMERICA TEXAS, N.A.,
as Trustee of the Trust created
pursuant to the National-Oilwell
Supplemental Savings Plan

By: /s/ GARY L. CHURCH

Name: Gary L. Church

Title: Vice President

By: /s/ ANTHONY BURTON

Name: Anthony Burton

Title: Vice President

MERRILL LYNCH & CO. C/F
Jerry N. Gauche, IRA
Account Number 795-81k02

By: /s/ [ILLEGIBLE]

Authorized Signatory

/s/ EDGAR J. MARSTON III

Edgar J. Marston III

Proxy under Agreement dated January 16, 1996 among the Company, Edgar J. Marston III and participants in the National-Oilwell Supplemental Savings Plan, as amended and Trust related thereto

NEW MANAGMENT INVESTORS:

/s/ STEVEN W. KRABLIN

Steven W. Krablin

/s/ JAMES J. FASNACHT

James J. Fasnacht

SPOUSES:

/s/ MARY L. KRABLIN

Mary L. Krablin

/s/ MERRILL A. MILLER, JR.
Merrill A. Miller, Jr.

/s/ DIANA SUE MILLER
Diana Sue Miller

/s/ RICHARD STAFF
Richard Staff, as Trustee of the Trusts created by that certain Trust Agreement dated April 12, 1989

BANK OF AMERICA TEXAS, N.A.,
as Trustee of the Trust created pursuant to the National-Oilwell Supplemental Savings Plan

By: /s/ GARY L. CHURCH
Name: Gary L. Church
Title: Vice President

By: /s/ ANTHONY BURTON
Name: Anthony Burton
Title: Vice President

/s/ EDGAR J. MARSTON III
Edgar J. Marston III

Proxy under Agreement dated as of even date herewith among the Company, Edgar J. Marston III and participants in the National-Oilwell Supplemental Savings Plan, as amended and Trust related thereto

EXHIBIT 10.4

WAIVER AND FIRST AMENDMENT TO STOCKHOLDERS AGREEMENT

THIS WAIVER AND FIRST AMENDMENT TO STOCKHOLDERS AGREEMENT (this "Agreement") dated as of _____, 1996, among NOW HOLDINGS, INC., a Delaware corporation (together with its successors and assigns, the "Company"), DPI OIL SERVICE PARTNERS LIMITED PARTNERSHIP ("DPIOSP"), DPI PARTNERS II ("DPI Partners"), FIRST RESERVE FUND V, LIMITED PARTNERSHIP, FIRST RESERVE FUND V-2, LIMITED PARTNERSHIP and FIRST RESERVE FUND VI, LIMITED PARTNERSHIP (collectively, the "First Reserve Stockholders"), GENERAL ELECTRIC CAPITAL CORPORATION ("GE Capital") (DPIOSP, DPI Partners, the First Reserve Stockholders and GE Capital, together with their respective successors and assigns, are collectively referred to herein as the "Institutional Investors"), the individuals and trustees named on the signature page hereof under "Original Management Investors" (collectively, together with their respective successors and assigns, the "Original Management Investors"), and the individuals and trustees named on the signature page hereof under "New Management Investors" (collectively, together with their respective successors and assigns, the "New Management Investors"). The Institutional Investors and the Original Management Investors are collectively referred to herein as the "Original Stockholders", and the Original Management Investors and the New Management Investors are collectively referred to herein as the "Management Investors".

WITNESSETH:

WHEREAS, the Company and the Original Stockholders are party to that certain Stockholders Agreement dated as of January 16, 1996 setting forth certain rights and obligations in connection with the investment in the Company by the Original Stockholders (the "Stockholders Agreement");

WHEREAS, Joel V. Staff, one of the Original Management Investors, desires to transfer 22,400 shares of Common Stock and 25,674 shares of Restricted Common Stock (collectively, the "Staff Stock") to the trusts (the "Trusts") created by that certain Trust Agreement (the "Trust Agreement") dated April 12, 1989 by and among Joel V. Staff and Mary Martha Staff, as Trustors, and Richard Staff, as Trustee, and for this reason desires to obtain the waiver of the Original Stockholders of certain provisions of the Stockholders Agreement;

WHEREAS, the Company desires to purchase 8,557 shares of Common Stock (the "Leigh Stock") issued to Lynn L. Leigh pursuant to the terms of that certain Restricted Stock Agreement dated as of January 16, 1996 by and between the Company and Lynn L. Leigh pursuant to the terms of that certain Stock Purchase Agreement dated as of even date herewith between Lynn L. Leigh and the Company (the "Stock Purchase Agreement") and for this reason desires to obtain the waiver of the Original Stockholders of certain provisions of the Stockholders Agreement;

WHEREAS, the Company desires to issue (a) .52 shares of Class A Common Stock to Bank of America Texas, N.A., as Trustee of the Trust created pursuant to the National-Oilwell Supplemental Savings Plan ("Bank of America"), (b) 8 shares of Class A Common Stock and 5,868 shares of Common Stock to Steven W. Krablin, and (c) 9.88 shares of Class A Common Stock and 7,628 shares of Common Stock to James J. Fasnacht (all of such shares of Class A Common Stock

and Common Stock are herein collectively referred to as the "Management Stock"), each of which is a New Management Investor, pursuant to those certain Subscription Agreements dated of even date herewith between the Company and Steven W. Krablin, James J. Fasnacht and Bank of America, respectively, (collectively, the "Subscription Agreements") and for this reason desires to obtain the waiver of the Original Stockholders of certain provisions of the Stockholders Agreement;

WHEREAS, the Company desires to issue 8,557 shares of Common Stock to each of Steven W. Krablin, James J. Fasnacht and Merrill A. Miller, Jr. pursuant to the Stock Award and Long-Term Incentive Plan of the Company, as permitted pursuant to Section 5.6(b)(vi) and Section 2.1(b)(iv)(B) of the Stockholders Agreement;

WHEREAS, the Board of Directors and the stockholders of the Company have adopted and approved (a) the Stock Award and Long-Term Incentive Plan of the Company in the form attached hereto as Exhibit A (the "Stock Incentive Plan"), and (b) the Value Appreciation Bonus Plan A of the Company in the form attached hereto as Exhibit B and the Value Appreciation Bonus Plan B of the Company in the form attached hereto as Exhibit C (collectively, the "Bonus Plans");

WHEREAS, the Stock Incentive Plan and the Bonus Plans attached hereto more accurately reflect the intentions of the parties to the Stockholders Agreement as of January 16, 1996 than the forms of Stock Award and Long-Term Incentive Plan, Value Appreciation Bonus Plan A and the Value Appreciation Bonus Plan B attached to the Stockholders Agreement;

WHEREAS, the Company, the Institutional Investors, and the Management Investors desire that all references in the Stockholders Agreement to the Stock Award and Long-Term Incentive Plan and the Value Appreciation Bonus Plan A and the Value Appreciation Bonus Plan B attached to the Stockholders Agreement be deemed to be references to the Stock Incentive Plan and Bonus Plans; and

WHEREAS, the Company and the Original Stockholders are willing to waive certain provisions of the Stockholders Agreement to allow for (a) the transfer by Joel V. Staff of the Staff Stock to the Trusts, (b) the transfer by Lynn L. Leigh of the Leigh Stock to the Company, and (c) the issuance of the Management Stock to Steven W. Krablin, James J. Fasnacht and Bank of America, subject to and in accordance with the terms and provisions contained herein;

NOW, THEREFORE, in consideration of the mutual agreements and understanding set forth herein, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS

Terms used in this Agreement that are not defined in this Agreement and are defined in the Stockholders Agreement shall have the meaning given to such terms in the Stockholders Agreement.

ARTICLE 2
WAIVERS

Subject to the execution and delivery of this Agreement by each other party hereto and the other terms and provisions of this Agreement, each of the Original Stockholders hereby waives the following provisions of and rights under the Stockholders Agreement for the limited purposes set forth below:

(a) The restrictions on transfer set forth in Section 4.1 of the Stockholders Agreement, only insofar as such restrictions on transfer prohibit the transfer of the Staff Stock to the Trusts and the transfer of the Leigh Stock to the Company; and

(b) The rights of such Original Stockholder to purchase or receive any of (i) the Staff Stock, in connection with the transfer of the Staff Stock from Joel V. Staff to the Trusts, (ii) the Leigh Stock, in connection with the transfer of the Leigh Stock from Lynn L. Leigh to the Company pursuant to the Stock Purchase Agreement, and (iii) the Management Stock, in connection with the transfer of the Management Stock to Steven W. Krablin, James J. Fasnacht and Bank of America pursuant to the Subscription Agreements, in each case pursuant to Article V of the Stockholders Agreement.

ARTICLE 3
NEW MANAGEMENT INVESTORS

Each of the New Management Investors shall be deemed to be a "Management Investor" under the Stockholders Agreement, and each New Management Investor and all Class A Common Stock and all Common Stock held by such New Management Investor shall be bound by and have the benefit of all terms and provisions of the Stockholders Agreement applicable to Management Investors under the Stockholders Agreement.

ARTICLE 4
STOCK INCENTIVE PLAN AND BONUS PLANS

In order to more fully reflect the intention of the parties at the time of execution of the Stockholders Agreement, the Stock Incentive Plan and the Bonus Plans shall replace the Stock Award and Long-Term Incentive Plan and the Value Appreciation and Bonus Plan A and the Value Appreciation Bonus Plan B attached to the Stockholders Agreement, respectively, and all references in the Stockholders Agreement to such Stock Award and Long-Term Incentive Plan and such Value Appreciation Bonus Plan A and Value Appreciation Bonus Plan B shall be deemed to refer to the Stock Incentive Plan and the Bonus Plans, respectively.

ARTICLE 5
MISCELLANEOUS

5.1 Representations of Joel V. Staff. Joel V. Staff hereby represents and warrants to each other party hereto that the Trust Agreement has not been amended or modified in any respect since the execution thereof on April 12, 1989 and that Richard Staff, brother of Joel V. Staff, is the sole trustee thereof.

5.2 Successors and Assigns. The terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the respective successors and assigns of the parties hereto.

5.3 Entire Agreement. This Agreement contains the entire agreement among the parties hereto with respect to the subject transactions contemplated hereby and supersedes all prior oral and written agreements and memoranda and undertakings among the parties hereto with regard to the subject matter hereof. Except as amended hereby, the Stockholders Agreement is hereby ratified and confirmed in all respects.

5.4 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN DELAWARE).

5.5 Headings. The Article and Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

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

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

COMPANY:

NOW HOLDINGS, INC.

By:

Joel V. Staff
President

INSTITUTIONAL INVESTORS:

DPI OIL SERVICE PARTNERS
LIMITED PARTNERSHIP

By: Duff & Phelps/Inverness LLC
Managing General Partner

By:

W. McComb Dunwoody
President

DPI PARTNERS II

By:

W. McComb Dunwoody
Managing Partner

GENERAL ELECTRIC CAPITAL CORPORATION

By:

Authorized Signature

FIRST RESERVE FUND V, LIMITED
PARTNERSHIP

By: First Reserve Corporation
Managing General Partner

By:

Bruce Rothstein
Vice President

FIRST RESERVE FUND V-2, LIMITED PARTNERSHIP

By: First Reserve Corporation
Managing General Partner

By:

Bruce Rothstein
Vice President

FIRST RESERVE FUND VI, LIMITED PARTNERSHIP

By: First Reserve Corporation
Managing General Partner

By:

Bruce Rothstein
Vice President

ORIGINAL MANAGEMENT INVESTORS:	SPOUSES:
- ----------	----------
Joel V. Staff	M.M. Staff
- ----------	----------
C. R. Bearden	Nancy R. Bearden
- ----------	----------
Lynn L. Leigh	Betty Barnett Leigh
- ----------	----------
Jerry N. Gauche	Cathy K. Gauche
- ----------	----------
Paul M. Nation	Beverly N. Nation

BANK OF AMERICA TEXAS, N.A.,
as Trustee of the Trust created pursuant to the
National-Oilwell Supplemental Savings Plan

By:

Name:

Title:

By:

Name:

Title:

MERRILL LYNCH & CO. C/F
Jerry N. Gauche, IRA
Account Number 795-81K02

By:

Authorized Signatory

- ---
Edgar J. Marston III
Proxy under Agreement dated January 16, 1996 among the Company, Edgar J. Marston III and participants in the National-Oilwell Supplemental Savings Plan, as amended and Trust related thereto

NEW MANAGEMENT INVESTORS:

- ---
Steven W. Krablin

- ---
James J. Fasnacht

SPOUSES:

Mary L. Krablin

- ----------
Merrill A. Miller, Jr.

Diana Sue Miller

- ----------
Richard Staff, as Trustee of the
Trusts created by that certain
Trust Agreement dated
April 12, 1989

BANK OF AMERICA TEXAS, N.A.,
as Trustee of the Trust created
pursuant to the National-Oilwell S
upplemental Savings Plan

By:

Name:

Title:

By:

Name:

Title:

- ----------
Edgar J. Marston III
Proxy under Agreement dated as of
even date herewith among the Company,
Edgar J. Marston III and participants
in the National-Oilwell Supplemental
Savings Plan, as amended and Trust
related thereto

EXHIBIT 10.5

1996 NATIONAL-OILWELL EMPLOYEE INCENTIVE PLAN

The National-Oilwell Employee Incentive Plan's purpose is to encourage the organization to achieve and surpass the financial performance set forth in the National-Oilwell* operating plan and to provide employees at all levels an opportunity to share financially in the success of National-Oilwell.

ELIGIBILITY AND PARTICIPATION

All regular full-time and regular part-time salaried and hourly employees of National-Oilwell worldwide are eligible for participation in the Plan. If a participant is terminated during the Plan Year because of (a) a force reduction, or (b) a break in service because of disability, death, or retirement, participation will still be allowed, provided the participant was employed for not less than ninety days during the Plan Year. If a participant's employment is terminated during the Plan Year for any other reason (such as voluntary termination or termination for cause) the participant will be ineligible for the incentive payment.

PAYOUT PERCENTAGE

Incentive awards will be expressed as a percentage of employee's Base Pay for the Plan Year.

FINANCIAL PERFORMANCE FACTORS

The following financial measurements of National-Oilwell's 1996 performance will be used to calculate the incentive:

1. Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA).

2. A ratio of EBITDA to Average Working Capital.

PERFORMANCE PERIOD

Incentive payments will be determined by National-Oilwell's financial performance during the Plan Year (January 1, 1996 to December 31, 1996).

PARTICIPATION LEVELS

Each regular full-time or part-time salaried and hourly employee will participate in the Plan at one of the following Participation Levels:

Level I	President & CEO, Now Holdings, Inc.
Level II	Other Leadership Team
Level III	Selected Managers
Level IV	Other Employees

Managers eligible for Level III have been notified.

*For purposes of this Plan, "National-Oilwell" means NOW Holdings, Inc. and its subsidiaries, which includes National-Oilwell, L.P., National-Oilwell Canada Ltd., National Oilwell (U.K.) Limited, National-Oilwell de Venezuela, National-Oilwell Pty. Ltd., and National-Oilwell Pte Ltd.

TARGET AWARDS

A Target Award has been established for each Participation Level (see Table 1 below) if National-Oilwell attains an EBITDA of $31.2 million and a ratio of EBITDA to Average Working Capital of 0.237 at the end of the Plan Year.

TABLE 1
TARGET AWARDS

Participation Level	Target Award - Payout Percentage
Level I	42.5%
Level II	35.0%
Level III	20.0%
Level IV	3.50%

The calculation of the payout percentage at different financial performance levels is described in the next section entitled "Calculation of Award."

CALCULATION OF AWARD

As indicated above, the payout percentage each participant receives will be based upon two factors: (1) EBITDA and (2) the ratio of EBITDA to Average Working Capital. The two tables below show the payout percentage for each factor at various levels of financial performance. The total payout percentage each participant will receive is calculated by adding the payout percentage for the Participation Level in Table 2 to the payout percentage for the Participation Level in Table 3.

TABLE 2
EBITDA FACTOR PAYOUT SCHEDULE

EBITDA $million	Incentive Payout % of Base Pay			
	LV I	LV II	LV III	LV IV
25.0	-0-	-0-	-0-	.27
28.1	3.19	2.63	1.65	1.45
31.2	31.90	26.30	15.00	2.62
37.4	47.80	39.40	22.50	5.25

The formula for calculating the payout at any level of EBITDA between $25 million and $31.2 million for Level IV is: .381 X EBITDA - 9.251.

The formula for calculating the payout at any level of EBITDA between $31.2 million and $37.4 million for Level IV is: .423 X EBITDA - 10.585.

For EBITDA results in excess of $37.4 million during the Plan Year, an additional payment will be made from a pool equal to 10% of the EBITDA in excess of $37.4 million, shared by participants of this Plan in amounts

equal to the ratio of the individual participant's Plan Year Base Pay to the Total Plan Participants' Base Pay for the Plan Year.

A graph of the EBITDA payout percentage at different levels of performance is attached.

(THE ABOVE CALCULATIONS APPLY TO PARTICIPATION LEVEL IV ONLY. SEE ATTACHED GRAPHS FOR THE CALCULATIONS APPLICABLE TO PARTICIPATION LEVELS I, II AND III.)

TABLE 3
EBITDA/WORKING CAPITAL RATIO FACTOR PAYOUT SCHEDULE

Ratio	Example ($US mil.)	Incentive Payout % of Base Pay			
		LV I	LV II	LV III	LV IV
.218	EBITDA 31.2 Avg. WC 143	1.06	.87	.50	.08
.237	EBITDA 36.2 Avg. WC 153	10.60	8.70	5.00	.88
.245	EBITDA 31.2 Avg. WC 127.3	15.90	13.10	7.50	1.75

No additional incentive award calculation is made for ratio results in excess of .245.

The formula for calculating the payout at any level of ratio between .218 and .237 for Level IV is:
41.45 X Ratio - 8.948.

The formula for calculating the payout at any level of ratio between .237 and .245 for Level IV is:
109.375 X Ratio - 25.047.

A graph of the ratio of EBITDA to working capital payout percentage at different levels of performance is attached.

(THE ABOVE CALCULATIONS APPLY TO PARTICIPATION LEVEL IV ONLY. SEE ATTACHED GRAPHS FOR THE CALCULATIONS APPLICABLE TO PARTICIPATION LEVELS I, II AND III.)

PAYOUT ADJUSTMENT

The Board of Directors of NOW Holdings, Inc. (the "Board") shall have the authority in its sole discretion to adjust the incentive payout by an amount equal to +/- 25% of the total Target Award.

INCENTIVE PLAN ADMINISTRATIVE COMMITTEE

An Incentive Plan Administrative Committee appointed by the CEO of NOW Holdings, Inc. will oversee the administration of this Plan. The Committee's responsibilities will include but not be limited to the following: satisfying disclosure requirements; providing written plan document for distribution to participants; presenting plan payout calculations to the Board for approval; approval of additional participants to the Plan during the Plan Year and determination of any claims or disputes concerning the Plan.

TERMINATION OF PLAN

The Board shall have the authority to terminate the Plan at any time during the Plan Year in the event of a sale, merger, change of ownership or for any other reason as determined by the Board in its sole discretion. Participants who have been eligible for at least 90 days of the Plan Year will receive a pro rata share of the

incentive award based on financial results as of the date of the Plan termination, as determined in the sole discretion of the Board.

DATE OF PAYMENT

Date of payment of the incentive award will be as soon as practical after the end of the Plan Year.

CHANGES IN WORKING CAPITAL

In the event of increases or decreases in Working Capital resulting from mergers, acquisitions or divestitures by National-Oilwell, Plan financial measures used for calculating the incentive award will be adjusted from the date of the merger, acquisition or sale in the sole discretion of the Board.

DEFINITIONS

EBITDA means Earnings Before Interest, Taxes, Depreciation, and Amortization (Net income plus charges for interest, taxes, depreciation and amortization [if any] of intangible assets) per National-Oilwell audited financial statements stated in millions of US dollars.

WC means Working Capital defined as total receivables (net of allowance) plus inventory (net of reserves) less the sum of trade payables, other payables, and accrued salaries and wages per National-Oilwell audited financial statements stated in millions of US dollars.

AVERAGE WORKING CAPITAL for Plan purposes is the sum of each of the month-end working capital amounts in 1996, divided by 12.

BASE PAY is regular earnings for the Plan Year excluding overtime, shift differential, bonuses, and government-required payments beyond regular earnings.

PLAN YEAR is January 1, 1996 through December 31, 1996.

RETIREMENT means a voluntary termination on or after a participant's 55th birthday.

[LEVEL I INCENTIVE - EBITDA PORTION GRAPH]

EXPLANATION

If 1996 EBITDA is at least $28.1 million, an incentive will be earned for this factor. To calculate the payout percent for EBITDA results of $28.1 million up to and including $31.2 million, use the formula on the lower portion of this graph. To calculate the payout percent for EBITDA greater than $31.2 million up to and including $37.4 million, use the upper portion of this graph.

[LEVEL I INCENTIVE - RATIO PORTION GRAPH]

EXPLANATION

If the Ratio of EBITDA to Working Capital is at least .218, an incentive will be earned for this factor. To calculate the payout percent for Ratio results of from .218 up to and including .237, use the formula on the lower portion of this graph. To calculate the payout percent for Ratios greater than .237 up to and including .245, use the formula on the upper portion of this graph.

EXAMPLE

If EBITDA for 1996 is $33 million, and average working capital is $140 million, the incentive for EBITDA would be 36.52 calculated as follow:

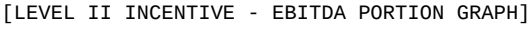
2.571 X 33 = 84.84 - 48.325 = 36.52%

The incentive for the Ratio of EBITDA to working capital would be 9.97% calculated as follows:

33/140 = .2357 X 503.29 = 118.625 - 108.654 = 9.97%

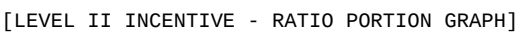
The incentive for 1996, subject to Board approval would be the sum of the EBITDA factor and the Ratio factor multiplied by base pay for the year:

36.52% + 9.97% = 46.49% X base pay = incentive



EXPLANATION

If 1996 EBITDA is at least $28.1 million, an incentive will be earned for this factor. To calculate the payout percent for EBITDA results of $28.1 million up to and including $31.2 million, use the formula on the lower portion of this graph. To calculate the payout percent for EBITDA greater than $31.2 million up to and including $37.4 million, use the formula on the upper portion of this graph.



EXPLANATION

If the Ratio of EBITDA to Working Capital is at least .218, an incentive will be earned for this factor. To calculate the payout percent for Ratio results of from .218 up to and including .237, use the formula on the lower portion of this graph. To calculate the payout percent for Ratios greater than .237 up to and including .245, use the formula on the upper portion of this graph.

EXAMPLE

If EBITDA for 1996 is $33 million, and average working capital is $140 million, the incentive for EBITDA would be 30.06% calculated as follows:

2.117 X 33 = 69.86 - 39.8 = 30.06%

The incentive for the Ratio of EBITDA to working capital would be 4.598% calculated as follows:

33/140 = .2357 X 414.47 = 97.69 - 89.48 = 8.21

The incentive for 1996, subject to Board approval would be the sum of the EBITDA factor and the Ratio factor multiplied by base pay for the year:

30.06% + 8.22% X base pay = incentive

[GRAPH]

LEVEL III INCENTIVE - EBITDA PORTION

EXPLANATION

If 1996 EBITDA is at least $28.1 million, an incentive will be earned for this factor. To calculate the payout percent for EBITDA results of $28.1 million up to and including $31.2 million, use the formula on the lower portion of this graph. To calculate the payout percent for EBITDA greater than $31.2 million up to and including $37.4 million, use the formula on the upper portion of this graph.

[GRAPH]

LEVEL III INCENTIVE - RATIO PORTION

EXPLANATION

If the Ratio of EBITDA to Working Capital is at least .218, an incentive will be earned for this factor. To calculate the payout percent for Ratio results of from .218 up to and including .237 use the formula on the lower portion of this graph. To calculate the payout percent for Ratios greater than .237 up to and including .245, use the formula on the upper portion of this graph.

EXAMPLE

If EBITDA for 1996 is $33 million, and average working captial is $140 million, the incentive for EBITDA would be 17.19% calclulated as follows:

1.21 X 33 = 39.93 - 22.74 = 17.19

The incentive for the Ratio of EBITDA to working capital would be 4.598% calculated as follows:

33/140 = .2357 X 312.5 = 73.656 - 69.0625 = 4.59%

The incentive for 1996, subject to Board approval would be the sum of the EBITDA factor and the Ratio factor multiplied by base pay for the year;

17.19% + 4.59% = 21.78% X base pay = Incentive

[GRAPH]

LEVEL IV INCENTIVE - EBITDA PORTION

EXPLANATION

If 1996 EBITDA is at least $25 million, an incentive will be earned for this factor. To calculate the payout percent for EBITDA results of $25 million up to and including $31.2 million, use the formula on the lower portion of this graph. To calculate the payout percent for EBITDA greater than $31.2 million up to and including $37.4 million, use the formula on the upper portion of this graph.

[GRAPH]

LEVEL IV INCENTIVE - RATIO PORTION

EXPLANATION

If the Ratio of EBITDA to Working Capital is at least .218, an incentive will be earned for this factor. To calculate the payout percent for Ratio results of from .218 up to and including .237 use the formula on the lower portion of this graph. To calculate the payout percent for Ratios greater than .237 up to and including .245, use the formula on the upper portion of this graph.

EXAMPLE

If EBITDA for 1996 is $33 million, and average working captial is $140 million, the incentive for EBITDA would be 3.374% calclulated as follows:

.423 X 33.0 = 13.959 - 10.585 = 3.374

The incentive for the Ratio of EBITDA to working capital would be 3.374% calculated as follows:

33/140 = .2357 X 41.45 = 9.770 - 8.948 = 0.822

The incentive for 1996, subject to Board approval would be the sum of the EBITDA factor and the Ratio factor multiplied by base pay for the year:

3.374% + .822% = 4.196 X base pay = Incentive

EXHIBIT 10.6

NOW HOLDINGS, INC.

STOCK AWARD AND LONG-TERM INCENTIVE PLAN

I. PURPOSE

The purpose of the NOW Holdings, Inc. Stock Award and Long-Term Incentive Plan (the "Plan") is to provide a means whereby NOW Holdings, Inc., a Delaware corporation (the "Company"), and its Subsidiaries may attract able persons to enter the employ of the Company in key positions and to provide a means whereby those key employees upon whom the responsibilities of the successful administration and management of the Company rest, and whose present and potential contributions to the welfare of the Company are of importance, can acquire and maintain stock ownership, thereby strengthening their concern for the long-term welfare of the Company and their desire to remain in its employ. A further purpose of the Plan is to provide such key employees with additional incentive and reward opportunities designed to enhance the profitable growth of the Company over the long term. Accordingly, the Plan provides for granting Incentive Stock Options, options which do not constitute Incentive Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Performance Share Awards, Stock Value Equivalent Awards, or any combination of the foregoing, as is best suited to the circumstances of the particular employee as provided herein.

II. DEFINITIONS

The following definitions shall be applicable throughout the Plan unless specifically modified by any paragraph:

(a) "AWARD" means, individually or collectively, any Option, Stock Appreciation Right, Restricted Stock Award, Performance Share Award or Stock Value Equivalent Award.

(b) "BOARD" means the Board of Directors of NOW Holdings, Inc.

(c) "CODE" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations under such section.

(d) "COMMITTEE" means the committee selected by the Board to administer the Plan in accordance with Paragraph (a) of Article IV of the Plan.

(e) "COMMON STOCK" means the common stock, par value $0.01 per share, of NOW Holdings, Inc.

(f) "COMPANY" means NOW Holdings, Inc.

(g) "FAIR MARKET VALUE" means the amount determined by the Committee in such manner as it deems appropriate.

(h) "FINAL STOCK AWARD" means an award granted under Article XII of the Plan.

(i) "HOLDER" means an employee of the Company (or his guardian or legal representative) who has been granted an Award.

(j) "INCENTIVE STOCK OPTION" means an option within the meaning of section 422 of the Code to purchase Common Stock.

(k) "NONQUALIFIED OPTION" means an option to purchase Common Stock which is not an Incentive Stock Option.

(l) "OPTION" means an Award granted under Article VII of the Plan and includes both Incentive Stock Options and Nonqualified Options.

(m) "OPTION AGREEMENT" means a written agreement between the Company and an employee with respect to an Option.

(n) "OPTIONEE" means an employee who has been granted an Option.

(o) "PARENT CORPORATION" shall have the meaning set forth in section 424(e) of the Code.

(p) "PERFORMANCE SHARE AWARD" means an Award granted under Article X of the Plan.

(q) "PLAN" means the NOW Holdings, Inc. Stock Award and Long-Term Incentive Plan.

(r) "RESTRICTED STOCK AWARD" means an Award granted under Article IX of the Plan.

(s) "SPREAD" means, in the case of a Stock Appreciation Right, an amount equal to the excess, if any, of the Fair Market Value of a share of Common Stock on the date such right is exercised over the exercise price of such Stock Appreciation Right.

(t) "STOCK APPRECIATION RIGHT" means an Award granted under Article VIII of the Plan.

(u) "STOCK APPRECIATION RIGHTS AGREEMENT" means a written agreement between the Company and an employee with respect to an Award of Stock Appreciation Rights.

(v) "STOCK VALUE EQUIVALENT AWARD" means an Award granted under Article XI of the Plan.

(w) "SUBSIDIARY" means a company (whether a corporation, partnership, joint venture or other form of entity) in which the Company, or a corporation in which the Company owns a majority of the shares of capital stock or equity interests, directly or indirectly, except that with respect to the issuance of Incentive Stock Options the term "Subsidiary" shall have the same meaning as the term "subsidiary corporation" as defined in section 424(f) of the Code.

III. EFFECTIVE DATE AND DURATION OF THE PLAN

The Plan shall be effective upon the date of its adoption by the Board, provided the Plan is approved by the stockholders of the Company within twelve months thereafter. Notwithstanding any provision of the Plan or in any Option Agreement or Stock Appreciation Rights Agreement, no Option or Stock Appreciation Right shall be exercisable prior to such stockholder approval. No further Awards may be granted under the Plan after ten years from the date the Plan is adopted by the Board. Subject to the provisions of Article XIII, the Plan shall remain in effect until all Options and Stock Appreciation Rights granted under the Plan have been exercised or expired by reason of lapse of time, all restrictions imposed upon Restricted Stock Awards have lapsed and all Performance Share Awards and Stock Value Equivalent Awards have been satisfied.

IV. ADMINISTRATION

(a) COMPOSITION OF COMMITTEE. The Plan shall be administered by the Committee which shall be appointed by the Board.

(b) POWERS. The Committee shall have sole authority, in its discretion, to determine which employees of the Company and its Subsidiaries shall receive an Award, the time or times when such Award shall be made, whether an Incentive Stock Option, Nonqualified Option or Stock Appreciation Right shall be granted, the number of shares of Common Stock which may be issued under each Option, Stock Appreciation Right and Restricted Stock Award, and the value of each Performance Share Award and Stock Value Equivalent Award. In making such determinations the Committee may take into account the nature of the services rendered by the respective employees, their present and potential contribution to the Company's success and such other factors as the Committee in its discretion shall deem relevant.

(c) ADDITIONAL POWERS. The Committee shall have such additional powers as are delegated to it by the other provisions of the Plan. Subject to the express provisions of the Plan, the Committee is authorized to construe the Plan and the respective agreements executed thereunder, to prescribe such rules and regulations relating to the Plan as it may deem advisable to carry out the Plan, and to determine the terms, restrictions and provisions of each Award, including such terms, restrictions and provisions as shall be requisite in the judgment of the Committee to cause designated Options to qualify as Incentive Stock Options, and to make all other determinations necessary or advisable for administering the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in any agreement relating to an Award in the manner and to the extent it shall deem expedient to carry it into effect. The determinations of the Committee on the matters

referred to in this Article IV shall be final and binding for all purposes and upon all interested persons and their heirs, successors and personal representatives.

V. GRANT OF OPTIONS, STOCK APPRECIATION RIGHTS, RESTRICTED STOCK AWARDS, PERFORMANCE SHARE AWARDS AND STOCK VALUE EQUIVALENT AWARDS; SHARES SUBJECT TO THE PLAN

(a) AWARD LIMITS. The Committee may from time to time grant Awards to one or more employees determined by it to be eligible for participation in the Plan in accordance with the provisions of Article VI. The aggregate number of shares of Common Stock that may be issued under the Plan shall not exceed 85,573 shares. Any of such shares which remain unissued and which are not subject to outstanding Awards at the termination of the Plan shall cease to be subject to the Plan, but, until termination of the Plan, the Company shall at all times reserve a sufficient number of shares to meet the requirements of the Plan. Shares shall be deemed to have been issued under the Plan only to the extent actually issued and delivered pursuant to an Award. To the extent that an Award lapses or the rights of its Holder terminate any shares of Common Stock subject to such Award shall again be available for the grant of an Award. The aggregate number of shares which may be issued under the Plan shall be subject to adjustment in the same manner as provided in Article XII with respect to shares of Common Stock subject to Options then outstanding. Separate stock certificates shall be issued by the Company for those shares acquired pursuant to the exercise of an Incentive Stock Option and for those shares acquired pursuant to the exercise of a Nonqualified Option.

(b) STOCK OFFERED. The stock to be offered pursuant to the grant of an Award may be authorized but unissued Common Stock or Common Stock previously issued and outstanding and reacquired by the Company.

VI. ELIGIBILITY

Awards made pursuant to the Plan may be granted only to individuals who, at the time of grant, are key employees of the Company or any Parent Corporation or Subsidiary of the Company. Awards may not be granted to any director of the Company who is not an employee of the Company or to any member of the Committee. An Award made pursuant to the Plan may be granted on more than one occasion to the same person, and such Award may include an Incentive Stock Option, a Nonqualified Option, an Award of Stock Appreciation Rights, a Restricted Stock Award, a Performance Share Award, a Stock Value Equivalent Award or any combination thereof. Each Award shall be evidenced by a written instrument duly executed by or on behalf of the Company.

VII. OPTIONS

(a) OPTION AGREEMENT. Each Option shall be evidenced by an Option Agreement between the Company and the Optionee which shall contain such terms and conditions as may be approved by the Committee. The terms and conditions of the respective Option Agreements need

not be identical. Specifically, an Option Agreement may provide for the payment of the option price, in whole or in part, by the delivery of a number of shares of Common Stock (plus cash if necessary) having a Fair Market Value equal to such option price. Each Option Agreement shall provide that the Option may not be exercised earlier than six months from the date of grant and shall specify the effect of termination of employment on the exercisability of the Option.

(b) OPTION PERIOD. The term of each Option shall be as specified by the Committee at the date of grant.

(c) LIMITATIONS ON EXERCISE OF OPTION. An Option shall be exercisable in whole or in such installments and at such times as determined by the Committee.

(d) SPECIAL LIMITATIONS ON INCENTIVE STOCK OPTIONS. To the extent that the aggregate Fair Market Value (determined at the time the respective Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of the Company and its Parent Corporation and Subsidiaries exceeds $100,000, such excess Incentive Stock Options shall be treated as Nonqualified Options. The Committee shall determine, in accordance with applicable provisions of the Code, Treasury Regulations and other administrative pronouncements, which of an Optionee's Incentive Stock Option will not constitute Incentive Stock Options because of such limitation and shall notify the Optionee of such determination as soon as practicable after such determination. No Incentive Stock Option shall be granted to an individual if, at the time the Option is granted, such individual owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its Parent Corporation or a Subsidiary, within the meaning of section 422(b)(6) of the Code, unless (i) at the time such Option is granted the option price is at least 110% of the Fair Market Value of the Common Stock subject to the Option and (ii) such Option by its terms is not exercisable after the expiration of five years from the date of grant.

(e) OPTION PRICE. The purchase price of Common Stock issued under each Option shall be determined by the Committee, but such purchase price shall not be less than the Fair Market Value of Common Stock subject to the Option on the date the Option is granted.

(f) OPTIONS AND RIGHTS IN SUBSTITUTION FOR STOCK OPTIONS GRANTED BY OTHER CORPORATIONS. Options and Stock Appreciation Rights may be granted under the Plan from time to time in substitution for stock options held by employees of corporations who become, or who became prior to the effective date of the Plan, key employees of the Company or of any Subsidiary as a result of a merger or consolidation of the employing corporation with the Company or such Subsidiary, or the acquisition by the Company or a Subsidiary of all or a portion of the assets of the employing corporation, or the acquisition by the Company or a Subsidiary of stock of the employing corporation with the result that such employing corporation becomes a Subsidiary.

VIII. STOCK APPRECIATION RIGHTS

(a) STOCK APPRECIATION RIGHTS. A Stock Appreciation Right is the right to receive an amount equal to the Spread with respect to a share of Common Stock upon the exercise of such Stock Appreciation Right. Stock Appreciation Rights may be granted in connection with the grant of an Option, in which case the Option Agreement will provide that exercise of Stock Appreciation Rights will result in the surrender of the right to purchase the shares under the Option as to which the Stock Appreciation Rights were exercised. Alternatively, Stock Appreciation Rights may be granted independently of Options in which case each Award of Stock Appreciation Rights shall be evidenced by a Stock Appreciation Rights Agreement between the Company and the Holder which shall contain such terms and conditions as may be approved by the Committee. The terms and conditions of the respective Stock Appreciation Rights Agreements need not be identical. The Spread with respect to a Stock Appreciation Right may be payable either in cash, shares of Common Stock with a Fair Market Value equal to the Spread or in a combination of cash and shares of Common Stock. Upon the exercise of any Stock Appreciation Rights granted hereunder, the number of shares reserved for issuance under the Plan shall be reduced only to the extent that shares of Common Stock are actually issued in connection with the exercise of such Stock Appreciation Right. Each Stock Appreciation Rights Agreement shall provide that the Stock Appreciation Rights may not be exercised earlier than six months from the date of grant and shall specify the effect of termination of employment on the exercisability of the Stock Appreciation Rights.

(b) EXERCISE PRICE. The exercise price of each Stock Appreciation Right shall be determined by the Committee, but such exercise price shall not be less than the Fair Market Value of a share of Common Stock on the date the Stock Appreciation Right is granted.

(c) EXERCISE PERIOD. The term of each Stock Appreciation Right shall be as specified by the Committee at the date of grant.

(d) LIMITATIONS ON EXERCISE OF STOCK APPRECIATION RIGHT. A Stock Appreciation Right shall be exercisable in whole or in such installments and at such times as determined by the Committee.

IX. RESTRICTED STOCK AWARDS

(a) RESTRICTION PERIOD TO BE ESTABLISHED BY THE COMMITTEE. At the time a Restricted Stock Award is made, the Committee shall establish a period of time (the "Restriction Period") applicable to such Award. Each Restricted Stock Award may have a different Restriction Period, as determined in the discretion of the Committee. The Restriction Period applicable to a particular Restricted Stock Award shall not be changed except as permitted by Paragraph (b) of this Article.

(b) OTHER TERMS AND CONDITIONS. Common Stock awarded pursuant to a Restricted Stock Award shall be represented by a stock certificate registered in the name of the Holder of such Restricted Stock Award or, at the option of the Company, in the name of a nominee of the Company. The Holder shall have the right to receive dividends during the Restriction Period (subject to the

terms of any Restricted Stock Agreement), to vote the Common Stock subject thereto and to enjoy all other stockholder rights (subject to the terms of any Restricted Stock Agreement), except that (i) the Holder shall not be entitled to possession of the stock certificate until the Restriction Period shall have expired, (ii) at the discretion of the Company, the Company shall retain custody of the stock during the Restriction Period, (iii) the Holder may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the stock during the Restriction Period and (iv) a breach of the terms and conditions established by the Committee pursuant to the Restricted Stock Award shall cause a forfeiture of the Restricted Stock Award. At the time of such Award, the Committee may, in its sole discretion, prescribe additional terms, conditions or restrictions relating to Restricted Stock Awards, including, but not limited to, rules pertaining to the termination of employment (by retirement, disability, death or otherwise) of a Holder prior to expiration of the Restriction Period.

(c) PAYMENT FOR RESTRICTED STOCK. A Holder shall be required to make such payment for Common Stock received pursuant to a Restricted Stock Award as may be required by law or as the Committee may, in its discretion, determine to charge the Holder.

(d) MISCELLANEOUS. Nothing in this Article shall prohibit the exchange of shares issued under the Plan (whether or not then subject to a Restricted Stock Award) pursuant to a plan of reorganization for stock or securities in the Company or another corporation a party to the reorganization, but the stock or securities so received for shares then subject to the restrictions of a Restricted Stock Award shall become subject to the restrictions of such Restricted Stock Award. Any shares of stock received as a result of a stock split or stock dividend with respect to shares then subject to a Restricted Stock Award shall also become subject to the restrictions of the Restricted Stock Award.

X. PERFORMANCE SHARE AWARDS

(a) PERFORMANCE PERIOD. The Committee shall establish, with respect to and at the time of each Performance Share Award, a performance period over which the performance applicable to the Performance Share Award of the Holder shall be measured.

(b) PERFORMANCE SHARE AWARDS. Each Performance Share Award may have a maximum value established by the Committee at the time of such Award.

(c) PERFORMANCE MEASURES. A Performance Share Award may be awarded to an employee contingent upon future performance of the employee, the Company or any Subsidiary, division or department thereof by or in which he is employed during the performance period, the Fair Market Value of Common Stock or the increase thereof during the performance period, combinations thereof, or such other provisions as the Committee may determine to be appropriate. The Committee shall establish the performance measures applicable to such performance prior to the beginning of the performance period but subject to such later revisions as the Committee shall deem appropriate to reflect significant, unforeseen events or changes.

(d) AWARDS CRITERIA. In determining the value of Performance Share Awards, the Committee may take into account an employee's responsibility level, performance, potential, other Awards and such other considerations as it deems appropriate.

(e) PAYMENT. Following the end of the performance period, the Holder of a Performance Share Award shall be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Share Award, if any, based on the achievement of the performance measures for such performance period, as determined by the Committee in its sole discretion. Payment of a Performance Share Award (I) may be made in cash, Common Stock or a combination thereof, as determined by the Committee in its sole discretion, (ii) shall be made in a lump sum or in installments as prescribed by the Committee in its sole discretion and (iii) to the extent applicable, shall be based on the Fair Market Value of the Common Stock on the payment date. If a payment of cash is to be made on a deferred basis, the Committee shall establish whether interest shall be credited, the rate thereof and any other terms and conditions applicable thereto.

(f) TERMINATION OF EMPLOYMENT. The Committee shall determine the effect of termination of employment during the performance period on an employee's Performance Share Award.

XI. STOCK VALUE EQUIVALENT AWARDS

(a) STOCK VALUE EQUIVALENT AWARDS. Stock Value Equivalent Awards are rights to receive an amount equal to the Fair Market Value of shares of Common Stock or rights to receive an amount equal to any appreciation or increase in the Fair Market Value of Common Stock over a specified period of time, which vest over a period of time as established by the Committee, without payment of any amounts by the Holder thereof (except to the extent otherwise required by law) or satisfaction of any performance criteria or objectives. Each Stock Value Equivalent Award may have a maximum value established by the Committee at the time of such Award.

(b) AWARD PERIOD. The Committee shall establish, with respect to and at the time of each Stock Value Equivalent Award, a period over which the Award shall vest with respect to the Holder.

(c) AWARDS CRITERIA. In determining the value of Stock Value Equivalent Awards, the Committee may take into account an employee's responsibility level, performance, potential, other Awards and such other considerations as it deems appropriate.

(d) PAYMENT. Following the end of the determined period for a Stock Value Equivalent Award, the Holder of a Stock Value Equivalent Award shall be entitled to receive payment of an amount, not exceeding the maximum value of the Stock Value Equivalent Award, if any, based on the then vested value of the Award. Payment of a Stock Value Equivalent Award (I) shall be made in cash, (ii) shall be made in a lump sum or in installments as prescribed by the Committee in its sole discretion and (iii) shall be based on the Fair Market Value of the Common Stock on the payment date. Cash dividend equivalents may be paid during, or may be accumulated and paid at the end of,

the determined period with respect to a Stock Value Equivalent Award, as determined by the Committee. If payment of cash is to be made on a deferred basis, the Committee shall establish whether interest shall be credited, the rate thereof and any other terms and conditions applicable thereto.

(e) TERMINATION OF EMPLOYMENT. The Committee shall determine the effect of termination of employment during the applicable vesting period on an employee's Stock Value Equivalent Award.

XII. FINAL STOCK AWARDS

(a) NATURE OF FINAL STOCK AWARDS. Final Stock Awards constitute the issuance as of January 17, 2001 to certain Holders of Restricted Stock Awards of one or more shares of Common Stock free and clear of any and all forfeiture restrictions or other encumbrances.

(b) AUTOMATIC GRANT OF FINAL STOCK AWARDS. As of January 17, 2001, there shall be granted Final Stock Awards for a number of shares of Common Stock equal to the difference as of January 17, 2001 between 85,573 shares of Common Stock and the number of shares of Common Stock theretofore issued pursuant to Awards granted under the Plan. Such shares of Common Stock shall be allocated to those individuals who (i) are employed by the Company or a Parent Corporation or a Subsidiary of the Company as of January 17, 2001 and (ii) who are or at any time were Holders of Restricted Stock Awards. An individual entitled to an allocation of a Final Stock Award pursuant to the preceding sentence shall receive a Final Stock Award for a number of shares of Common Stock equal to the total number of shares of Common Stock as to which Final Stock Awards are then being granted multiplied by a fraction, the numerator of which is the number of shares of Common Stock theretofore issued to him pursuant to his Restricted Stock Awards as to which forfeiture restrictions have lapsed and the denominator of which is the total number of shares of Common Stock theretofore issued pursuant to Restricted Stock Awards as to which forfeiture restrictions have lapsed to all individuals entitled to allocations of Final Stock Awards pursuant to the preceding sentence.

XIII. RECAPITALIZATION OR REORGANIZATION

(a) Except as hereinafter otherwise provided, Options, Stock Appreciation Rights, Restricted Stock Awards, Performance Share Awards, Stock Value Equivalent Awards and any agreements evidencing such Awards shall be subject to adjustment by the Committee at its discretion as to the number and price of shares of Common Stock or other consideration subject to such Awards in the event of changes in the outstanding Common Stock by reason of dividends payable in stock of the Company, stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization occurring after the date of the grant of any such Option or Awards.

(b) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any

adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities having any priority or preference with respect to or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(c) The shares with respect to which Awards may be granted are shares of Common Stock as presently constituted, but if, and whenever, prior to the expiration of an Option theretofore granted, the Company shall effect a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend on Common Stock payable in stock of the Company, without receipt of consideration by the Company, the number of shares of Common Stock with respect to which such Award may thereafter pertain (i) in the event of an increase in the number of outstanding shares shall be proportionately increased, and the purchase price per share shall be proportionately reduced, and (ii) in the event of a reduction in the number of outstanding shares shall be proportionately reduced, and the purchase price per share shall be proportionately increased.

(d) If the Company recapitalizes or otherwise changes its capital structure, an Award theretofore granted shall be adjusted to reflect such recapitalization to the extent appropriate as determined by the Committee.

XIV. AMENDMENT OR TERMINATION OF THE PLAN

The Board in its discretion may terminate the Plan or alter or amend the Plan or any part thereof from time to time; provided that no change in any Award theretofore granted may be made which would impair the rights of the Holder without the consent of the Holder, and provided, further, that the Board may not, without approval of the stockholders, amend the Plan:

(a) to increase the aggregate number of shares which may be issued pursuant to the provisions of the Plan on exercise or surrender of Options or Stock Appreciation Rights or pursuant to Restricted Stock Awards, Performance Share Awards or Final Stock Awards, except as provided in Article XIII;

(b) to change the minimum Option price;

(c) to change the class of employees eligible to receive Awards or increase materially the benefits accruing to employees under the Plan;

(d) to extend the maximum period during which Awards may be granted under the Plan; or

(e) to modify materially the requirements as to eligibility for participation in the Plan.

XV. OTHER

(a) NO RIGHT TO AN AWARD. Neither the adoption of the Plan nor any action of the Board or of the Committee shall be deemed to give an employee any right to be granted an Option, a Stock Appreciation Right, a Restricted Stock Award or a Performance Share Award or Stock Value Equivalent Award, Final Stock Award or any other rights hereunder except as may be evidenced by an Option Agreement, Stock Appreciation Rights Agreement, Restricted Stock Agreement or other instrument evidencing an Award duly executed on behalf of the Company, and then only to the extent and on the terms and conditions expressly set forth therein. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to assure the payment of any Award.

(b) NO EMPLOYMENT RIGHTS CONFERRED. Nothing contained in the Plan or in any Award made hereunder shall (i) confer upon any employee any right with respect to continuation of employment with the Company or any Subsidiary or (ii) interfere in any way with the right of the Company or any Subsidiary to terminate his or her employment at any time.

(c) OTHER LAWS; WITHHOLDING. The Company shall not be obligated to issue any Common Stock pursuant to any Award granted under the Plan at any time when the offering of the shares covered by such Award has not been registered under the Securities Act of 1933 and such other state and federal laws, rules or regulations as the Company or the Committee deems applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration requirements of such laws, rules or regulations available for the issuance and sale of such shares. No fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid. The Company shall have the right to deduct in connection with all Awards any taxes required by law to be withheld and to require any payments necessary to enable it to satisfy its withholding obligations. The Committee may permit the Holder of an Award to elect to surrender, or authorize the Company to withhold, shares of Common Stock (valued at their Fair Market Value on the date of surrender or withholding of such shares) in satisfaction of the Company's withholding obligation.

(d) NO RESTRICTION ON CORPORATE ACTION. Nothing contained in the Plan shall be construed to prevent the Company or any Subsidiary from taking any corporate action which is deemed by the Company or such Subsidiary to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any Award made under the Plan. No employee, beneficiary or other person shall have any claim against the Company or any Subsidiary as a result of any such action.

(e) RESTRICTIONS ON TRANSFER. An Award shall not be transferable otherwise than by will or the laws of descent and distribution and shall be exercisable during the lifetime of the Holder only by such Holder or the Holder's guardian or legal representative. The Option Agreement, Stock Appreciation Rights Agreement, Restricted Stock Agreement or other written instrument evidencing an Award shall specify the effect of the death of the Holder on the Award.

(f) SEVERABILITY. If any provision of this Plan or an Award shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions thereof; instead,

each provision of the Plan or an Award shall be fully severable and shall be construed and enforced as if said illegal or invalid provision had never been included therein.

(g) LIMITATION ON ACTIONS. Every right of action by or on behalf of the Company or by any shareholder against any past, present, or future member of the Board, the Committee, or any officer or employee of the Company arising out of or in connection with this Plan shall, regardless of the place where the action may be brought and regardless of the place of residence of any such director, Committee member, officer or employee, cease and be barred by the expiration f three years from the later of: (i) the date of the act or omission in respect of which such right of action arises or (ii) the first date upon which there has been made generally available to shareholders an annual report of the Company and a proxy statement for the annual meeting of shareholders following the issuance of such annual report, which annual report and proxy statement alone or together set forth for the related period, the amount of the allocations. In addition, any and all right of action by any employee (past, present or future) against the Company or any member of the Committee arising out of or in connection with this Plan will, regardless of the place where action may be brought and regardless of the place of residence of any Committee member, cease and be barred by the expiration of three years from the date of the act or omission in respect of which such right of action arises.

(h) GOVERNING LAW. This Plan shall be governed by, and construed in accordance with, the internal laws of the State of Texas without regard to the principles of conflicts of law thereof that would require the application of the laws of any jurisdiction other than Texas, except to the extent that it implicates matters which are the subject of the General Corporation Law of the State of Delaware which matters shall be governed by the latter law.

Executed this _____ day of _____, 1996 to supersede and replace that Plan document which was heretofore adopted by and executed on behalf of the Company.

ATTEST: NOW HOLDINGS, INC.

By

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JAMES C. COMIS, III, SENIOR VICE PRESIDENT AND ASSISTANT SECRETARY

JOEL V. STAFF, PRESIDENT AND CHIEF EXECUTIVE OFFICER

EXHIBIT 10.7

FIRST AMENDMENT TO
NOW HOLDINGS, INC.
STOCK AWARD AND LONG-TERM INCENTIVE PLAN

WHEREAS, NOW HOLDINGS, INC. (the "Company") has heretofore adopted the NOW HOLDINGS, INC. STOCK AWARD AND LONG- TERM INCENTIVE PLAN (the "Plan"); and

WHEREAS, the Company desires to amend the Plan so as to increase the number of shares of the Company's common stock that may be issued under the Plan;

NOW, THEREFORE, the Plan shall be amended as follows, effective as of August 28, 1996:

1. The last sentence of Article I of the Plan shall be deleted and the following shall be substituted therefor:

"A further purpose of the Plan is to provide a means whereby the Company may attract able persons serve as directors of the Company and to provide such directors with incentive and reward opportunities which are designed to align their interests with the interests of the shareholders of the Company so as to enhance the profitable growth of the Company over the long term. To carry out its goals and achieve its purposes, the Plan provides for the granting of Incentive Stock Options, Options which do not constitute Incentive Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Performance Share Awards, Stock Value Equivalent Awards, or any combination of the foregoing, as is best suited to the circumstances of a particular employee or director as provided herein."

2. The following new Paragraphs (d) and (e) shall be added to Article IV of the Plan:

"(d) SPECIAL BOARD POWERS. The Board shall have the sole authority, in its discretion, to determine which directors of the Company who are not employees of the Company shall receive an Award, the time or times when such Award shall be made, whether a Nonqualified Option or Stock Appreciation Right shall be granted, the number of shares of Common Stock which may be issued under each Option, Stock Appreciation Right and Restricted Stock Award and the value of each Performance Share Award and Stock Value Equivalent Award. In any case involving an Award under the Plan to a director of the Company who is not an employee of the Company, the Board shall have all of the powers under the Plan that the Committee has under the Plan with respect to Awards to employees of the Company and its Subsidiaries.

(e) SELF INTEREST. No member of the Committee or the Board, as applicable, shall have any right to vote or decide upon any matter relating solely to himself under the Plan or to vote in any case in which his individual right to claim any benefit or Award under the Plan is particularly involved."

3. The second sentence of Paragraph (a) of Article V of the Plan shall be deleted and the following shall be substituted therefor:

"The Board may from time to time grant Awards to one or more directors of the Company who are not employees of the Company as determined by the Board in its discretion. The aggregate number of shares of Common Stock that may be issued under the Plan shall not exceed 1,941,303 shares (which number shall include those shares which were issued under the Plan prior to August 28, 1996)."

4. The first two sentences of Article VI of the Plan shall be deleted and the following shall be substituted therefor:

"Awards made pursuant to the Plan may be granted to employees who, at the time of grant, are key employees of the Company or any parent corporation or subsidiary of the Company. Awards other than Incentive Stock Options may be granted to any director of the Company who is not an employee of the Company."

5. As amended hereby, the Plan is specifically ratified and reaffirmed.

IN WITNESS WHEREOF, this amendment is executed this 28th day of August, 1996.

ATTEST: NOW HOLDINGS, INC.

/s/ JAMES C. COMIS, III
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James C. Comis, III, Senior Vice President and Assistant Secretary

By /s/ JOEL B. STAFF

Joel B. Staff, President and Chief Executive Officer

EXHIBIT 10.8

NOW HOLDINGS, INC.

VALUE APPRECIATION AND INCENTIVE PLAN A

I. ESTABLISHMENT AND PURPOSE

(a) ESTABLISHMENT OF THE PLAN. NOW HOLDINGS, INC. (the "Company") hereby establishes, effective as of January 17, 1996, the NOW HOLDINGS, INC. VALUE APPRECIATION AND INCENTIVE PLAN A (the "Plan") the terms and provisions of which are set forth below.

(b) PURPOSES. The purposes of the Plan are to focus Participants, both as a team and individually, on achieving key strategic and financial objectives of the Company and its Affiliates, to reward them for enhancing the value of the Company thereby benefitting its stockholders, to encourage them to devote their best efforts to the business and operation of the Company, its subsidiaries and its Affiliates by offering them a reward opportunity based on individual contributions and corporate performance and to enhance the ability of the Company to attract and retain employees of outstanding competence and ability.

II. DEFINITIONS

As used in the Plan, the terms below shall have the following meanings ascribed to them:

(a) "AFFILIATE" shall have the same meaning as the term "Affiliate" as defined in the Stockholders Agreement.

(b) "CAPITAL INVESTMENT" as of a given date refers to: (i) the total capital contributions of $29,717,882.57 of the Stockholders holding 1,189.60 shares of Class A Common Stock and 872,570 shares of Common Stock as of January 17, 1996; plus (ii) additional capital contributions paid to the Company by Stockholders for the purchase of both Class A Common Stock and Common Stock between January 17, 1996 and such date excluding any shares of Common Stock acquired by an individual pursuant to a restricted stock grant or a stock option or warrant exercise.

(c) "CAPITAL INVESTMENT STOCK" as of a given date refers to the outstanding shares of Capital Stock which were acquired by the Stockholders as a result of Capital Investments.

(d) "CAPITAL INVESTMENT STOCK VALUE" as of a given date refers to the aggregate value of the Capital Investment Stock.

(e) "CAPITAL STOCK" as of a given date refers to the total of (i) the outstanding shares of the Company's Class A Common Stock, par value $.01 per share, (ii) the outstanding shares of the Company's Common Stock, par value $.01 per share and (iii) the shares of Common Stock, which are issuable under outstanding options and warrants.

(f) "CAPITAL STOCK VALUE" refers as of a given date to the aggregate value of the Capital Stock. For purposes of determining such aggregate value, the following rules shall apply: (i) in the case of a Sale of the Company, such value shall be the total price paid for the Capital Stock; (ii) in the case of a Qualified Public Offering, such value shall be the product of the Net Public Offering Price multiplied by the number of shares of Capital Stock outstanding (or issuable) immediately prior to such Qualified Public Offering; and (iii) in the case of a Triggering Event described in (u)(3) below, such value shall be the good faith estimate by the Company's Board of Directors of the price for Capital Stock that could be obtained in an open (non-forced) sale of all of the Capital Stock with ample time for marketing and closing, reduced by all transaction expenses.

(g) "CLASS A COMMON STOCK" refers to the capital stock of the Company consisting of its Class A common stock, par value $.01 per share.

(h) "COMMITTEE" refers to the Committee appointed by the Board of Directors of the Company to administer the Plan.

(i) "COMMON STOCK" refers to the capital stock of the Company consisting of its common stock, par value $.01 per share.

(j) "COMPANY" refers to NOW Holdings, Inc., a Delaware corporation, and any successor thereto.

(k) "ELIGIBLE EMPLOYEE" refers to any individual who is a key employee of the Company or of any Affiliate of the Company.

(l) "IRR AMOUNT" means an amount which is equal to: (i) if the Triggering Event occurs on or before January 17, 1999, the amount of the Capital Investment plus an amount equal to a 35% compounded annual average return on the Capital Investment; (ii) if the Triggering Event occurs after January 17, 1999 but on or before January 17, 2001, the amount of the Capital Investment plus an amount equal to a 32.5% compounded annual average return on the Capital Investment; or (iii) if the Triggering Event occurs after January 17, 2001, the amount of the Capital Investment plus an amount equal to a 30% compounded annual average return on the Capital Investment. For purposes of computing the IRR Amount as of any given date, the Committee shall take into consideration the value of dividends or other distributions made by the Company to the Stockholders between January 17, 1996 and such date.

(m) "NET PUBLIC OFFERING PRICE" shall have the same meaning as defined in the Restated Certificate of Incorporation of the Company.

(n) "PARTICIPANT" refers to an Eligible Employee who has been designated by the Committee pursuant to Article 3 as a Participant in the Plan.

(o) "PLAN TERM" refers to the period that this Plan shall be in effect and shall be the period of January 17, 1996 to the last date on which a payment is due under this Plan, or, if earlier, the date the Plan is terminated pursuant to Article IX.

(p) "PUBLIC OFFERING" refers to a public offering and sale of equity securities of the Company pursuant to an effective registration statement on Form S-1 under the Securities Act of 1933, as amended, or any similar Federal statute then in effect.

(q) "QUALIFIED PUBLIC OFFERING" refers to a Public Offering of Common Stock, at the conclusion of which the aggregate number of issued and outstanding shares of Common Stock that have been sold to the public pursuant to one or more effective registration statements under the Securities Act of 1933, as amended, or any similar Federal statute then in effect is equal to at least 20% of the Capital Stock after giving effect to such sale.

(r) "SALE OF THE COMPANY" refers to (x) a merger of the Company, a sale of all or substantially all of the assets of the Company, or a sale of all of the Class A common stock, par value $.01 per share, of the Company and Common Stock of the Company, (y) in which all of the stockholders of the Company receive in such transaction the same consideration consisting of cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million.

(s) "STOCKHOLDERS" refers to any person or entity other than the Company which is a party to the Stockholders Agreement.

(t) "STOCKHOLDERS AGREEMENT" refers to the Stockholders Agreement Among Now Holdings, Inc and its Stockholders, dated as of January 17, 1996, as it may be amended thereafter from time-to-time.

(u) "TRIGGERING EVENT" refers to the first to occur of the following:

(1) The closing date of a Sale of the Company.

(2) The closing date of a Qualified Public Offering.

(3) The first date as of which the Stockholders have received from the Company as dividends, distributions or for the repurchase of Class A Common Stock, liquid assets equal in aggregate value to the Capital Investment as of such date. For purposes of this item (3), liquid assets shall include only cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million (valued at the fair market value thereof as determined by the Board of Directors of the Company).

provided, however, that an event described above shall not result in a Triggering Event for purposes of the Plan unless the then Capital Investment Stock Value on such date equals or exceeds the IRR Amount.

(v) "VALUE APPRECIATION UNIT" means a phantom unit credited to a Participant under the Plan for purposes of measuring his or her distributions under the Plan.

III. PARTICIPATION AND VALUE APPRECIATION UNITS

(a) PARTICIPATION. The Committee may designate Eligible Employees as Participants in the Plan at any time during the term of the Plan. It is anticipated that participation in the Plan may vary from time to time. In selecting Eligible Employees to participate in the Plan, the Committee shall establish such criteria as it may deem relevant in making such selection. An Eligible Employee who has been designated by the Committee as a Participant in the Plan shall have no right of continued participation in the Plan and may be removed by the Committee as a Participant in the Plan at any time prior to a Triggering Event. An Eligible Employee who has been designated by the Committee as a Participant in the Plan may be removed by the Committee as a Participant after a Triggering Event; provided, however, such a Participant shall receive a Plan distribution calculated in the same manner as the Plan distribution made to a Participant who is involuntarily terminated without cause under Article IV, Paragraph (d) below.

(b) CREDITING OF VALUE APPRECIATION UNITS. Coincident with his or her designation as a Participant in the Plan, the Committee shall credit to a Participant a number of whole or fractional Value Appreciation Units. The Committee shall establish such criteria as it may deem relevant in determining the number of Value Appreciation Units to be assigned to a Participant. It is anticipated that Participants will be assigned differing numbers of Value Appreciation Units. At any time prior to a Triggering Event, the Committee may increase or decrease the number of Value Appreciation Units then credited to a Participant in its sole discretion, but in no event shall the aggregate Value Appreciation Units awarded under the Plan exceed 80.

IV. PLAN DISTRIBUTIONS

(a) BASE DISTRIBUTION AMOUNT. For any Participant who is employed by the Company as of a Triggering Event, the distribution amount determined as of such date with respect to Value Appreciation Units credited to him or her as of the Triggering Event (the "Base Distribution Amount") shall be a dollar amount equal to:

(1) the lesser of (i) the product of the Capital Stock Value multiplied by 0.04 and (ii) the maximum amount of payments under the Plan that would not result in a Capital Investment Stock Value below the IRR Amount; multiplied by

(2) a fraction, the numerator of which is the number of such Participant's Value Appreciation Units as of such date and the denominator of which is 80.

(b) FORM AND TIME OF DISTRIBUTIONS. Distributions under the Plan resulting from a Triggering Event other than a Qualified Public Offering Triggering Event shall be paid in single lump sum cash payments which are paid within the 30 day period immediately following the Triggering Event. If the Triggering Event results from a Qualified Public Offering, the distribution

to a Participant of the Base Distribution Amount determined pursuant to Paragraph (a) above shall be paid as follows:

If the Triggering Event occurs on or before January 17, 1998:	One third of the Base Distribution Amount determined pursuant to Paragraph (a) above will be paid on the date of the Triggering Event, one third of such Base Distribution Amount will be paid on the first anniversary of the Triggering Event and one third of such Base Distribution Amount will be paid on January 17, 1999; provided, however, that any portion of the Base Distribution Amount paid to a Participant more than 30 days after the Triggering Event will be adjusted as set forth in Paragraph (c) below.
If the Triggering Event occurs after January 17, 1998 but on or before January 17, 1999:	One half of the Base Distribution Amount determined pursuant to Paragraph (a) above will be paid on the date of the Triggering Event and the remaining one half of such Base Distribution Amount will be paid on January 17, 1999; provided, however, that any portion of the Base Distribution Amount paid to a Participant more than 30 days after the Triggering Event will be adjusted as set forth in Paragraph (c) below.
If the Triggering Event occurs after January 17, 1999;	All of the Base Distribution Amount determined pursuant to Paragraph (a) above will be paid within 30 days after the Triggering Event.

The Company will have an additional 30 days after the scheduled date of a Plan distribution to calculate and make the required payments under the Plan. A Participant's Plan distributions resulting from a Qualified Public Offering Triggering Event shall be paid in cash or in shares of Capital Stock or in a combination thereof as determined by the Committee.

(c) ADJUSTMENTS TO BASE DISTRIBUTION AMOUNT.

If the Triggering Event occurs before January 17, 1999 and results from a Qualified Public Offering, the dollar amount of any Base Distribution Amount not paid within 30 days after the Triggering Event will be adjusted to an amount equal to:

(1) the per share market price of the Company's publicly traded Capital Stock as of the date the Participant is scheduled to receive a payment, divided by the per share

market price of the Company's publicly traded Capital Stock as of the date of the Triggering Event; multiplied by

(2) the dollar amount of the Base Distribution Amount which is scheduled to be paid on such date.

(d) FORFEITURES. If a Participant who was employed by the Company as of a Triggering Event is later involuntarily terminated by the Company without cause, or if employment is terminated due to the death of the employee, any Base Distribution Amounts then remaining payable to him or her pursuant to Paragraph (b) above shall be paid to him or her within 30 days after the date of such employment termination; provided, however, that any remaining Base Distribution Amount payable to the Participant upon such employment termination will be adjusted as set forth in Paragraph (c) above. If a Participant who was employed by the Company as of a Triggering Event terminates employment for any other reason, all Base Distribution Amounts then remaining payable to him or her pursuant to paragraph (b) above shall be forfeited.

(e) EXTRAORDINARY EVENT ADJUSTMENTS. If an extraordinary event outside of the control of the Company occurs which would result in a substantial distortion from the ordinary operation of the Plan, the Board of Directors of the Company, in its sole discretion, may make such adjustment to the operation of the Plan as it determines to be appropriate.

(f) TAX BONUS. In addition to amounts payable under the Plan pursuant to Paragraphs (a) and (b) above, the Company shall pay to any Participant with respect to any distributions under the Plan which are subject to the tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, (the "Code") a tax bonus as described in this Paragraph (f). The tax bonus payable to a Participant under this Paragraph (f) shall be equal to the amount determined by (I) determining the aggregate amounts distributed to the Participant pursuant to Paragraphs (a) and (b) above which are treated as excess parachute payments (within the meaning of Section 280G of the Code or the corresponding provision of any successor statute) (adjusted, as appropriate, to reflect any delayed or installment payments) and which are subject to the tax imposed under Section 4999 of the Code or the corresponding provision of any successor statute (the "Parachute Amount"), (ii) determining the decimal which expresses the maximum rate of tax imposed under section 4999 of the Code or the corresponding provision of any successor statute (the "Parachute Tax Rate") and the maximum statutory rate, expressed as a decimal, of Federal income tax applicable to the Participant (after reflecting all deductions and adjustments) applicable to the Participant for the taxable year in which he receives the distributions pursuant to Paragraphs (a) and (b) above (the" Regular Tax Rate"), (iii) multiplying the Parachute Amount by the Parachute Tax Rate, (iv) multiplying the amount determined in item (iii) by 2/3 and (v) multiplying the amount determined in item (iv) by a fraction, the numerator of which is one and the denominator of which is one minus the Regular Tax Rate.

VI. TERMINATION OF EMPLOYMENT PRIOR TO TRIGGERING EVENT

In the event that a Participant ceases to be employed with the Company and its Affiliates for any reason prior to a Triggering Event he or she will not be entitled to any Plan distributions.

VII. ARBITRATION

Any and all claims, demands, cause of action, disputes, controversies and other matters in question arising out of or relating to the Plan, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of the Plan, involving the Company or an Affiliate thereof and a Participant (all of which are referred to herein as "Claims"), even though some or all of such Claims allegedly are extra-contractual in nature, whether such Claims sound in contract, tort or otherwise, at law or in equity, under state or federal law, whether provided by statute or the common law, for damages or any other relief, including equitable relief and specific performance, shall be resolved and decided by binding arbitration pursuant to the Federal Arbitration Act in accordance with the Commercial Arbitration Rules then in effect with the American Arbitration Association (the "AAA"). The party requesting arbitration shall, when filing a claim with the AAA, request that the Houston, Texas office of the AAA provide a list of potential arbitrators to both parties. The parties shall thereafter have sixty (60) days to select an arbitrator from such list, with such selection to be by mutual agreement. If the parties fail to select an arbitrator within such time by mutual agreement, then either party may request that the Chief Judge of the U.S. District Court for the Southern District of Texas appoint an arbitrator, and any such appointment shall be binding on the parties. The arbitration proceeding shall be conducted in Houston, Texas. The decision of the arbitrator shall be binding on the Participant, and the Company and their Affiliates. Judgment upon any award rendered in any such arbitration proceeding may be entered by any federal or state court having jurisdiction. This arbitration provision shall be enforceable in either federal or state court. The enforcement of this arbitration provision and all procedural aspects thereof, including but not limited to, the construction and interpretation of this arbitration provision, the scope of the arbitrable issues, allegations of waiver, delay or defenses to arbitrability, and the rules governing the conduct of the arbitration, shall be governed by and construed pursuant to the Federal Arbitration Act. In deciding the substance of any Claim, the arbitrator shall apply the substantive laws of the State of Texas; provided, however, that the arbitrator shall have no authority to award treble, exemplary or punitive type damages under any circumstances regardless of whether such damages may be available under Texas law, the parties hereby waiving their right, if any to recover treble, exemplary or punitive type damages in connection with any Claims. The arbitrator may award the costs of arbitration (including without limitation the fees of the arbitrator and the AAA), as well as any or all attorney's fees, and any other related costs, in any manner deemed fair, equitable, and reasonable by the arbitrator based upon the relative merits of the positions espoused by the respective parties to the arbitration, the relative financial circumstances of the respective parties to the arbitration and such other considerations as the arbitrator deems appropriate and relevant.

VIII. ADMINISTRATIVE PROVISIONS

(a) ADMINISTRATIVE GUIDELINES. The Plan shall be implemented and administered in accordance with such rules, regulations and interpretations as may be established from time to time by the Committee for the implementation and administration of this Plan that are not inconsistent with the provisions thereof.

(b) ADMINISTRATION. The Plan shall be administered by the Committee which shall have the power and responsibility to take such actions as may be appropriate or necessary to effectuate

orderly administration of the Plan and to interpret and construe the terms and provisions of the Plan; provided, however, that such interpretations and constructions shall be consistent with the written provisions of the Plan.

(c) LIMITATION OF LIABILITY. The members of the Committee and any other person acting under the direction of the Committee, shall not be liable for any act or failure to act hereunder, except for gross negligence or fraud, and the Company shall indemnify the members of the Committee, and such other persons against all expenses, fines, judgments, and/or penalties incurred in connection with any claim or proceeding seeking to impose such liability.

IX. OTHER PROVISIONS

(a) EMPLOYMENT. Nothing in this Plan nor any action taken by the Company, the Board of Directors of the Company or the Committee under the provisions hereof shall be construed as a contract of employment between the Company and a Participant or interfere with or limit in any way the right of the Company to terminate any such Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company. For purposes of the Plan, a Participant will be deemed to be employed by the Company for so long as he or she is employed by the Company or an Affiliate of the Company.

(b) NONTRANSFERABILITY. No right or interest of any Participant under this Plan shall be assignable or transferable, pledged or encumbered in any manner, or subject to any lien, directly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge and bankruptcy.

(c) AMENDMENTS AND TERMINATION. The Company at any time and from time to time, may modify or amend, in whole or in part, any or all of the provisions of this Plan or suspend or terminate the Plan entirely; provided, however, that in the event of a termination of the Plan prior to a Triggering Event, each Participant shall be entitled to a Plan distribution in full satisfaction of all amounts owed under the Plan equal to the distribution amount or amounts determined pursuant to Paragraph (b) of Article IV above, substituting the date of termination of the Plan for the date of a Triggering Event, if the fair market value as determined by the Board of Directors of the Company of the Capital Investment Stock as of such date equals or exceeds the IRR Amount as of such date. In the event of a Plan termination after a Triggering Event, each Participant shall be entitled to a Plan distribution calculated in the same manner as the distribution made to a Participant who is involuntarily terminated by the Company without cause under Article IV, Paragraph (d) above. The Plan shall automatically terminate and no further amounts shall be paid under the Plan following payment of the last amount owed as a result of occurrence of a Triggering Event.

(d) GOVERNING LAW. The Plan shall be construed in accordance with and governed by the laws of the State of Texas.

(e) WITHHOLDING TAXES. The Company shall have the right to deduct from all payments under this Plan any federal, state or local taxes required by law to be withheld with respect to such payments.

(f) NATURE OF PLAN. The Plan shall constitute an unfunded, unsecured obligation of the Company to make payments of incentive compensation to certain employees from its general assets in accordance with the Plan. Accordingly:

(1) Value Appreciation Units awarded under the Plan and accounting maintained by the Company merely constitute mechanisms for measuring such incentive compensation and do not constitute a property right or interest in the Company or in any asset owned by the Company or its subsidiaries;

(2) neither the establishment of the Plan, the awarding of Value Appreciation Units nor the creation or maintenance of Plan accounting records shall be deemed to create an escrow or trust fund of any kind; and

(3) the Participant and any person claiming under Participant shall rely solely on the unsecured promise of the Company set forth herein, and nothing in the Plan shall be construed to give the Participant or anyone claiming under the Participant any right, title, interest or claim in or to any specific asset, fund, entity, reserve, account, or property of any kind whatsoever owned by the Company or any Affiliate of the Company.

EXECUTED this _____ day of _____, 1996 to supersede and replace any Plan documents heretofore adopted by and executed on behalf of the Company.

ATTEST: NOW HOLDINGS, INC.

By

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JAMES C. COMIS, III, SENIOR VICE PRESIDENT JOEL V. STAFF, PRESIDENT AND CHIEF EXECUTIVE OFFICER

EXHIBIT 10.9

NOW HOLDINGS, INC.

VALUE APPRECIATION AND INCENTIVE PLAN B

I. ESTABLISHMENT AND PURPOSE

(a) ESTABLISHMENT OF THE PLAN. NOW HOLDINGS, INC. (the "Company") hereby establishes, effective as of January 17, 1996, the NOW HOLDINGS, INC. VALUE APPRECIATION AND INCENTIVE PLAN B (the "Plan") the terms and provisions of which are set forth below.

(b) PURPOSES. The purposes of the Plan are to focus Participants, both as a team and individually, on achieving key strategic and financial objectives of the Company and its Affiliates, to reward them for enhancing the value of the Company thereby benefitting its stockholders, to encourage them to devote their best efforts to the business and operation of the Company, its subsidiaries and its Affiliates by offering them a reward opportunity based on individual contributions and corporate performance and to enhance the ability of the Company to attract and retain employees of outstanding competence and ability.

II. DEFINITIONS

As used in the Plan, the terms below shall have the following meanings ascribed to them:

(a) "AFFILIATE" shall have the same meaning as the term "Affiliate" as defined in the Stockholders Agreement.

(b) "AWARD" with respect to a Participant refers to a restricted stock award granted to such Participant under the NOW Holdings, Inc. Stock Award and Long-Term Incentive Plan.

(c) "CAPITAL INVESTMENT" as of a given date refers to: (i) the total capital contributions of $29,717,882.57 of the Stockholders holding 1,189.60 shares of Class A Common Stock and 872,570 shares of Common Stock as of January 17, 1996; plus (ii) additional capital contributions paid to the Company by Stockholders for the purchase of both Class A Common Stock and Common Stock between January 17, 1996 and such date excluding any shares of Common Stock acquired by an individual pursuant to a restricted stock grant or a stock option or warrant exercise.

(d) "CAPITAL INVESTMENT STOCK" as of a given date refers to the outstanding shares of Capital Stock which were acquired by the Stockholders as a result of Capital Investments.

(e) "CAPITAL INVESTMENT STOCK VALUE" as of a given date refers to the aggregate value of the Capital Investment Stock.

(f) "CAPITAL STOCK" as of a given date refers to the total of (i) the outstanding shares of the Company's Class A Common Stock, (ii) the outstanding shares of the Company's Common

Stock, par value $.01 per share and (iii) the shares of Common Stock, which are issuable under outstanding options and warrants.

(g) "CAPITAL STOCK VALUE" refers as of a given date to the aggregate value of the Capital Stock. For purposes of determining such aggregate value, the following rules shall apply: (i) in the case of a Sale of the Company, such value shall be the total price paid for the Capital Stock; (ii) in the case of a Qualified Public Offering, such value shall be the product of the Net Public Offering Price multiplied by the number of shares of Capital Stock outstanding (or issuable) immediately prior to such Qualified Public Offering; and (iii) in the case of a Triggering Event described in (u)(3) below, such value shall be the good faith estimate by the Company's Board of Directors of the price for Capital Stock that could be obtained in an open (non-forced) sale of all of the Capital Stock with ample time for marketing and closing, reduced by all transaction expenses.

(h) "CLASS A COMMON STOCK" refers to the capital stock of the Company consisting of its Class A common stock, par value $.01 per share.

(i) "COMMITTEE" refers to the Committee appointed by the Board of Directors of the Company to administer the Plan.

(j) "COMMON STOCK" refers to the capital stock of the Company consisting of its common stock, par value $.01 per share.

(k) "COMPANY" refers to NOW Holdings, Inc., a Delaware corporation, and any successor thereto.

(l) "NET PUBLIC OFFERING PRICE" shall have the same meaning as defined in the Restated Certificate of Incorporation of the Company.

(m) "PARTICIPANT" refers to any employee of the Company or of any Affiliate of the Company who participates in the Plan pursuant to Article III.

(n) "PLAN TERM" refers to the period that this Plan shall be in effect and shall be the period of January 17, 1996 to the last date on which a payment is due under this Plan or, if earlier, the date the Plan is terminated pursuant to Article X.

(o) "POOL A IRR AMOUNT" means an amount which is equal to: (i) if the Triggering Event occurs on or before January 17, 1999, the amount of the Capital Investment plus an amount equal to a 35% compounded annual average return on the Capital Investment; (ii) if the Triggering Event occurs after January 17, 1999 but on or before January 17, 2001, the amount of the Capital Investment plus an amount equal to a 32.5% compounded annual average return on the Capital Investment; or (iii) if the Triggering Event occurs after January 17, 2001, the amount of the Capital Investment plus an amount equal to a 30% compounded annual average return on the Capital Investment. For purposes of computing the Pool A IRR Amount as of any given date, the

Committee shall take into consideration the value of dividends or other distributions made by the Company to the Stockholders between January 17, 1996 and such date.

(p) "POOL B IRR AMOUNT" means an amount which is equal to the amount of the Capital Investment plus an amount equal to a 25.0% compounded annual average return on the Capital Investment. For purposes of computing the Pool B IRR Amount as of any given date, the Committee shall take into consideration the value of dividends or other distributions made by the Company to the Stockholders between January 17, 1996 and such date.

(q) "PUBLIC OFFERING" refers to a public offering and sale of equity securities of the Company pursuant to an effective registration statement on Form S-1 under the Securities Act of 1933, as amended, or any similar Federal statute then in effect.

(r) "QUALIFIED PUBLIC OFFERING" refers to a Public Offering of Common Stock, at the conclusion of which the aggregate number of issued and outstanding shares of Common Stock that have been sold to the public pursuant to one or more effective registration statements under the Securities Act of 1933, as amended, or any similar Federal statute then in effect is equal to at least 20% of the Capital Stock after giving effect to such sale.

(s) "SALE OF THE COMPANY" refers to (x) a merger of the Company, a sale of all or substantially all of the assets of the Company, or a sale of all of the Class A common stock, par value $.01 per share, of the Company and Common Stock of the Company, (y) in which all of the stockholders of the Company receive in such transaction the same consideration consisting of cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million.

(t) "STOCKHOLDERS" refers to any person or entity other than the Company which is a party to the Stockholders Agreement.

(u) "STOCKHOLDERS AGREEMENT" refers to the Stockholders Agreement Among Now Holdings, Inc. and its stockholders, dated as of January 17, 1996, as it may be amended thereafter from time-to-time.

(v) "TRIGGERING EVENT" refers to the first to occur of the following:

(1) The closing date of a Sale of the Company.

(2) The closing date of a Qualified Public Offering.

(3) The first date as of which the Stockholders have received from the Company as dividends, distributions or for the repurchase of Class A Common Stock, liquid assets equal in aggregate value to the Capital Investment as of such date. For purposes of this item (3), liquid assets shall include only cash and/or securities that are publicly traded and have a total market valuation for

all outstanding securities of the same publicly traded class after the transaction of at least $250 million (valued at the fair market value thereof as determined by the Board of Directors of the Company).

provided, however, that an event described above shall not result in a Triggering Event for purposes of Article IV of the Plan unless the then Capital Investment Stock Value on the date of such event equals or exceeds the Pool A IRR Amount and an event described above shall not result in a Triggering Event for purposes of Article V of the Plan unless the then Capital Investment Stock Value on the date of such event equals or exceeds the Pool B IRR Amount.

III. PARTICIPATION

Any employee of the Company or an Affiliate who has been granted an Award shall be a Plan Participant; provided, however, that (i) no individual shall become a Plan Participant after a Triggering Event and (ii) except as specifically provided in the Plan, an individual shall cease to be a Participant in the Plan for all purposes as of the date he is no longer employed by the Company or an Affiliate.

IV. POOL A DISTRIBUTIONS

(a) POOL A BASE DISTRIBUTION AMOUNT. For any Participant who is employed by the Company as of a Pool A Triggering Event, the Pool A base distribution amount determined as of such date (the "Base Distribution Amount") shall be a dollar amount equal to:

(1) the lesser of (i) the product of the Capital Stock Value multiplied by 0.01 and (ii) the maximum amount of payments under the Plan that would not result in a Capital Investment Stock Value below the Pool A IRR Amount; multiplied by

(2) a fraction, the numerator of which is the number of shares of Common Stock issued or issuable to such Participant as of such date under his Awards, and the denominator of which is the total number of shares of Common Stock issued or issuable to all Participants as of such date under their Awards.

(b) FORM AND TIME OF DISTRIBUTIONS. Base Distribution Amount distributions under the Plan resulting from a Pool A Triggering Event other than a Qualified Public Offering Pool A Triggering Event shall be paid in single lump sum cash payments which are paid within the 30 day period immediately following the Pool A Triggering Event. If the Pool A Triggering Event results from a Qualified Public Offering, the distribution to a Participant of the Base Distribution Amount determined pursuant to Paragraph (a) above shall be paid as follows:

If the Pool A
Triggering Event
occurs on or before

January 17, 1998:	One-third of the Base Distribution Amount determined pursuant to Paragraph (a) above will be paid on the date of the Pool A Triggering Event, one third of such Base Distribution Amount will be paid on the first anniversary of the Pool A Triggering Event and one third of such Base Distribution Amount will be paid on January 17, 1999; provided, however, that any portion of the Base Distribution Amount paid to a Participant more than 30 days after the Pool A Triggering Event will be adjusted as set forth in Paragraph (c) below.
If the Pool A Triggering Event occurs after January 17, 1998 but on or before January 17, 1999:	One-half of the Base Distribution Amount determined pursuant to Paragraph (a) above will be paid on the date of the Pool A Triggering Event and the remaining one half of such Base Distribution Amount will be paid on January 17, 1999; provided, however, that any portion of the Base Distribution Amount paid to a Participant more than 30 days after the Pool A Triggering Event will be adjusted as set forth in Paragraph (c) below.
If the Pool A Triggering Event occurs after January 17, 1999:	All of the Base Distribution Amount determined pursuant to Paragraph (a) above will be paid within 30 days after the Pool A Triggering Event.

The Company will have an additional 30 days after the scheduled date of a Plan distribution to calculate and make the required payments under the Plan. A Participant's Pool A distributions resulting from a Qualified Public Offering Pool A Triggering Event shall be paid in cash or in shares of Capital Stock or in a combination thereof as determined by the Committee.

(c) ADJUSTMENTS TO BASE DISTRIBUTION AMOUNT.

If the Pool A Triggering Event occurs before January 17, 1999 and results from a Qualified Public Offering, the dollar amount of any Base Distribution Amount not paid within 30 days after the Pool A Triggering Event will be adjusted to an amount equal to:

(1) the per share market price of the Company's publicly traded Capital Stock as of the date the Participant is scheduled to receive a payment, divided by the per share

market price of the Company's publicly traded Capital Stock as of the date of the Pool A Triggering Event; multiplied by

(2) the dollar amount of the Base Distribution Amount which is scheduled to be paid on such date.

(d) FORFEITURES. If a Participant who was employed by the Company as of a Pool A Triggering Event is later involuntarily terminated by the Company without cause, or if employment is terminated due to the death of the employee, any Base Distribution Amounts then remaining payable to him or her pursuant to Paragraph (b) above shall be paid to him or her within 30 days after the date of such employment termination; provided, however, that any remaining Base Distribution Amount payable to the Participant upon such employment termination will be adjusted as set forth in Paragraph (c) above. If a Participant who was employed by the Company as of a Pool A Triggering Event terminates employment for any other reason, all Base Distribution Amounts then remaining payable to him or her pursuant to paragraph (b) above shall be forfeited.

V. POOL B DISTRIBUTIONS

(a) POOL B DISTRIBUTION AMOUNT. The total Pool B distribution amount payable under the Plan with respect to the Pool B Triggering Event shall be an amount equal to $3,490,000.

(b) TIME AND ALLOCATION OF POOL B DISTRIBUTION AMOUNT. The Pool B distribution amount described in Paragraph (a) above with respect to the Pool B Triggering Event shall be paid in installments pursuant to the following schedule:

If the Pool B Triggering Event occurs on or before January 17, 1997:	One-fifth of the Pool B Distribution amount described pursuant to Paragraph (a) above will be paid as soon as practicable after January 17, 1997 and the remaining portion of such Pool B distribution amount will be paid in four equal annual installments on January 17, 1998, January 17, 1999, January 17, 2000 and January 17, 2001.

If the Pool B Triggering Event occurs after January 17, 1997 but before January 17, 1998:	One-fifth of the Pool B distribution amount described pursuant to Paragraph (a) above will be paid as soon as practicable after the date of the Pool B Triggering Event and the remaining portion of such Pool B distribution amount will be paid in four equal annual installments on January 17, 1998, January 17, 1999, January 17, 2000 and January 17, 2001.
If the Pool B Triggering Event occurs on or after January 17, 1998 but before January 17, 1999:	Two-fifths of the of the Pool B distribution amount described pursuant to Paragraph (a) above will be paid as soon as practicable after the date of the Pool B Triggering Event and the remaining portion of such Pool B distribution amount will be paid in three equal annual installments on January 17, 1999, January 17, 2000 and January 17, 2001.
If the Pool B Triggering Event occurs on or after January 17, 1999 but before January 17, 2000:	Three-fifths of the Pool B distribution amount described pursuant to Paragraph (a) above will be paid as soon as practicable after the date of the Pool B Triggering Event and the remaining potion of such Pool B distribution amount will be paid in two equal installments on January 17, 2000 and January 17, 2001.

If the Pool B Triggering Event occurs on or after January 17, 2000 but before January 17, 2001:	Four-fifths of the Pool B distribution amount described pursuant to Paragraph (a) above will be paid as soon as practicable after the date of the Pool B Triggering Event and the remaining portion of such Pool B distribution amount will be paid on January 17, 2001.
If the Pool B Triggering Event occurs on or after January 17, 2001:	All of the Pool B distribution amount described in Paragraph (a) above will be paid as soon as practicable after the date of the Pool B Triggering Event.

Amounts payable as of a given date in accordance with the foregoing schedule will be allocated to those individuals who are Plan Participants as of such date and each such Plan Participant shall be entitled to a portion of the payable amount determined by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock issued or issuable to such Participant as of such date under his Awards, and the denominator of which is the total number of shares of Common Stock issued or issuable to all such Participants as of such date under their Awards .

(c) FORM OF POOL B DISTRIBUTIONS. Pool B distributions to a Participant under the Plan shall be paid in cash except that if the Pool B Triggering Event results from the occurrence of a Qualified Public Offering, the Company shall have the right, in its sole discretion, to effect such distributions in cash or in shares of Capital Stock or in a combination thereof as determined by the Committee.

(d) FORFEITURES. If a Participant who was employed by the Company or an Affiliate as of a Pool B Triggering Event is later involuntarily terminated by the Company or an Affiliate without cause, or if employment is terminated due to the death of the employee, any Pool B distribution amounts then remaining payable to him or her pursuant to Paragraph (b) above shall be paid to him or her as if such Participant continued to be employed by the Company or an Affiliate. If a Participant who was employed by the Company or an Affiliate as of a Pool B Triggering Event terminates employment for any other reason, all Pool B distribution amounts then remaining payable to him or her pursuant to paragraph (b) above shall be forfeited and the amount of such remaining Pool B distributions which are so forfeited shall be used to increase the amounts of Pool B distributions then remaining payable to other Participants as follows:

(1) The forfeited Pool B distribution amount which would have otherwise been payable as of a given date to the forfeiting Participant (the "Distribution Date Forfeiture

Amount") shall be applied to increase the Pool B distribution amounts payable as of such date to the Participants entitled to Pool B distributions as of such date.

(2) The increase in the Pool B distributions for a Participant entitled to an increase pursuant to item (1) above shall be determined by multiplying the Distribution Date Forfeiture Amount by a fraction, the numerator of which is the Pool B distribution amount payable as of such date to such Participant and the denominator of which is the total Pool B distribution amount payable to all Participants as of such date and then by increasing such Participant's Pool B distribution amount for such date by the amount so determined.

VI. TAX BONUS

In addition to amounts payable under the Plan pursuant to Articles IV and V above, the Company shall pay to any Participant with respect to any distributions under the Plan which are subject to the tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, (the "Code") a tax bonus as described in this Article VI. The tax bonus payable to a Participant under this Paragraph (d) shall be equal to the amount determined by (i) determining the aggregate amounts distributed to the Participant pursuant to Articles IV and V above which are treated as excess parachute payments (within the meaning of Section 280G of the Code or the corresponding provision of any successor statute) (adjusted as appropriate, to reflect any delayed or installment payments) and which are subject to the tax imposed under Section 4999 of the Code or the corresponding provision of any successor statute (the "Parachute Amount"), (ii) determining the decimal which expresses the maximum rate of tax imposed under section 4999 of the Code or the corresponding provision of any successor statute (the "Parachute Tax Rate") and the maximum statutory rate, expressed as a decimal, of Federal income tax applicable to the Participant (after reflecting all deductions and adjustments) applicable to the Participant for the taxable year in which he receives the distributions pursuant to Articles IV and V above (the" Regular Tax Rate"), (iii) multiplying the Parachute Amount by the Parachute Tax Rate, (iv) multiplying the amount determined in item (iii) by 2/3 and (v) multiplying the amount determined in item (iv) by a fraction, the numerator of which is one and the denominator of which is one minus the Regular Tax Rate.

VII. TERMINATION OF EMPLOYMENT PRIOR TO TRIGGERING EVENT

In the event that a Participant ceases to be employed with the Company and its Affiliates for any reason prior to a Triggering Event he or she will not be entitled to any Plan distributions resulting under the Plan with respect to such Triggering Event.

VIII. ARBITRATION

Any and all claims, demands, cause of action, disputes, controversies and other matters in question arising out of or relating to the Plan, any provision hereof, the alleged breach thereof, or in any way relating to the subject matter of the Plan, involving the Company or an Affiliate thereof and a Participant (all of which are referred to herein as "Claims"), even though some or all of such

Claims allegedly are extra-contractual in nature, whether such Claims sound in contract, tort or otherwise, at law or in equity, under state or federal law, whether provided by statute or the common law, for damages or any other relief, including equitable relief and specific performance, shall be resolved and decided by binding arbitration pursuant to the Federal Arbitration Act in accordance with the Commercial Arbitration Rules then in effect with the American Arbitration Association (the "AAA"). The party requesting arbitration shall, when filing a claim with the AAA, request that the Houston, Texas office of the AAA provide a list of potential arbitrators to both parties. The parties shall thereafter have sixty (60) days to select an arbitrator from such list, with such selection to be by mutual agreement. If the parties fail to select an arbitrator within such time by mutual agreement, then either party may request that the Chief Judge of the U.S. District Court for the Southern District of Texas appoint an arbitrator, and any such appointment shall be binding on the parties. The arbitration proceeding shall be conducted in Houston, Texas. The decision of the arbitrator shall be binding on the Participant, and the Company and their Affiliates. Judgment upon any award rendered in any such arbitration proceeding may be entered by any federal or state court having jurisdiction. This arbitration provision shall be enforceable in either federal or state court. The enforcement of this arbitration provision and all procedural aspects thereof, including but not limited to, the construction and interpretation of this arbitration provision, the scope of the arbitrable issues, allegations of waiver, delay or defenses to arbitrability, and the rules governing the conduct of the arbitration, shall be governed by and construed pursuant to the Federal Arbitration Act. In deciding the substance of any Claim, the arbitrator shall apply the substantive laws of the State of Texas; provided, however, that the arbitrator shall have no authority to award treble, exemplary or punitive type damages under any circumstances regardless of whether such damages may be available under Texas law, the parties hereby waiving their right, if any to recover treble, exemplary or punitive type damages in connection with any Claims. The arbitrator may award the costs of arbitration (including without limitation the fees of the arbitrator and the AAA), as well as any or all attorney's fees, and any other related costs, in any manner deemed fair, equitable, and reasonable by the arbitrator based upon the relative merits of the positions espoused by the respective parties to the arbitration, the relative financial circumstances of the respective parties to the arbitration and such other considerations as the arbitrator deems appropriate and relevant.

IX. ADMINISTRATIVE PROVISIONS

(a) ADMINISTRATIVE GUIDELINES. The Plan shall be implemented and administered in accordance with such rules, regulations and interpretations as may be established from time to time by the Committee for the implementation and administration of this Plan that are not inconsistent with the provisions thereof.

(b) ADMINISTRATION. The Plan shall be administered by the Committee which shall have the power and responsibility to take such actions as may be appropriate or necessary to effectuate orderly administration of the Plan and to interpret and construe the terms and provisions of the Plan; provided, however, that such interpretations and constructions shall be consistent with the written provisions of the Plan.

(c) LIMITATION OF LIABILITY. The members of the Committee and any other person acting under the direction of the Committee, shall not be liable for any act or failure to act hereunder, except for gross negligence or fraud, and the Company shall indemnify the members of the Committee, and such other persons against all expenses, fines, judgments, and/or penalties incurred in connection with any claim or proceeding seeking to impose such liability.

X. OTHER PROVISIONS

(a) EMPLOYMENT. Nothing in this Plan nor any action taken by the Company, the Board of Directors of the Company or the Committee under the provisions hereof shall be construed as a contract of employment between the Company and a Participant or interfere with or limit in any way the right of the Company to terminate any such Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

(b) NONTRANSFERABILITY. No right or interest of any Participant under this Plan shall be assignable or transferable, pledged or encumbered in any manner, or subject to any lien, directly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge and bankruptcy.

(c) EXTRAORDINARY EVENT ADJUSTMENTS. If an extraordinary event outside of the control of the Company occurs which would result in a substantial distortion from the ordinary operation of the Plan, the Board of Directors of the Company, in its sole discretion, may make such adjustment to the operation of the Plan as it determines to be appropriate.

(d) AMENDMENTS AND TERMINATION. The Company at any time and from time to time, may modify or amend, in whole or in part, any or all of the provisions of this Plan or suspend or terminate the Plan entirely; provided, however, that in the event of a termination of the Plan prior to a Triggering Event, each Participant shall be entitled to a Plan distribution in full satisfaction of all amounts owed under the Plan equal to the distribution amount or amounts determined pursuant to Paragraphs (b) of Articles IV and V above, substituting the date of termination of the Plan for the date of a Triggering Event, if the fair market value as determined by the Board of Directors of the Company of the Capital Investment Stock as of such date equals or exceeds the Pool A IRR Amount or the Pool B IRR Amount, as applicable, as of such date. In the event of a Plan termination after a Triggering Event, each Participant shall be entitled to a Plan distribution calculated in the same manner as the distribution made to a Participant who is involuntarily terminated by the Company without cause. The Plan shall automatically terminate and no further amounts shall be paid under the Plan following payment of the last amount owed as a result of occurrence of a Triggering Event.

(e) GOVERNING LAW. This Plan shall be construed in accordance with and governed by the laws of the State of Texas.

(f) WITHHOLDING TAXES. The Company shall have the right to deduct from all payments under this Plan any federal, state or local taxes required by law to be withheld with respect to such payments.

(g) NATURE OF PLAN. The Plan shall constitute an unfunded, unsecured obligation of the Company to make payments of incentive compensation to certain employees from its general assets in accordance with the Plan. Accordingly:

(1) accounting maintained by the Company merely constitute mechanisms for measuring such incentive compensation and do not constitute a property right or interest in the Company or in any asset owned by the Company or its subsidiaries;

(2) neither the establishment of the Plan, nor the creation or maintenance of Plan accounting records shall be deemed to create an escrow or trust fund of any kind; and

(3) the Participant and any person claiming under Participant shall rely solely on the unsecured promise of the Company set forth herein, and nothing in the Plan shall be construed to give the Participant or anyone claiming under the Participant any right, title, interest or claim in or to any specific asset, fund, entity, reserve, account, or property of any kind whatsoever owned by the Company or any Affiliate of the Company.

EXECUTED this _____ day of _____, 1996, to supersede and replace any Plan documents heretofore adopted by and executed on behalf of the Company.

ATTEST: NOW HOLDINGS, INC.

By

- ---------- ----------

JAMES C. COMIS, III, SENIOR VICE PRESIDENT AND ASSISTANT SECRETARY

JOEL V. STAFF, PRESIDENT AND CHIEF EXECUTIVE OFFICER

EXHIBIT 10.10

RESTRICTED STOCK AGREEMENT

AGREEMENT made this 16th day of January, 1996 between NOW HOLDINGS, INC., a Delaware corporation (the "Company"), and Joel V. Staff ("Employee").

1. AWARD.

(a) SHARES. Pursuant to the NOW Holdings, Inc. Stock Award and Long-Term Incentive Plan (the "Plan") and upon payment to the Company by Employee of $0.01 per share cash, 25,674 shares (the "Restricted Shares") of the Company's common stock, par value $0.01 per share ("Stock"), shall be issued by the Company as hereinafter provided in Employee's name subject to certain restrictions thereon.

(b) ISSUANCE OF RESTRICTED SHARES. The Restricted Shares shall be issued upon acceptance hereof by Employee and upon satisfaction of the conditions of this Agreement.

(c) PLAN INCORPORATED. Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Shares shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which Plan is incorporated herein by reference as a part of this Agreement.

2. RESTRICTED SHARES. Employee hereby accepts the Restricted Shares when issued and agrees with respect thereto as follows:

(a) FORFEITURE RESTRICTIONS. The Restricted Shares may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of to the extent then subject to the Forfeiture Restrictions (as hereinafter defined), and in the event of termination of Employee's employment with the Company for any reason, Employee shall, for no consideration other than payment by the Company to Employee of $0.01 per share cash, forfeit, effective as of the time of termination of employment, to the Company all Restricted Shares to the extent then subject to the Forfeiture Restrictions. It is understood and agreed by Employee that the Company may from time to time declare dividends on, and make distributions with respect to, its Common Stock, including without limitation, securities or other property received by the Company in connection with the sale of a portion of the Company's business. In the event that Employee is terminated for any reason prior to the actual payment of such dividend or distribution (and whether before or after the declaration of, or record date for, such dividend or distribution and whether before or after completion of such sale of a portion of the Company's business), Employee will not be entitled to receive any such dividends or distributions with respect to any Restricted Shares that are forfeited to the Company as provided herein. If Employee remains an Employee at the time of actual payment of such dividend or distribution, Employee shall be entitled to receive such dividends and distributions only with respect to Restricted Shares

as to which Forfeiture Restriction have lapsed. Any remaining dividends and distributions with respect to Restricted Shares shall be paid to Employee at the time of subsequent lapsing of Forfeiture Restriction on such Restricted Shares. The prohibition against transfer and the obligation to forfeit and surrender Restricted Shares to the Company upon termination of employment are herein referred to as "Forfeiture Restrictions." The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of Restricted Shares.

(b) LAPSE OF FORFEITURE RESTRICTIONS. The Forfeiture Restrictions shall lapse as to the Restricted Shares in accordance with the following schedule provided that Employee has been continuously employed by the Company from the date of this Agreement through the lapse date:

Lapse Date	Percentage of Total Number of Restricted Shares as to Which Forfeiture Restrictions Lapse
First Anniversary of the date of this Agreement	20%
Second Anniversary of the date of this Agreement	an additional 20%
Third Anniversary of the date of this Agreement	an additional 20%
Fourth Anniversary of the date of this Agreement	an additional 20%
Fifth Anniversary of the date of this Agreement	the final 20%

In the event of a merger or consolidation of the Company, a sale of all or substantially all of the assets of the Company, or a sale of all of the outstanding Class A Common Stock and Common Stock of the Company, in which all of the stockholders of the Company receive in such transaction cash and/or securities that are publicly traded and have a total market valuation for all outstanding securities of the same publicly traded class after the transaction of at least $250 million ("Acceleration Transaction"), all of the Forfeiture Restrictions shall lapse immediately prior to the effectiveness of such transaction.

(c) TAX BONUS. Upon the occurence of an Acceleration Transaction, the Company shall pay to the Employee with respect to any Acceleration Transaction which is subject to the tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, (the "Code") a tax bonus as described in this Paragraph (c). The tax bonus payable to an Employee under this Paragraph (c) shall be equal to the amount determined by (i) determining the portion of the Acceleration Transaction which is treated as excess parachute payments (within the meaning of Section 280G of the Code or the corresponding provision of any successor statute) and which is subject to the tax imposed under Section 4999 of the Code or the corresponding provision of any

successor statute (the "Parachute Amount"), (ii) determining the decimal which expresses the maximum rate of tax imposed under section 4999 of the Code or the corresponding provision of any successor statute (the "Parachute Tax Rate") and the maximum statutory rate, expressed as a decimal, of Federal income tax applicable to the Employee (after reflecting all deductions and adjustments) applicable to the Employee for the taxable year in which the Acceleration Transaction occurs (the" Regular Tax Rate"), (iii) multiplying the Parachute Amount by the Parachute Tax Rate, (iv) multiplying the amount determined in item (iii) by 2/3 and (v) multiplying the amount determined in item (iv) by a fraction, the numerator of which is one and the denominator of which is one minus the Regular Tax Rate.

(d) CERTIFICATES. A certificate evidencing the Restricted Shares shall be issued by the Company in Employee's name, or at the option of the Company, in the name of a nominee of the Company, pursuant to which Employee shall have voting rights and shall be entitled to receive all dividends unless and until the Restricted Shares are forfeited pursuant to the provisions of this Agreement. The certificate shall bear a legend as determined by the committee which administers the Plan (the "Committee") evidencing the nature of the Restricted Shares, and the Company may cause the certificate to be delivered upon issuance to the Secretary of the Company or to such other depository as may be designated by the Committee as a depository for safekeeping until the forfeiture and surrender occurs or the Forfeiture Restrictions lapse pursuant to the terms of the Plan and this award. Upon request of the Committee, Employee shall deliver to the Company a stock power, endorsed in blank, relating to the Restricted Shares then subject to the Forfeiture Restrictions. Upon the lapse of the Forfeiture Restrictions without forfeiture and surrender, the Company shall cause a new certificate or certificates to be issued without legend in the name of Employee in exchange for the certificate evidencing the Restricted Shares. Notwithstanding any other provisions of this Agreement, the issuance or delivery of any shares of Stock (whether subject to restrictions or unrestricted) may be postponed for such period as may be required to comply with applicable requirements of any national securities exchange or any requirements under any law or regulation applicable to the issuance or delivery of such shares. The Company shall not be obligated to issue or deliver any shares of Stock if the issuance or delivery thereof shall constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.

3. STOCKHOLDERS AGREEMENT. Following the lapse of the Forfeiture Restrictions as to Restricted Shares (whether in whole or in part), the shares as to which the Forfeiture Restrictions lapsed shall be fully subject to all provisions of the Stockholders Agreement among NOW Holdings, Inc. and its Stockholders dated as of January 16, 1996.

4. WITHHOLDING OF TAX. To the extent that the receipt of the Restricted Shares or the lapse of any Forfeiture Restrictions results in income to Employee for federal or state income tax purposes, Employee shall deliver to the Company at the time of such receipt or lapse, as the case may be, such amount of money or, if the Committee so determines, shares of unrestricted Stock as the Company may require to meet its obligation under applicable tax laws or regulations, and, if Employee fails to do so, the Company is authorized to withhold from any cash or Stock

remuneration then or thereafter payable to Employee any tax required to be withheld by reason of such resulting compensation income.

5. STATUS OF STOCK. Employee agrees that the Restricted Shares will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable federal or state securities laws. Employee also agrees (i) that the certificates representing the Restricted Shares may bear such legend or legends as the Committee deems appropriate in order to assure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the Restricted Shares on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Restricted Shares.

6. EMPLOYMENT RELATIONSHIP. For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company, any successor corporation or a parent or subsidiary corporation (as defined in section 424 of the Internal Revenue Code of 1986, as amended) of the Company or any successor corporation or a Subsidiary (as defined in the Plan). Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, and its determination shall be final.

7. COMMITTEE'S POWERS. No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee pursuant to the terms of the Plan, including, without limitation, the Committee's rights to make certain determinations and elections with respect to the Restricted Shares.

8. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

9. SECTION 83(B) ELECTION. As a condition to receiving the Restricted Shares, Employee agrees to make the election pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, to include the excess of the fair market value of the Restricted Shares as of the date of issuance over the amount paid by the Employee for such Restricted Shares in gross income in the year of such issuance.

10. NOTICES. Any notice or other communication required or permitted to be made or given hereunder will be sufficiently made or given if sent by certified mail addressed, if to Employee, at his address as set forth in the Company's regular employment records and, if to Company, addressed to it at its principal office.

11. GOVERNING LAW. This Plan shall be governed by, and construed in accordance with, the internal laws of the State of Texas without regard to the principles of conflicts of law

thereof that would require the application of the laws of any jurisdiction other than Texas, except to the extent that it implicates matters which are the subject of the General Corporation Law of the State of Delaware which matters shall be governed by the latter law.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and Employee has executed this Agreement, all as of the date first above written.

NOW HOLDINGS, INC.

By: /S/ JAMES C. COMIS III

James C. Comis III
Senior Vice President-Finance

/S/ ILLEGIBLE

EMPLOYEE

Joel V. Staff
One Winners Circle
Houston, TX 77024

Registered Mail

February 13, 1996

District Director
Internal Revenue Service
Austin, TX 73301-0002

Dear Sir:

This letter constitutes an election under Section 83(b) of the Internal Revenue Code and Regulation Section 1.83-2(c) on behalf of:

Joel V. Staff
One Winners Circle
Houston, TX 77024
Social Security No. ###-##-####

The property with respect to which this election is being made is 25,674 shares of stock of NOW Holdings, Inc., a Delaware corporation. The shares were transferred to me January 17, 1996 and the taxable year to which this election relates is calendar year 1996.

The fair market value of this property at the time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) is $3,080.88 and the purchase price of the property is $256.74. The property is subject to restrictions which provide for vesting of the property at 20% per year beginning January 17, 1997. If prior to the vesting of the property, the undersigned's employment by NOW Holdings, Inc. or its indirect subsidiary National-Oilwell, L.P. terminates for any reason, the undersigned must resell the property to NOW Holdings, Inc. for the price of $256.74.

Copies of this election have been provided to NOW Holdings, Inc., 666 Steamboat Road, Greenwich, CT 06830 (the person for whom the services are performed). A copy of the election will be filed with my Federal Income Tax return for 1996.

Very truly yours,

/s/ JOEL V. STAFF
- ---------------------------------
Joel V. Staff

JVS:nc
taxelect.doc

EXHIBIT 10.11

MANAGEMENT SERVICES AGREEMENT

This Agreement is made as of January 16, 1996, effective as of January 1, 1996, by and between NOW Holdings, Inc., a Delaware corporation (the "Company"), and Duff & Phelps/Inverness LLC, a Connecticut limited liability company ("DPI").

WHEREAS, the Company desires to retain DPI and DPI desires to perform for the Company and its subsidiaries certain services,

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

1. TERM. This Agreement shall be in effect for an initial term of five (5) years commencing on the date hereof (the "Term"), and shall be automatically extended thereafter on a year to year basis unless the Company or DPI provides written notice of its desire to terminate this Agreement to the other party 90 days prior to the expiration of the Term or any extension thereof. This Agreement shall terminate at the time that DPI, DPI Oil Service Partners Limited Partnership, DPI Partners I, DPI Partners II and their respective affiliates own in the aggregate less than fifty percent (50%) of the Class A Common Stock and fifty percent (50%) of the Common Stock of the Company owned by them at the closing of the Purchase Agreement dated September 22, 1995 relating to the acquisition of National-Oilwell.

2. SERVICES. DPI shall perform or cause to be performed such services for the Company and its subsidiaries as directed by the Company's board of directors (the "Board"), which may include, without limitation, the following:

(a) supporting and assisting executive management;

(b) identification, support, negotiation and analysis of acquisitions and dispositions by the Company or its subsidiaries;

(c) support, negotiation and analysis of financing alternatives, including, without limitation, in connection with acquisitions, capital expenditures and refinancing of existing indebtedness;

(d) finance functions, including assistance in the preparation of financial projections, and monitoring of compliance with financing agreements;

(e) assisting the Board of Directors and management in the search and hiring of executives; and

(f) other services for the Company and its subsidiaries upon which the Board and DPI agree.

3. ADVISORY FEES AND TRANSACTION FEES.

(a) Payment to DPI for services rendered in connection with the performance of services pursuant to this Agreement shall be $1,000,000 per year ("Advisory Fees") plus reasonable out-of-pocket expenses of DPI, payable by the Company on a quarterly basis in advance commencing January 15, 1996.

(b) During the term of this Agreement, DPI shall be entitled to receive from the Company a transaction fee in connection with the consummation of each acquisition by the Company of an additional business or disposition by the Company of an existing business in an amount equal to 1% of the aggregate transaction value of such transaction (each such payment, a "Transaction Fee"), which fee shall be in the amount of $1,800,000 in connection with the acquisition of National-Oilwell; provided that, DPI may waive the payment of a Transaction Fee in connection with any acquisition as to which DPI and the Board mutually agree that a Transaction Fee is not appropriate; and further provided, that a Transaction Fee of an aggregate of $1,000,000 shall be paid by the Company to DPI and First Reserve Corporation (to be allocated two-thirds to DPI and one-third to First Reserve) upon the consummation of any transaction with Continental-Emsco or any of its Affiliates that involves at least the drilling, tubular and distribution segments of the Company's business.

(c) The timing and the amounts of payments to DPI under this Agreement shall be subject to the terms of the Credit Agreement dated December 29, 1995 between General Electric Capital Corporation, Goldman, Sachs & Co., GECC Capital Markets Group, Inc. and other lenders, National-Oilwell (UK) Limited and a subsidiary of the Company.

4. PERSONNEL. DPI shall provide and devote to the performance of this Agreement such time and such partners, employees and agents of DPI as DPI shall deem appropriate to the furnishing of the services required.

5. LIABILITY. Neither DPI nor any of its affiliates, partners, employees or agents shall be liable to the Company or its subsidiaries or affiliate for any loss, liability, damage or expense arising out of or in connection with the performance of services contemplated by this Agreement, unless such loss, liability, damage or expense shall be proven to result directly from gross negligence, willful misconduct or bad faith on the part of DPI, its affiliates, partners, employees or agents acting within the scope of their employment or authority.

6. INDEMNITY. The Company and its subsidiaries shall defend, indemnify and hold harmless DPI, its affiliates, partners, employees and agents from and against any and all loss, liability, damage, or expenses arising from any claim (a "Claim") by any person with respect to, or in any way related to, the performance of services contemplated by this Agreement (including

attorneys' fees) (collectively, "Claims") resulting from any act or omission of DPI, its affiliates, partners, employees or agents, other than for Claims which shall be proven to be the direct result of gross negligence, bad faith or willful misconduct by DPI, its affiliates, partners, employees or agents. The Company and its subsidiaries shall defend at its own cost and expense any and all suits or actions (just or unjust) which may be brought against the Company, its subsidiaries and DPI, its officers, directors, affiliates, partners, employees or agents or in which DPI, its affiliates, partners, employees or agents may be impleaded with others upon any Claim or Claims, or upon any matter, directly or indirectly, related to or arising out of this Agreement or the performance hereof by DPI, its affiliates, partners, employees or agents, except that if such damage shall be proven to be the direct result of gross negligence, bad faith or willful misconduct by DPI, its affiliates, partners, employees or agents, then DPI shall reimburse the Company and its subsidiaries for the costs of defense incurred by the Company and its subsidiaries. THIS INDEMNITY SHALL APPLY EVEN IF A CLAIM WAS SUSTAINED AS A RESULT OF THE SOLE OR CONCURRENT ORDINARY NEGLIGENCE OF DPI, ITS AFFILIATES, PARTNERS, EMPLOYEES OR AGENTS, OR RESULTS FROM THE SOLE OR CONCURRENT LIABILITY OF DPI, ITS AFFILIATES, PARTNERS, EMPLOYEES OR AGENTS IMPOSED VICARIOUSLY ON DPI, ITS AFFILIATES, PARTNERS, EMPLOYEES OR AGENTS WITHOUT FAULT, OR RESULTS FROM SOLE OR CONCURRENT STRICT LIABILITY IMPOSED ON DPI, ITS AFFILIATES, PARTNERS, EMPLOYEES OR AGENTS WITHOUT FAULT.

7. NOTICES. All notices hereunder shall be in writing and shall be delivered personally or mailed by United States mail, postage prepaid, addressed to the parties as follows:

To the Company:

NOW Holdings, Inc.
5555 San Felipe
Houston, TX 77056
Attn: Chief Executive Officer

To DPI:

Duff & Phelps/Inverness LLC
666 Steamboat Road
Greenwich, CT 06830
Attn: W. McComb Dunwoody

with a copy to:

Vinson & Elkins L.L.P.
2300 First City Tower
1001 Fannin Street
Houston, TX 77002-6760
Attn: John S. Watson

8. ASSIGNMENT. Neither party may assign any obligations hereunder to any other party without the prior written consent of the other party; such consent shall not be unreasonably withheld; provided, however, that DPI may assign its rights and obligations under this Agreement to any of its affiliates or successors without the consent of the Company.

9. SUCCESSORS. This Agreement and all the obligations and benefits hereunder shall inure to the successors and assigns of the parties.

10. COUNTERPARTS. This Agreement may be executed and delivered by each party hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original and both of which taken together shall constitute but one and the same agreement.

11. ENTIRE AGREEMENT; MODIFICATION; GOVERNING LAW. The terms and conditions hereof constitute the entire agreement between the parties hereto with respect to the subject matter of this Agreement and supersede all previous communications, either oral or written, representations or warranties of any kind whatsoever, except as expressly set forth herein. No modifications of this Agreement nor waiver of the terms or conditions thereof shall be binding upon either party unless approved in writing by an authorized representative of such party. All issues concerning this agreement shall be governed by and construed in accordance with the laws of the State of Connecticut, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Connecticut or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of Connecticut.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the date first above written.

NOW HOLDINGS, INC.

By /s/ JOEL V. STAFF

Joel V. Staff
Chief Executive Officer

DUFF & PHELPS\INVERNESS LLC

By /s/ W. MCCOMB DUNWOODY

W. McComb Dunwoody
President

EXHIBIT 10.12

NATIONAL - OILWELL SUPPLEMENTAL SAVINGS PLAN

NATIONAL-OILWELL
SUPPLEMENTAL SAVINGS PLAN

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NATIONAL-OILWELL
SUPPLEMENTAL SAVINGS PLAN

WHEREAS, National-Oilwell has adopted a qualified plan known as the National-Oilwell Retirement and Thrift Plan (the "Basic Plan") for the benefit of its employees and the employees of a certain affiliated company which has adopted the Basic Plan; and

WHEREAS, National-Oilwell desires to adopt the National-Oilwell Supplemental Savings Plan to provide the opportunity for a select group of management or highly compensated employees to defer compensation in excess of the amount permitted under the Basic Plan;

NOW, THEREFORE, National-Oilwell hereby adopts the National-Oilwell Supplemental Savings Plan as follows.

ARTICLE I

DEFINITIONS

The words and phrases defined in this Article shall have the meaning set out in the definition unless the context in which the word or phrase appears reasonably requires a broader, narrower or different meaning.

1.1 "ACCOUNT" means the individual account of a Member in the deferred contribution ledger maintained by the Employer.

1.2 "BASIC DEFERRED COMPENSATION ACCRUAL" means the portion of a Member's Considered Compensation deferred under this Plan.

1.3 "BASIC PLAN" means the National-Oilwell Retirement and Thrift Plan, as amended from time to time.

1.4 "BENEFICIARY OR BENEFICIARIES" means the person or persons or the trust or trusts created for the benefit of a natural person or persons or the Member's or retired Member's estate, designated by the Member or retired Member to receive the benefits payable under this Plan upon his death.

1.5 "BENEFITS" means those benefits paid to a Member under this Plan.

1.6 "COMMITTEE" means the committee composed of the persons appointed by the Management Committee to administer the Plan.

1.7 "CONSIDERED COMPENSATION" means a Member's Considered Compensation as defined in the Basic Plan.

1.8 "CODE" means the Internal Revenue Code of 1986, as amended.

1.9 "DEFERRED COMPENSATION LEDGER" means the ledger maintained by the Committee for each Member which reflects the amount of Considered Compensation deferred by the Member under this Plan, the Supplemental Matching Accrual provided under this Plan, and the amount of earnings credited on each of these amounts.

1.10 "EMPLOYEE" means an employee of the Employer who is eligible for and is participating in the Plan.

1.11 "EMPLOYER" means the Sponsor and any other business organization which has adopted this Plan with respect to its employees who are Members benefitting under this Plan.

1.12 "EMPLOYER MATCHING CONTRIBUTIONS" means the matching contributions made by the Employer to the Basic Plan.

1.13 "EMPLOYER RETIREMENT CONTRIBUTIONS" means the employer retirement contributions made by the Employer to a Member under the Basic Plan.

1.14 "EXCESS AGGREGATE 401(M) CONTRIBUTIONS" means a Member's Excess Aggregate 401 (m) Contributions as defined under the Basic Plan.

1.15 "MANAGEMENT COMMITTEE" means the Executive Committee or other body given management responsibility of the Sponsor.

1.16 "MEMBER" means an Employee who is participating in this Plan.

1.17 "PLAN" means this National-Oilwell Supplemental Savings Plan, as amended from time to time.

1.18 "PLAN YEAR" means the Plan Year as defined under the Basic Plan.

1.19 "SALARY DEFERRAL CONTRIBUTIONS" means the portion of a Member's Considered Compensation which is deferred and contributed to the Basic Plan on behalf of the Member by the Employer.

1.20 "SPONSOR" means National-Oilwell.

1.21 "STOCK" means that class or classes of NOW Holdings, Inc. stock that is designated by the Committee.

1.22 "SUPPLEMENTAL MATCHING ACCRUALS" means the accrual made by the Employer on behalf of the Members pursuant to the provisions of Section 4.1.

1.23 "SUPPLEMENTAL RETIREMENT ACCRUALS" means the accrual made by the Employer on behalf of the Members pursuant to the provisions of Section 4.2.

1.24 "VALUATION DATE" means the date established by the Committee from time to time for the valuation of the Member's Account. The valuations must be at least annually.

ARTICLE II

ELIGIBILITY

Those persons who are designated by the Committee to be members of a select group of management or highly compensated employees are eligible to participate in this Plan.

ARTICLE III

BASIC DEFERRED COMPENSATION ACCRUALS

3.1 BASIC DEFERRAL ACCRUAL. A Member shall be entitled to defer out of his regular Considered Compensation for the Plan Year a percentage of Considered Compensation provided he makes his election in writing prior to the beginning of each Plan Year under the rules and regulations established by the Committee. In the first year in which an Employee is eligible to participate in the Plan, the newly eligible Member may make an election to defer a percentage of his Considered Compensation for services to be performed subsequent to the election within 30 days after the date the Employee becomes a Member. Once an election has been made as to the percentage deferred for a particular Plan Year, it becomes irrevocable for the Plan Year.

3.2 BONUS DEFERRAL ACCRUAL. A Member shall be entitled to make a separate election to defer any bonus he may be entitled to receive under rules and regulations established by the Committee. If a Member may be entitled to receive multiple bonus payments during a Plan Year, the Member must make separate elections with respect to each possible bonus payment. Once an election has been made as to the percentage deferred for a particular Plan Year, it becomes irrevocable for the Plan Year.

3.3 FORM OF DEFERRAL. During each election period, the Member may also elect the percentage of the amount deferred, if any, to be deferred in the form of Stock (provided, however, Stock has been made available to the Member as an option) and the percentage, if any, to be deferred in the form of cash.

ARTICLE IV

SUPPLEMENTAL MATCHING ACCRUALS AND SUPPLEMENTAL RETIREMENT ACCRUALS

4.1 SUPPLEMENTAL MATCHING ACCRUALS. The Employer shall make an annual Supplemental Matching Accrual equal to (a) a percentage of the Member's Deferred Compensation Accruals under this Plan, plus (b) an amount equal to any Employer Matching Contributions which are treated as Excess Aggregate 401(m) Contributions under the Basic Plan. The Supplemental Matching Accrual percentage shall be determined in the same manner that the matching contributions are determined by in the Basic Plan; provided, however, such Supplemental Matching Accrual, when added to the Member's Employer Matching Contributions shall not exceed six percent of the Member's Considered Compensation, adjusted to include the amount of the Member's Deferred Compensation Accruals under this Plan and on his Considered Compensation that exceeds the Code Section 404(a)(17) limitation.

4.2 SUPPLEMENTAL RETIREMENT ACCRUALS. For each Plan Year, the Employer shall make a Supplemental Retirement Accrual on behalf of each Member who (a) has amounts deferred under Section 3.1 or (b) has Considered Compensation in excess of the Section 401(a)(17) limitation for the Plan Year. The amount of the Supplemental Retirement Accrual shall be in an amount equal to the same percentage the Member received as an Employer Retirement Contribution under the Basic Plan but only on the amounts he elects to contribute to this Plan under Section 3.1 and on his Considered Compensation that exceeds the Code Section 401(a)(17) limitation.

ARTICLE V

ACCOUNTS

5.1 ESTABLISHING A MEMBER'S ACCOUNT. The Committee shall establish a Deferred Compensation Ledger and maintain a Basic Deferred Compensation Accrual Account, a Supplemental Matching Accrual Account, and a Supplemental Retirement Accrual Account for each Member. The Accounts shall reflect the amount of the Employer's obligation to the Member at any given time.

5.2 CREDITING OF THE EMPLOYER'S CONTRIBUTIONS. The Basic Deferred Compensation Accruals shall be entered in the Deferred Compensation Ledger as of the date compensation is withheld from the Member. The Supplemental Matching Accruals and Supplemental Retirement Accruals shall be entered in the Deferred Compensation Ledger within a reasonable period following the close of each Plan Year. If a Member elected his deferral to be in the form of Stock, the number of shares credited to his Account as Stock shall be the number of full shares of Stock that could have been purchased with the dollar amount deferred, without taking into account any brokerage fees, taxes or other expenses which might be incurred in such a transaction based upon the fair market value of the Stock on the date the amount would have been paid to the Member had it not been deferred pursuant to Article III, and any additional fractional amount shall be credited to the Member's Account in the form of cash. Fair market value of the Stock shall be determined by the Committee in its sole discretion.

5.3 CREDITING OF DIVIDENDS, DISTRIBUTIONS AND INTEREST. When dividends are declared and paid on, or other distributions, whether stock, property, cash, rights or other, are made with respect to the Stock, those dividends and other distributions shall be accrued in a Member's Account based upon the shares of Stock credited to the Member's Account. The dividends or other distributions in the form of shares of Stock shall be credited to the Account as additional shares of Stock. The dividends or other distributions or rights in any other form shall be credited to the Member's Account in the form of cash. For this purpose, all dividends and distributions not in the form of shares of Stock shall be credited with interest in accordance with Section 5.4.

5.4 CREDITING OF INTEREST ON THE PORTION OF THE MEMBER'S ACCOUNT HELD IN THE FORM OF CASH. Each Member shall be awarded by the Committee an interest factor on his deferred compensation that is held in the form of cash, to be part of his total deferred compensation under the Plan, equal to the amount which is deemed to be earned on his bookkeeping Account established to enable the Employer to determine its obligations under the Plan. For the purpose of determining the interest to be credited to the Member's Account that is held in the form of cash under the Plan, the Committee shall value that portion of his Account that is not held in the form of Stock each Valuation Date, at its deemed investment's then fair market value, but without regard to any credits made to the Account after the preceding

Valuation Date, shall determine the amount of income earned or losses suffered by that portion of his Account that is not held in the form of Stock, and shall determine the appreciation or depreciation of that portion of his Account that is not held in the form of Stock since the preceding Valuation Date. The Committee shall then determine what a Member's Account that is held in the form of cash would have earned by multiplying such deemed investment earnings by a fraction, the numerator of which is the Member's Plan Account that is held in the form of cash prior to the beginning of that Plan Year reduced by the amount of distributions from the Member's Account that is held in the form of cash made to the Member during the Plan Year, and the denominator of which is the aggregate of all Accounts that are held in the form of cash of all Plan Members prior to the beginning of that Plan Year reduced by the amount of all distributions from all Members' Accounts that are held in the form of cash to all Plan Members during the Plan Year. This amount accrued by the Committee as additional deferred compensation shall be a part of the Employer's obligation to the Member and payment of it shall be a general obligation of the Employer. The determination of interest based on the income and appreciation of the Member's Account that is held in the form of cash shall in no way affect the ability of the general creditors of the Employer to reach the assets of the Employer or the rabbi trust in the event of the insolvency or bankruptcy of the Employer or place the Members in a secure position ahead of the general creditors of the Employer.

ARTICLE VI

MEMBER'S RIGHTS AND BENEFITS

6.1 MEMBER'S VESTED INTEREST. Each Member shall have a 100% vested and nonforfeitable interest in the amounts credited to his Account which are reflected on the Deferred Compensation Ledger maintained on the books of the Employer.

6.2 TIME AND FORM OF BENEFIT PAYMENTS. Vested benefits due under this Plan shall be paid within 90 days after the end of the quarter in which the Member (a) retires, (b) dies, or (c) otherwise terminates employment, whichever occurs first. If a Member dies, the Member's Beneficiary is entitled to receive all amounts credited to the Member's Account. A Member must elect, prior to becoming a Member, to receive his benefit in either a lump sum payment or monthly installments over a (i) three year, (ii) five year, or (iii) 10 year period. This election may not be changed at any time by the Member. If installment payments are elected by the Member and the Member dies after he has retired and prior to receiving all installment payments, to which he is entitled, the remaining installments shall be paid to the Member's Beneficiary.

Upon a distribution, all shares of Stock credited to the Member in the Deferred Compensation Ledger, if any, shall be distributed in kind, whether the distribution is in a lump sum or in installments. If the distribution of Stock is in installments, all dividends and other property or rights accumulating on the shares still undistributed will be credited as provided in Section 5.3 and distributed with the next installment. If there are periodic installments to be made of the portion, if any, deferred as cash, income shall accumulate on that portion of the Account as described in Section 5.4 until the balance credited to the cash portion of the Member's Account has been distributed.

6.3 CONTINUED EMPLOYMENT. Nothing contained herein shall be construed as conferring upon any Member the right to continue in the employ of the Employer in any capacity.

ARTICLE VII

ACCOUNTS UNFUNDED

7.1 PAYMENTS UNDER THIS AGREEMENT ARE THE OBLIGATION OF THE EMPLOYER. The Employer will pay the benefits due the Members under this Plan; however should it fail to do so when a benefit is due, the benefit shall be paid by the trustee of that certain trust agreement, entered into contemporaneously with this agreement, to the extent the Employer has contributed funds to the trust. In any event, to the extent the trust fails to pay for any reason, the Employer still remains liable for the payment of all unpaid benefits due under this Plan.

7.2 RABBI TRUST TO ENABLE EMPLOYER TO MEET ITS OBLIGATIONS UNDER THE AGREEMENT. It is specifically recognized by the Sponsor, Employer and the Members that each Employer may, but is not required to contribute any amount it finds desirable to a trust established to accumulate assets sufficient to fund the obligations of each Employer who is a signatory to this Plan. However, under all circumstances, the rights of the Members to the assets held in the trust, if any, shall be no greater than the rights expressed in this agreement. Nothing contained in the trust agreement which creates the rabbi trust shall constitute a guarantee by the Sponsor or any Employer that assets of the Sponsor or any Employer transferred to the trust will be sufficient to pay any benefits under this Plan or would place the Member in a secured position ahead of general creditors should the Sponsor or Employer become insolvent or bankrupt. Any trust agreement used by the Sponsor or any Employer to accumulate assets to assist in paying its obligations under this agreement must specifically set out these principles so it is clear in that trust agreement that the Members in this Plan have no greater rights than unsecured general creditors of the Sponsor or the Employer in relation to their benefits under this Plan.

It is specifically recognized by the Sponsor, each Employer and all Members that this Plan is only a general corporate commitment of each Employer and that each Member must rely upon the general credit of each Employer for the fulfillment of its obligations under this Plan. Under all circumstances the rights of Members to any asset held by the Sponsor and each Employer will be no greater than the rights expressed in this Plan. Nothing contained in this Plan will constitute a guarantee by the Sponsor or any Employer that the assets of the Sponsor and each Employer will be sufficient to pay any benefits under this Plan or would place the Member in a secured position ahead of general creditors of the Sponsor or any Employer. Though the Sponsor may establish or become a signatory to a Rabbi Trust to accumulate assets to fulfill its obligations, the adoption of this Plan and any such trust will not create any lien, claim, encumbrance, right, title or other interest of any kind whatsoever in any Member in any asset held by the Sponsor or any Employer, contributed to any such trust or otherwise designated to be used for payment of any of the Sponsor's or any Employer's obligations created in this agreement. No specific assets of the Sponsor or any Employer have been or will be set aside, or will in any way be transferred to the trust or will be pledged in any way for the performance

of the Sponsor's or an Employer's obligations under this Plan which would remove such assets from being subject to the general creditors of the Sponsor or an Employer.

It is also specially recognized by the Sponsor, each Employer, and all Members that Benefits payable under this Plan shall not (i) impose any obligation upon the Basic Plan; (ii) be paid from the trust used to fund the Basic Plan; or (iii) have any effect whatsoever upon the Basic Plan or the payment of benefits from the Basic Plan. No Member or his Beneficiary or Beneficiaries shall have any title to or beneficial ownership in any assets which the Employer may earmark to pay benefits hereunder.

ARTICLE VIII

ADMINISTRATION

8.1 COMMITTEE APPOINTMENT. The Committee shall be appointed by the Management Committee. Each Committee member will serve until his or her resignation or removal. The Management Committee shall have the sole discretion to remove any one or more Committee members and appoint one or more replacement or additional Committee members from time to time.

8.2 COMMITTEE ORGANIZATION AND VOTING. The Committee shall select from among its members a chairman who will preside at all of its meetings and will elect a secretary without regard to whether that person is a member of the Committee. The secretary will keep all records, documents and data pertaining to the Committee's supervision and administration of this Plan. A majority of the members of the Committee will constitute a quorum for the transaction of business and the vote of a majority of the members present at any meeting will decide any question brought before the meeting. In addition, the Committee may decide any question by vote, taken without a meeting, of a majority of its members. A member of the Committee who is also a Member will not vote or act on any matter relating solely to himself.

8.3 POWERS OF THE COMMITTEE. The Committee shall have the exclusive responsibility for the general administration of this Plan according to the terms and provisions of this Plan and shall have all powers necessary to accomplish those purposes, including but not by way of limitation the right, power and authority:

(a) to make rules and regulations for the administration of this Plan;

(b) to construe all terms, provisions, conditions and limitations of this Plan;

(c) to correct any defect, supply any omission or reconcile any inconsistency that may appear in this Plan in the manner and to the extent it deems expedient to carry this Plan into effect for the greatest benefit of all parties at interest;

(d) to resolve all controversies relating to the administration of this Plan, including but not limited to:

(1) differences of opinion arising between the Sponsor, Employer and/or a Member; and

(2) any question it deems advisable to resolve in order to promote the uniform administration of this Plan for the benefit of all parties at interest; and

(e) to delegate by written notice those clerical and recordation duties of the Committee, as it deems necessary or advisable for the proper and efficient administration of this Plan.

8.4 COMMITTEE DISCRETION. The Committee in exercising any power or authority granted under this Plan or in making any determination under this Plan shall perform or refrain from performing those acts using its sole discretion and judgment. Any decision made by the Committee or any refraining to act or any act taken by the Committee in good faith shall be final and binding on all parties. The Committee's decision shall never be subject to de novo review; and no final action, ruling, or decision by the Committee may be set aside unless it is held to have been arbitrary and capricious by a final judgment of a court having jurisdiction with respect to the issue.

8.5 REIMBURSEMENT OF EXPENSES. The Committee will serve without compensation for their services but will be reimbursed by the Sponsor for all expenses properly and actually incurred in the performance of their duties under this Plan.

8.6 ANNUAL STATEMENT. The Committee shall cause each Member to receive an annual statement as soon as administratively feasible after the conclusion of each Plan Year containing a statement of the Member's Accounts on the Deferred Compensation Ledger through the end of that Plan Year.

ARTICLE IX

AMENDMENT AND/OR TERMINATION

9.1 AMENDMENT AND/OR TERMINATION. The Sponsor has the sole right to amend, discontinue or terminate this Plan. Any amendment, discontinuance or termination may be made by a certified resolution or consent of the Management Committee, or by an instrument in writing executed by the appropriate officer of the Sponsor. If the Sponsor should terminate this Plan, the Employer shall distribute to each Member, within 90 days after the end of the quarter in which the Plan terminates, the entire amount credited to his Account as of the end of that quarter.

Each Employer shall be deemed to have adopted any amendment made by the Sponsor unless the Employer notifies the Committee of its rejection in writing within 30 days after it receives a copy of the amendment. A rejection shall constitute a withdrawal from this Plan by that Employer unless the Sponsor acquiesces in the rejection.

9.2 REVERSION OF EXCESS ASSETS. Upon satisfaction of all the obligations to a Member under this Plan, the assets, if any, remaining in the Trust allocated to the account of that Member, shall be paid to the Employer who employed that particular Member.

ARTICLE X

ADOPTION OF PLAN BY OTHER EMPLOYERS

10.1 ADOPTION PROCEDURE. Any business organization which has adopted the Basic Plan may, with the approval of the Management Committee, adopt this Plan by:

(a) A certified resolution or consent of the board of directors of the adopting Employer or an executed adoption instrument (approved by the board of directors of the adopting Employer) agreeing to be bound as an Employer by all the terms, conditions and limitations of this Plan except those, if any, specifically described in the adoption instrument; and

(b) Providing all information required by the Committee.

10.2 NO JOINT VENTURE IMPLIED. The document which evidences the adoption of the Plan by an Employer shall become a part of this Plan. However, neither the adoption of this Plan by an Employer nor any act performed by it in relation to this Plan shall ever create a joint venture or partnership relation between it and any other Employer.

10.3 EXPENSES TO BE SHARED. Each Employer shall pay a proportionate part of the necessary expenses incurred in the administration of this Plan, as determined by the Sponsor.

10.4 TRANSFER OF MEMBERS. If a Member employed by an Employer is transferred to the employment of another Employer, he shall maintain all of his rights and benefits under this Plan from which his service is transferred, and his participation in this Plan shall be considered uninterrupted, as if no transfer has been made. If a Member shall be employed by more than one Employer during the course of his employment, each Employer employing the Member shall contribute its appropriate share of the cost of providing the benefits incidental to his employment therewith.

10.5 SINGLE PLAN. This Plan shall be considered a single plan rather than a group of single plans of each adopting Employers.

ARTICLE XI

MISCELLANEOUS

11.1 RESPONSIBILITY FOR DISTRIBUTIONS AND WITHHOLDING OF TAXES. The Committee shall furnish information, to the Employer last employing the Member, concerning the amount and form of distribution to any Member entitled to a distribution so that the Employer may make the distribution required. It will also calculate the deductions from the amount of the benefit paid under this Plan for any taxes required to be withheld by federal, state or local government and will cause them to be withheld. If a Member has accrued a benefit under this Plan while in the service of more than one Employer, each Employer for which the Member was working will reimburse the disbursing agent for the amount attributable to the benefit earned while the Member was in the employment of that Employer if it has not already provided that funding to the disbursing agent.

11.2 LIMITATION OF RIGHTS. Nothing in this Plan will be construed:

(a) to give a Member any right with respect to any benefit except in accordance with the terms of this Plan;

(b) to limit in any way the right of the Employer to terminate a Member's employment with the Employer at any time;

(c) to evidence any agreement or understanding, expressed or implied, that the Employer will employ a Member in any particular position or for any particular remuneration; or

(d) to give a Member or any other person claiming through him any interest or right under this Plan other than that of any unsecured general creditor of the Employer.

11.3 DISTRIBUTIONS TO INCOMPETENTS OR MINORS. Should a Member become incompetent or should a Member designate a Beneficiary who is a minor or incompetent, the Committee is authorized to pay the funds due to the parent of the minor or to the guardian of the minor or incompetent or directly to the minor or to apply those funds for the benefit of the minor or incompetent in any manner the Committee determines in its sole discretion.

11.4 NONALIENATION OF BENEFITS. No right or benefit provided in this Plan shall be transferable by the Member except, upon his death, to a named Beneficiary as provided in this Plan. No right or benefit under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber or charge the same will be void. No right or benefit under this Plan shall in any manner be liable for or subject

to any debts, contracts, liabilities or torts of the person entitled to such benefits. If any Member or any Beneficiary becomes bankrupt or attempts to anticipate, alienate, sell, assign, pledge, encumber or charge any right or benefit under this Plan, that right or benefit will, in the discretion of the Committee, cease. In that event, the Committee may have the Employer hold or apply the right or benefit or any part of it to the benefit of the Member or Beneficiary, his or her spouse, children or other dependents or any of them in any manner and in any proportion the Committee believes to be proper in its sole and absolute discretion, but is not required to do so.

11.5 RELIANCE UPON INFORMATION. The Committee shall not be liable for any decision or action taken in good faith in connection with the administration of this Plan. Without limiting the generality of the foregoing, any decision or action taken by the Committee when it relies upon information supplied it by any officer of the Employer, the Employer's legal counsel, the Employer's actuary, the Employer's independent accountants or other advisors in connection with the administration of this Plan will be deemed to have been taken in good faith.

11.6 SEVERABILITY. If any term, provision, covenant or condition of this Plan is held to be invalid, void or otherwise unenforceable, the rest of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

11.7 NOTICE. Any notice or filing required or permitted to be given to the Committee or a Member shall be sufficient if in writing and hand delivered or sent by U.S. mail to the principal office of the Sponsor or to the residential mailing address of the Member. Notice will be deemed to be given as of the date of hand delivery or if delivery is by mail, as of the date shown on the postmark.

11.8 GENDER AND NUMBER. If the context requires it, words of one gender when used in this Plan will include the other genders, and words used in the singular or plural will include the other.

11.9 GOVERNING LAW. The Plan shall be construed, administered and governed in all respects by the laws of the State of Texas.

11.10 EFFECTIVE DATE. This Plan shall be operative and effective as of January 1, 1995.

IN WITNESS WHEREOF, the Sponsor has executed this document on this _____ day of _____ , 1994.

NATIONAL-OILWELL

By

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

National Oilwell (U.K.) Limited
National-Oilwell Canada Ltd.
National-Oilwell Pty Ltd.
National-Oilwell Pte. Ltd.
National-Oilwell International, Inc.
Natoil, Inc.
NOW Oilfield Services, Inc.
National-Oilwell de Venezuela
National-Oilwell, L.P.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated August 29, 1996 related to the consolidated balance sheet of National-Oilwell, Inc. and subsidiaries, and to the use of our report dated January 31, 1996 related to consolidated financial statements of National-Oilwell, a general partnership, and subsidiaries in the Registration Statement on Form S-1 and related Prospectus for the registration of 4,000,000 shares of common stock.

ERNST & YOUNG LLP

Houston, Texas
August 29, 1996

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM (A) THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 1996

6-MOS
DEC-31-1996
JAN-01-1996
JUN-30-1996
4,512
0
86,282
0
121,907
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2,667
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0
0
0
4,000
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