

SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

 FORM S-8
 REGISTRATION STATEMENT
 UNDER
 THE SECURITIES ACT OF 1933

SCHLUMBERGER N.V.
 (SCHLUMBERGER LIMITED)
 (Exact Name of Registrant as Specified in Its Charter)

NETHERLANDS ANTILLES (State or Other Jurisdiction of Incorporation or Organization)	277 PARK AVENUE NEW YORK, NEW YORK (Address of Principal Executive Offices) 10172-2066 (Zip Code)	52-0684746 (I.R.S. Employer Identification No.)
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 1997 LONG-TERM INCENTIVE PLAN OF CAMCO INTERNATIONAL INC.
 LONG-TERM INCENTIVE PLAN OF CAMCO INTERNATIONAL INC.
 PRODUCTION OPERATORS CORP. 1992 LONG-TERM INCENTIVE PLAN
 CAMCO 1996 SAVINGS RELATED SHARE OPTION SCHEME
 CAMCO INTERNATIONAL INC. AMENDED AND RESTATED
 STOCK OPTION PLAN FOR NONEMPLOYEE DIRECTORS
 (Full title of the plans)

DAVID S. BROWNING, ESQ.
 GENERAL COUNSEL AND SECRETARY
 SCHLUMBERGER LIMITED
 277 PARK AVENUE
 NEW YORK, NEW YORK 10172-2066
 (Name and Address of Agent for Service)

Telephone Number, Including Area Code,
 of Agent for Service:
 (212) 350-9400

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
----- Common Stock (par value \$.01 per share)	2,100,000	\$48.34375	\$101,521,875	\$29,949

- (1) In addition, pursuant to Rule 416(c) under the Securities Act of 1933, this Registration Statement also covers an indeterminate amount of interests to be offered or sold pursuant to the employee benefit plan(s) described herein.
- (2) Estimated in accordance with Rule 457(c) and (h) solely for the purpose of calculating the registration fee and based upon the average of the high and low sales price of the shares of Common Stock of Schlumberger Limited quoted on the New York Stock Exchange on August 28, 1998.

INTRODUCTORY STATEMENT

Pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated June 18, 1998 among Schlumberger Technology Corporation, a Texas corporation and a wholly owned subsidiary of Schlumberger Limited ("STC"), Schlumberger OFS, Inc., a wholly owned subsidiary of STC ("Sub"), and Camco International Inc. ("Camco"), Sub will be merged into Camco and Camco will become a wholly owned subsidiary of STC. Pursuant to the Merger Agreement, each share of common stock, par value \$.01 per share, of Camco ("Camco Common Stock") is to be converted into 1.18 shares of common stock, par value \$.01 per share, of Schlumberger Limited ("Schlumberger Common Stock") and each outstanding option to acquire Camco Common Stock pursuant to the plans listed on the first page hereof (the "Camco Plans") is to be converted into the right to acquire 1.18 shares of Schlumberger Common Stock for each share of Camco Common Stock into which such options are otherwise convertible and the exercise price per share of those original options will be divided by 1.18. The shares being registered pursuant to this Registration Statement are the shares of Schlumberger Common Stock issuable on exercise of options granted under the Camco Plans.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE

This Registration Statement incorporates herein by reference the following documents, which have been filed with the Commission by Schlumberger Limited, a corporation organized under the laws of the Netherlands Antilles (the "Company") (File No. 1-4601):

1. The Company's Annual Report on Form 10-K for the year ended December 31, 1997;
2. The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1998 and June 30, 1998;
3. The Company's Current Report on Form 8-K dated June 18, 1998; and
4. The description of the Schlumberger Common Stock contained in the Company's Registration Statement on Form 20 dated January 8, 1962, filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including any amendment or report filed for the purpose of updating such description.

Each document filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, subsequent to the date of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing such documents.

Any statement incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

ITEM 4. DESCRIPTION OF SECURITIES

AUTHORIZED, ISSUED AND TREASURY SHARES

The Company is authorized to issue 1,000,000,000 shares of common stock, par value \$0.01 per share ("Schlumberger Common Stock"), of which 619,147,059 shares were issued; 499,170,039 shares were outstanding; and 119,977,020 shares were held by the Company as treasury stock on July 31, 1998. In addition, the Company is authorized to issue, subject to certain limitations with respect to voting rights, liquidation and dividend preferences, 200,000,000 shares of cumulative preferred stock, par value \$0.01 per share ("Schlumberger Preferred Stock"), which may be issued in one or more separate series. If issued, the Schlumberger Preferred Stock may contain provisions allowing it to be converted into Schlumberger Common Stock under terms and conditions specified by the Board of Directors of the Company. No shares of Schlumberger Preferred Stock have been issued as of the date hereof.

DIVIDEND RIGHTS

All outstanding shares of Schlumberger Common Stock (i.e., shares not held by the Company and its subsidiaries), are entitled to participate equally and receive dividends which may be paid out of available profits of the preceding fiscal year or years. All accumulated and unpaid dividends payable on Schlumberger Preferred Stock (if issued and outstanding) must be paid prior to the payment of any dividends on Schlumberger Common Stock. The amount of

dividends payable with respect to any fiscal year is determined by the stockholders at the annual general meeting held within nine months of such fiscal year following such fiscal year, except that the Board of Directors may declare interim dividends.

VOTING RIGHTS

Each holder of shares of Schlumberger Common Stock is entitled to one vote for each share registered in such holder's name. Voting rights may be exercised in person or by proxy. No action to amend the Deed of Incorporation or to sell all or substantially all of the Company's assets or to dissolve the Company can be taken except upon the authorization of the holders of at least a majority of the outstanding shares eligible to vote. In addition, holders of Schlumberger Preferred Stock (if issued and outstanding) would have additional rights to vote as a class on certain amendments to the Company's Deed of Incorporation that would adversely affect Schlumberger Preferred Stock. Any other action requiring the approval of the stockholders may be authorized by a majority of the votes cast at any meeting at which a quorum is present, except that, if a quorum is not present at any meeting, a second meeting may be called, to be held within two months, at which second meeting, despite the absence of a quorum, valid resolutions may be adopted with respect to any matter stated in the notice of the original meeting and of the second meeting. A quorum consists of not less than 50% of the shares outstanding and eligible to vote.

The Board of Directors of the Company is authorized to effect reorganizations or rearrangements of the corporate structure of the Company or its subsidiaries without the vote of stockholders if such reorganization or rearrangement does not result in any diminution of the beneficial interest of the stockholders in the assets of the Company. The Board of Directors may change the Company's corporate domicile from the Netherlands Antilles to another jurisdiction without the necessity of any stockholder action or approval.

PREEMPTIVE AND OTHER RIGHTS

The shares of Schlumberger Common Stock do not carry any preemptive or conversion rights, and there are no redemption provisions with respect to Schlumberger Common Stock. The shares of Schlumberger Preferred Stock (if issued and outstanding) would not carry any preemptive rights, but the Board of Directors could specify conversion rights, redemption provisions and (within limits) liquidation preferences with respect to one or more series of Preferred Stock. The Company may for its own account purchase shares of Schlumberger Common Stock so long as at least one-fifth of the authorized capital stock of the Company remains outstanding with holders other than the Company. In the event of liquidation, each share of Schlumberger Common Stock is entitled to equal rights after satisfaction of any Schlumberger Preferred Stock liquidation preference.

LISTING; TRANSFER AGENTS AND REGISTRARS

Schlumberger Common Stock is listed for trading on the New York, London, Paris, Amsterdam and Swiss stock exchanges. The Transfer Agent and Registrar for Schlumberger Common Stock is Boston EquiServe LP, Boston, Massachusetts.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL

The legality of the Schlumberger Common Stock is being passed upon by Ellen S. Summer Esq., Deputy General Counsel of the Company.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Article IX, Section 7 of the Company's Deed of Incorporation and Article V of the Company's By-Laws provide that:

The Company has the power to indemnify any person 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 Company) by reason of the fact that he or she is or was a

director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or entity, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

The Company has the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or entity against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and except that no indemnification may be made in respect of any claim, issue or matter as to which that person has been finally adjudged to be liable to the Company for improper conduct unless and only to the extent that the court in which that action or suit was brought or any other court having appropriate jurisdiction determines upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, that person is fairly and reasonably entitled to indemnity for those expenses, judgments, fines and amounts paid in settlement which the court in which the action or suit was brought or such other court having appropriate jurisdiction deems proper.

To the extent that a director, officer, employee or agent of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in the two preceding paragraphs, or in defense of any claim, issue or matter therein, the Company will indemnify that person against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Any indemnification under the first two paragraphs in this item (unless ordered by a court) may be made by the Company only as authorized by contract approved, or by by-laws, resolution or other action adopted or taken, by the Board of Directors or by the stockholders.

Expenses incurred in defending a civil or criminal action, suit or proceeding will be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the Company as authorized by Article V of the By-Laws or Article IX, Section 7 of the Deed of Incorporation.

The indemnification and advancement of expenses provided by or granted pursuant to the other Sections of Article V of the By-Laws and Article IX, Section 7 of the Deed of Incorporation are not exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, by-law, agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and continues as to a person who has ceased to be a director, officer, employee or agent and inures to the benefit of the heirs, executors and administrators of that person.

The Company has the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company in such a capacity for another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against that person and incurred by that person in any of those capacities or arising out of his status as such, whether or not the Company may indemnify him or her against such liability under the provisions of Article V of the By-Laws or Article IX, Section 7 of the Deed of Incorporation.

For purposes of Article V of the By-Laws and Article IX, Section 7 of the Deed of Incorporation, reference to the Company includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or Merger which, if its separate existence had continued, would have had 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, stands in the same position under the provisions of Article V of the By-Laws and Article IX, Section 7 of the Deed of Incorporation with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

In addition, the Company maintains directors' and officers' liability insurance which insures against certain liabilities that the officers and directors of the Company may incur in such capacities.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED

Not Applicable.

ITEM 8. EXHIBITS

The following documents are filed as a part of this registration statement or incorporated by reference herein:

Exhibit No.	Description
4.1*	-- Deed of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3(i) to the Company's Form 10-Q for the quarter ended March 31, 1997, File 001-04601).
4.2*	-- By-laws of the Company, as amended (incorporated by reference to Exhibit 3 to the Company's Form 10-K for the year ended December 31, 1993, File 001-04601).
4.3*	-- Agreement and Plan of Merger dated as of June 18, 1998 among the Schlumberger Technology Corporation and Camco International Inc. (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K dated June 18, 1998, File 001-04601).
5	-- Opinion of Ellen S. Summer, Esq.
10.1	-- 1997 Long-Term Incentive Plan of Camco International Inc.
10.2	-- Long-Term Incentive Plan of Camco International Inc.
10.3	-- Production Operators Corp. 1992 Long-Term Incentive Plan.
10.4	-- Camco 1996 Savings Related Share Option Scheme.
10.5	-- Camco International Inc. Amended and Restated Stock Option Plan for Nonemployee Directors.
23.1	-- Consent of PricewaterhouseCoopers LLP.
23.2	-- Consent of Ellen S. Summer, Esq. (included in Exhibit 5).
24	-- Powers of Attorney.

* Incorporated herein by reference as indicated.

ITEM 9. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) of the Securities Act if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that the undertakings set forth in paragraphs (a)(1)(i) and (a)(1)(ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment 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.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement 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.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the registrant pursuant to the provisions described under Item 6 above, or otherwise, the registrant has been advised that in the opinion of the 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 of expenses incurred or paid by a director, officer, or controlling person of 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.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on August 28, 1998.

SCHLUMBERGER N.V.
(Schlumberger Limited)

By: /s/ Arthur Lindenauer

Arthur Lindenauer
Executive Vice President - Finance;
Chief Financial Officer and
Chief Accounting Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons on August 28, 1998 in the capacities indicated.

*	*
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D. Euan Baird Director, Chairman, President and Chief Executive Officer	William T. McCormick, Jr. Director
/s/ Arthur Lindenauer	*
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Arthur Lindenauer Executive Vice President - Finance; Chief Financial Officer and Chief Accounting Officer	Didier Primat Director
*	*
-----	-----
Don E. Ackerman Director	Nicolas Seydoux Director
*	*
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John Deutch Director	Linda Gillespie Stuntz Director
*	*
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Victor E. Grijalva Director	Sven Ullring Director
*	*
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Denys Henderson Director	Yoshihiko Wakumoto Director
*	

Andre Levy-Lang Director	

By: /s/ Ellen S. Summer

Ellen S. Summer,
Attorney-in-Fact

EXHIBIT INDEX

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24	-- Powers of Attorney.

* Incorporated herein by reference as indicated.

August 31, 1998

Schlumberger Limited
277 Park Avenue
New York, New York 10172-2065

Ladies and Gentlemen:

In connection with the Registration Statement on Form S-8 (the "Registration Statement") being filed by Schlumberger Limited, a corporation organized under the laws of the Netherlands Antilles (the "Company"), with the Securities and Exchange Commission under the Securities Act of 1933, as amended, relating to 2,300,000 shares of common stock of the Company, par value \$.01 per share ("Common Stock"), that may be issued pursuant to the following plans: (i) 1997 Long-Term Incentive Plan of Camco International Inc., (ii) Long-Term Incentive Plan of Camco International Inc., (iii) Production Operators Corp. 1992 Long-Term Incentive Plan, (iv) Camco 1996 Savings Related Share Option Scheme and (v) Camco International Inc. Amended and Restated Stock Option Plan for Nonemployee Directors (collectively, the "Plans"), certain legal matters in connection with those shares of Common Stock are being passed on for the Company by me. At your request, this opinion is being furnished for filing as Exhibit 5 to the Registration Statement.

In my capacity as Deputy General Counsel of the Company, I have examined the Registration Statement, the Plans, the Company's Deed of Incorporation and Bylaws, each as amended to date, and the originals, or copies certified or otherwise identified, certain resolutions of the Board of Directors and stockholders of the Company and other corporate records of the Company, certificates, statements or other representations of public officials and of representatives of the Company, statutes and other instruments and documents as a basis for the opinions hereinafter expressed. In connection with this opinion, I have relied on certificates, statements or other representations of officers of the Company with respect to the accuracy of material factual matters contained in or covered thereby.

Based on and subject to the foregoing, I am of the opinion that on the issuance of shares of Common Stock pursuant to the provisions of the respective Plans for consideration at least equal to the par value of those shares, those shares of Common Stock will be duly authorized by all necessary corporate action on the part of the Company, validly issued, fully paid and nonassessable.

I am a member of the State Bar of New York and the District of Columbia, and I am not admitted to practice in, nor do I hold myself out as an expert on the laws of, the Netherlands Antilles. I have, however, consulted with the law firm of Smeets Thesseling Van Bokhorst Spigt, which is qualified to practice in the Netherlands Antilles and which I consider an expert on the laws of such jurisdiction. Insofar as the opinion expressed above involves conclusions as to matters governed by the laws of the Netherlands Antilles, I am relying on the opinion of such counsel.

I hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to me under the caption "Experts" in the Registration Statement.

Very truly yours,

/s/ Ellen S. Summer

Ellen S. Summer

1997 LONG-TERM INCENTIVE PLAN
OF
CAMCO INTERNATIONAL INC.

ARTICLE I

General

SECTION 1.1. Purpose of the Plan. The 1997 Long-Term Incentive Plan (the "Plan") of Camco International Inc. (the "Company") is intended to advance the best interests of the Company, its subsidiaries and its stockholders in order to attract, retain and motivate key employees by providing them with additional incentives through (i) the grant of options ("Options") to purchase shares of Common Stock, par value \$.01 per share, of the Company ("Common Stock"), (ii) the grant of stock appreciation rights ("Stock Appreciation Rights"), (iii) the award of shares of restricted Common Stock ("Restricted Stock") and (iv) the award of units payable in cash or shares of Common Stock based on performance ("Performance Awards"), thereby increasing the personal stake of such key employees in the continued success and growth of the Company.

SECTION 1.2. Administration of the Plan. (a) The Plan shall be administered by the Board of Directors of the Company (the "Board of Directors") or committee thereof designated by the Board of Directors or such committee referred to as (the "Committee"). The Committee shall have authority to interpret conclusively the provisions of the Plan, to adopt such rules and regulations for carrying out the Plan as it may deem advisable, to decide conclusively all questions of fact arising in the application of the Plan, to establish performance criteria in respect of Awards (as defined herein) under the Plan, to certify that Plan requirements have been met for any participant in the Plan, to submit such matters as it may deem advisable to the Company's stockholders for their approval, and to make all other determinations and take all other actions necessary or desirable for the administration of the Plan. The Committee is expressly authorized to adopt rules and regulations limiting or eliminating its discretion in respect of certain matters as it may deem advisable to comply with or obtain preferential treatment under any applicable tax or other law rule, or regulation. All decisions and acts of the Committee shall be final and binding upon all affected Plan participants.

(b) The Committee shall designate the eligible employees, if any, to be granted Awards and the type and amount of such Awards and the time when Awards will be granted. All Awards granted under the Plan shall be on the terms and subject to the conditions determined by the Committee consistent with the Plan.

SECTION 1.3. Eligible Participants. Key employees, including officers, of the Company and its subsidiaries, partnerships or other affiliated entities (all such subsidiaries, partnerships or other affiliated entities being referred to as "Subsidiaries") shall be eligible for Awards under the Plan.

SECTION 1.4. Awards Under the Plan. Awards to key employees may be in the form of (i) Options, (ii) Stock Appreciation Rights, which may be issued independent of or in tandem with Options, (iii) shares of Restricted Stock, (iv) Performance Awards, or (v) any combination of the foregoing (collectively, "Awards").

SECTION 1.5. Shares Subject to the Plan. Initially, the aggregate number of shares of Common Stock that may be issued under the Plan shall be 1,500,000. This number of shares, together with the number of shares subject to outstanding awards under the Company's 1993 Long-Term Incentive Plan (the "1993 Plan"), represents approximately 10% of the issued and outstanding shares of Common Stock as of March 24, 1997. In addition, as of January 1 of each year the Plan is in effect, if the total number of shares of Common Stock issued and outstanding, not including any shares issued under the Plan or the Company's 1993 Incentive Plan, exceeds the total number of shares of Common Stock issued and outstanding as of January 1 of the previous year (or, for 1997, as of the commencement of the Plan), the number of shares that may be issued under the Plan shall be increased by an amount such that the total number of shares of Common Stock available for issuance under the Plan together with the number of shares of Common Stock available for issuance for outstanding awards under the 1993 Incentive Plan, equals 10% of the total number of shares of Common Stock issued and outstanding, not including any shares issued under the Plan or the 1993 Incentive Plan. Shares distributed pursuant to the Plan may consist of authorized but unissued shares of treasury shares of the Company, as shall be determined from time to time by the Board of Directors. The aggregate number of shares of Common Stock that may be granted pursuant to an Award of Options, Stock Appreciation Rights, Restricted Stock or Performance Awards to any one participating during any one year may not exceed 250,000. The aggregate amount of cash that may be credited to any one participant pursuant to any Performance Award during any one year may not exceed \$1,000,000.

If any Award under the Plan shall expire, terminate or be canceled (including cancellation upon an Option holder's exercise of a related Stock Appreciation Right) for any reason without having been exercised in full, or if any Award shall be forfeited to the Company, the unexercised or forfeited Award shall not count against the above limits and shall again become available for grants under the Plan (unless the holder of such Award received dividends or other economic benefits with respect to such Award, which dividends or other economic benefits are not forfeited, in which case the award shall count against the above limits). Shares of Common Stock equal in number to the shares surrendered in payment of the option price, and shares of Common Stock which are withheld in order to satisfy Federal, state or local tax liability, shall count against the above limits. Only the number of shares of Common Stock actually issued upon exercise of a Stock Appreciation Right shall count against the above limits, and any shares which were estimated to be used for such purposes and were not in fact so used shall again become available for grants under the Plan. Cash exercises of Stock Appreciation Rights and cash settlement of other Awards will not count against the above limits.

The total number of Awards (or portions thereof) that may be settled in cash under the Plan, based on the number of shares covered by such Awards (e.g., 100 shares for a Stock Appreciation Right with respect to 100 shares), shall not exceed a number equal to (i) the number

of shares initially available for issuance under the Plan plus (ii) the number of shares that have become available for issuance under the Plan pursuant to the first paragraph of this Section 1.5.

The number of shares of Common Stock that will be available under the Plan for Options granted in accordance with Section 2.4(i) ("ISOs") is 1,500,000.

SECTION 1.6. Other Compensation Programs. Nothing contained in the Plan shall be construed to preempt or limit the authority of the Board of Directors to exercise its corporate rights and powers, including, but not by way of limitation, the right of the Board of Directors (i) to grant incentive Awards for proper corporate purposes otherwise than under the Plan to any employee, officer, director or other person or entity or (ii) to grant incentive Awards to, or assume incentive Awards of, any person or entity in connection with the acquisition (whether by purchase, lease, merger, consolidation or otherwise) of the business or assets (in whole or in part) of any person or entity.

ARTICLE II

Stock Options and Stock Appreciation Rights

SECTION 2.1. Terms and Conditions of Options. Subject to the following provisions, all Options granted under the Plan to employees of the Company and its Subsidiaries shall be in such form and shall have such terms and conditions as the Committee, in its discretion, may from time to time determine consistent with the Plan.

(a) Option Price. The option price per share shall be determined by the Committee, except that in the case of an Option granted in accordance with Section 2.4(i) (an "ISO") the option price per share shall not be less than the fair market value of a share of Common Stock (as determined by the Committee) on the date the Option is granted (other than in the case of substitute or assumed Options to the extent required to qualify such Options for preferential tax treatment under the Internal Revenue Code of 1986, as amended, or successor code or statute, in each case as in effect at the time of such grant (the "Code")).

(b) Term of Option. The term of an Option shall be determined by the Committee, except that in the case of an ISO the term of the Option shall not exceed ten years from the date of grant, and, notwithstanding any other provision of this Plan, no Option shall be exercised after the expiration of its term.

(c) Exercise of Options. Options shall be exercisable at such time or times and subject to such terms and conditions as the Committee shall specify in the Option grant. Unless the Option grant specifies otherwise, the Committee shall have discretion at any time to accelerate such time or times and otherwise waive or amend any conditions in respect of all or any portion of the Options held by any optionee. An Option may be exercised in accordance with its terms as to any or all shares purchasable thereunder.

(d) Payment for Shares. The Committee may authorize payment for shares as to which an Option is exercised to be made in cash, shares of Common Stock, a combination thereof, by "cashless exercise" or in such other manner as the Committee in its discretion may provide.

(e) Stockholder Rights. The holder of an Option shall, as such, have none of the rights of a stockholder.

(f) Termination of Employment. The Committee shall have discretion to specify in the Option grant, or, with the consent of the optionee, an amendment thereof, provisions with respect to the period, not extending beyond the term of the Option, during which the Option may be exercised following the optionee's termination of employment.

SECTION 2.2. Stock Appreciation Rights in Tandem with Options.

(a) The Committee may, either at the time of grant of an Option or at any time during the term of the Option, grant Stock Appreciation Rights ("Tandem SARs") with respect to all or any portion of the shares of Common Stock covered by such Option. A Tandem SAR may be exercised at any time the Option to which it relates is then exercisable, but only to the extent the Option to which it relates is exercisable, and shall be subject to the conditions applicable to such Option. When a Tandem SAR is exercised, the Option to which it relates shall cease to be exercisable to the extent of the number of shares with respect to which the Tandem SAR is exercised. Similarly, when an Option is exercised, the Tandem SARs relating to the shares covered by such Option exercise shall terminate. Any Tandem SAR which is outstanding on the last day of the term of the related Option (as determined pursuant to Section 2.1(b)) shall be automatically exercised on such date for cash without any action by the optionee.

(b) Upon exercise of a Tandem SAR, the holder shall receive, for each share with respect to which the Tandem SAR is exercised, an amount (the "Appreciation") equal to the difference between the option price per share of the Option to which the Tandem SAR relates and the fair market value (as determined by the Committee) of a share of Common Stock on the date of exercise of the Tandem SAR. The Appreciation shall be payable in cash, Common Stock, or a combination of both, at the option of the Committee, and shall be paid within 30 days of the exercise of the Tandem SAR.

SECTION 2.3. Stock Appreciation Rights Independent of Options.

Subject to the following provisions, all Stock Appreciation Rights granted independent of Options ("Independent SARs") under the Plan to employees of the Company and its Subsidiaries shall be in such form and shall have such terms and conditions as the Committee, in its discretion, may from time to time determine consistent with the Plan.

(a) Exercise Price. The exercise price per share shall be determined by the Committee on the date the Independent SAR is granted.

(b) Term of Independent SAR. The term of an Independent SAR shall be determined by the Committee, and, notwithstanding any other provision of this Plan, no Independent SAR shall be exercised after the expiration of its term.

(c) Exercise of Independent SARs. Independent SARs shall be exercisable at such time or times and subject to such terms and conditions as the Committee shall specify in the Independent SAR grant. Unless the Independent SAR grant specifies otherwise, the Committee shall have discretion at any time to accelerate such time or times and otherwise waive or amend any conditions in respect of all or any portion of the Independent SARs held by any participant. Upon exercise of an Independent SAR, the holder shall receive, for each share specified in the Independent SAR grant, an amount (the "Appreciation") equal to the difference between the exercise price per share specified in the Independent SAR grant and the fair market value (as determined by the Committee) of a share of Common Stock on the date of exercise of the Independent SAR. The Appreciation shall be payable in cash, Common Stock, or a combination of both, at the option of the Committee, and shall be paid within 30 days of the exercise of the Independent SAR.

(d) Stockholder Rights. The holder of an Independent SAR shall, as such, have none of the rights of a stockholder.

(e) Termination of Employment. The Committee shall have discretion to specify in the Independent SAR grant, or, with the consent of the holder, an amendment thereof, provisions with respect to the period, not extending beyond the term of the Independent SAR, during which the Independent SAR may be exercised following the holder's termination of employment.

SECTION 2.4. Statutory Options. Subject to the limitations on Option terms set forth in Section 2.1, the Committee shall have the authority to grant (i) incentive stock options within the meaning of Section 422 of the Code and (ii) Options containing such terms and conditions as shall be required to qualify such Options for preferential tax treatment under the Code as in effect at the time of such grant. Options granted pursuant to this Section 2.4 may contain such other terms and conditions permitted by Article II of this Plan as the Committee, in its discretion, may from time to time determine (including, without limitation, provision for Stock Appreciation Rights), to the extent that such terms and conditions do not cause the Options to lose their preferential tax treatment.

SECTION 2.5. Change of Control. Notwithstanding the exercisability schedule governing any Option or Stock Appreciation Right, unless otherwise provided in the agreement relating to a specific Award of an Option or Stock Appreciation Right or other agreement with the holder of the Option or Stock Appreciation Right, upon the occurrence of a Change of Control (as defined in Section 5.10) all Options and Stock Appreciation Rights outstanding at the time of such Change of Control and held by participants who are employees of the Company or its subsidiaries at the time of such Change of Control shall become immediately exercisable and, unless the participant agrees otherwise in writing, remain exercisable for three years (but not beyond the term of the Option or Stock Appreciation Right) after the employee's termination of employment for any reason other than termination by the Company or a subsidiary of the Company for

dishonesty, conviction of a felony, willful unauthorized disclosure of confidential information or willful refusal to perform the duties of such employee's position or positions with the Company or such subsidiary (termination for "cause").

ARTICLE III

Restricted Stock

SECTION 3.1. Terms and Conditions of Restricted Stock Awards.

Subject to the following provisions, all Awards of Restricted Stock under the Plan to employees of the Company and its Subsidiaries shall be in such form and shall have such terms and conditions as the Committee, in its discretion, may from time to time determine consistent with the Plan.

(a) Restricted Stock Award. The Restricted Stock Award shall specify the number of shares of Restricted Stock to be awarded, the price, if any, to be paid by the recipient of the Restricted Stock, and the date or dates on which the Restricted Stock will vest. The vesting and number of shares of Restricted Stock may be conditioned upon the completion of a specified period of service with the Company or its Subsidiaries or upon the attainment of any of the following specified performance goals as fixed by the Committee (i) net income before or after extraordinary items, operating income, income before taxes, earnings before depreciation, interest and taxes, cash flow or revenues of (x) the Company on a consolidated basis, (y) one or more Subsidiaries or (z) one or more operating divisions, departments, units or segments of the Company or one or more of its Subsidiaries., (ii) return on equity, (iii) return on capital employed, (iv) return on net assets, (v) increases in the market price of the Common Stock or other securities of the Company before or after dividends, (vi) the performance of the Company's Common Stock in comparison to other stocks, stock indexes or groups of stocks or other investments, (vii) increases in sales, margins or profit on a Company, Subsidiary, division, department, unit, segment, product or product line basis or (viii) any combination of the above.

(b) Restrictions on Transfer. Unless otherwise provided in the agreement relating to the Award relating thereto, stock certificates representing the Restricted Stock granted to an employee shall be registered in the employee's name or at the option of the Committee not issued until such time as the Restricted Stock shall become vested or otherwise determined by the Committee. If certificates are issued prior to the shares of Restricted Stock becoming vested, such certificates shall either be held by the Company on behalf of the employee, or delivered to the employee bearing a legend to restrict transfer of the certificate until the Restricted Stock has vested, as determined by the Committee. The Committee shall determine whether the employee shall have the right to vote and/or receive dividends on the Restricted Stock before it has vested. Except as may otherwise be expressly permitted by the Committee, no share of Restricted Stock may be sold, transferred, assigned, or pledged by the employee until such share has vested in accordance with the terms of the Restricted Stock Award. Unless the grant of a Restricted Stock Award specifies otherwise, in the event of an employee's termination of employment before all the employee's Restricted Stock has vested, or in the event other conditions to the vesting of Restricted Stock have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the Award,

the shares of Restricted Stock that have not vested shall be forfeited and any purchase price paid by the employee shall be returned to the employee. At the time Restricted Stock vests (and, if the employee has been issued legended certificates of Restricted Stock, upon the return of such certificates to the Company), a certificate for such vested shares shall be delivered to the employee (or the beneficiary designated by the employee in the event of death), free of all restrictions.

(c) Accelerated Vesting. Notwithstanding the vesting conditions set forth in the Restricted Stock Award unless the Restricted Stock grant or other agreement with the holder thereof specifies otherwise, (i) the Committee may in its discretion at any time accelerate the vesting of Restricted Stock or otherwise waive or amend any conditions of a grant of Restricted Stock, and (ii) all shares of Restricted Stock shall vest upon a Change of Control of the Company.

ARTICLE IV

Performance Awards

SECTION 4.1. Terms and Conditions of Performance Awards. The Committee shall be authorized to grant Performance Awards, which are payable in stock, cash or a combination thereof, at the discretion of the Committee.

(a) Performance Period. The Committee shall establish with respect to each Performance Award a performance period over which the performance of the holder of such Performance Award shall be measured. The performance period for a Performance Award shall be established at the time such Performance Award is granted and may overlap with performance periods relating to other Performance Awards granted hereunder to the same employee.

(b) Performance Objectives. The Committee shall establish a minimum level of acceptable achievement for the holder at the time of each Award. Each Performance Award shall be contingent upon future performances and achievement of objectives fixed by the Committee. Such objectives shall be based on (i) net income before or after extraordinary items, operating income, income before taxes, earnings before depreciation, interest and taxes, cash flow or revenues of (x) the Company on a consolidated basis, (y) one or more Subsidiaries or (z) one or more operating divisions, departments, units or segments of the Company or one or more of its Subsidiaries, (ii) return on equity, (iii) return on capital employed, (iv) return on net assets, (v) increases in the market price of the Common Stock or other securities of the Company before or after dividends, (vi) the performance of the Company's Common Stock in comparison to other stocks, stock indexes or groups of stocks or other investments, (vii) increases in sales, margins or profit on a Company, Subsidiary, division, department, unit, segment, product or product line basis or (viii) any combination of the above.

(c) Size, Frequency and Vesting. The Committee shall have the authority to determine at the time of the Award the maximum value of a Performance Award, the frequency of Awards and the date or dates when Awards vest.

(d) Payment. Following the end of each performance period, the holder of each Performance Award will be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Award, based on the achievement of the performance measures for such performance period, as determined by the Committee. If at the end of the performance period the specified objectives have been attained, the employee shall be deemed to have fully earned the Performance Award. Unless otherwise provided in the Award, if the employee exceeds the specified minimum level of acceptable achievement but does not attain such objectives, the employee shall be deemed to have partly earned the Performance Award, and shall become entitled to receive a portion of the total award, as determined by the Committee. Unless otherwise provided in the Award, if a Performance Award is granted after the start of a performance period, the award shall be reduced to reflect the portion of the performance period during which the Award was in effect. Unless the Award specifies otherwise, the Committee may adjust the payment of Awards or the performance objectives if events occur or circumstances arise which would cause a particular payment or set of performance objectives to be inappropriate, as determined by the Committee.

(e) Termination of Employment. Unless otherwise provided in the agreement relating to the Award or other agreement with the recipient, a recipient of a Performance Award who, by reason of death, disability or retirement, terminates employment before the end of the applicable performance period shall be entitled to receive, to the extent earned, a portion of the Award which is proportional to the portion of the performance period during which the employee was employed. Unless otherwise provided in the agreement relating to the Award or other agreement with the recipient, a recipient of a Performance Award who terminates employment for any other reason shall not be entitled to any part of the Award unless the Committee determines otherwise.

(f) Accelerated Vesting. Notwithstanding the vesting conditions set forth in a Performance Award, unless the Award specifies otherwise, (i) the Committee may in its discretion at any time accelerate vesting of the Award or otherwise waive or amend any conditions (including but not limited to performance objectives) in respect of a Performance Award, and (ii) all Performance Awards shall vest upon a Change of Control of the Company. In addition, unless an Award specifies otherwise, each participant in the Plan shall receive the maximum Performance Award he or she could have earned for the proportionate part of the performance period prior to the Change of Control, and shall retain the right to earn any additional portion of his or her Award if he or she remains in the Company's employ.

(g) Stockholder Rights. The holder of a Performance Award shall, as such, have none of the rights of a stockholder.

ARTICLE V

Additional Provisions

SECTION 5.1. General Restrictions. Each Award under the Plan shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any

securities exchange or under any state or Federal law, or (ii) the consent or approval of any government regulatory body, or (iii) an agreement by the recipient of an Award with respect to the disposition of shares of Common Stock, is necessary or desirable (in connection with any requirement or interpretation of any Federal or state securities law, rule or regulation) as a condition of, or in connection with, the granting of such Award or the issuance, purchase or delivery of shares of Common Stock thereunder, such Award may not be consummated in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

SECTION 5.2. Adjustments for Changes in Capitalization. In the event of any stock dividends, stock splits, recapitalizations, combinations, exchanges of shares, mergers, consolidation, liquidations, split-ups, split-offs, spin-offs or other similar changes in capitalization, or any distribution to stockholders, including a rights offering, other than regular cash dividends, changes in the outstanding stock of the Company by reason of any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any similar capital adjustment or the payment of any stock dividend, any share repurchase at a price in excess of the market price of the Common Stock at the time such repurchase is announced or other increase or decrease in the number of such shares, the Committee shall make appropriate adjustment in the number and kind of shares authorized by the Plan (including shares available for ISOs), in the number, price or kind of shares covered by the Awards and in any outstanding Awards under the Plan; provided, however, that no such adjustment shall increase the aggregate value of any outstanding Award.

In the event of any adjustment in the number of shares covered by any Award, any fractional shares resulting from such adjustment shall be disregarded and each such Award shall cover only the number of full shares resulting from such adjustment.

SECTION 5.3. Amendments. (a) The Board of Directors may at any time and from time to time and in any respect amend or modify the Plan.

(b) The Committee shall have the authority to amend any Award to include any provision which, at the time of such amendment, is authorized under the terms of the Plan; however, no outstanding Award may be revoked or altered in a manner unfavorable to the holder without the written consent of the holder.

SECTION 5.4. Cancellation of Awards. Any Award granted under the Plan may be canceled at any time with the consent of the holder and a new Award may be granted to such holder in lieu thereof, which award may, in the discretion of the Committee, be on more favorable terms and conditions than the canceled Award.

SECTION 5.5. Beneficiary. A participant may file with the Company a written designation of beneficiary, on such form as may be prescribed by the Committee, to receive any Options, Stock Appreciation Rights, shares of Restricted Stock, Common Stock and Performance Awards that become deliverable to the participant pursuant to the Plan after the

participant's death. A participant may, from time to time, amend or revoke a designation of beneficiary. If no designated beneficiary survives the participant, the executor or administrator of the participant's estate shall be deemed to be the participant's beneficiary.

SECTION 5.6. Withholding. Whenever the Company proposes or is required to issue or transfer shares of Common Stock under the Plan, the Company shall have the right to require the holder to pay an amount in cash or to retain or sell without notice, or demand surrender of, shares of Common Stock in value sufficient to satisfy any Federal, state or local withholding tax liability ("Withholding Tax") prior to the delivery of any certificate for such shares (or remainder of shares if Common Stock is retained to satisfy such tax liability). Whenever under the Plan payments are to be made in cash, such payments shall be net of an amount sufficient to satisfy any Federal, state or local withholding tax liability.

Whenever Common Stock is so retained or surrendered to satisfy Withholding Tax, the value of shares of Common Stock so retained or surrendered shall be determined by the Committee, and the value of shares of Common Stock so sold shall be the net proceeds (after deduction of commissions) received by the Company from such sale, as determined by the Committee.

SECTION 5.7. Non-assignability. Except as expressly provided in the Plan or as may be permitted by the Committee, no Award under the Plan shall be assignable or transferable by the holder thereof except by will or by the laws of descent and distribution. Except as expressly provided in the Plan or as may be permitted by the Committee, during the life of the holder, Awards under the Plan shall be exercisable only by such holder or by the guardian or legal representative of such holder.

SECTION 5.8. Non-uniform Determinations. Determinations by the Committee under the Plan (including, without limitation, determinations of the persons to receive Awards; the form, amount and timing of such Awards; the terms and provisions of such Awards and the agreements evidencing same; and provisions with respect to termination of employment) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

SECTION 5.9. No Guarantee of Employment. The grant of an Award under the Plan shall not constitute an assurance of continued employment for any period or any obligation of the Board of Directors to nominate any director for reelection by the Company's stockholders.

SECTION 5.10. Change of Control. A "Change of Control" shall be deemed to have occurred if:

(1) any Person (as defined below), other than a Designated Person, is or becomes the Beneficial Owner (as defined below) of securities of the Company representing 30% or more of the Voting Power (as defined below);

(2) there shall occur a change in the composition of a majority of the Board of Directors within any period of four consecutive years which change shall not have been approved by a majority of the Board of Directors as constituted immediately prior to the commencement of such period;

(3) at any meeting of the stockholders of the Company called for the purpose of electing directors, more than one of the persons nominated by the Board of Directors for election as directors shall fail to be elected; or

(4) the stockholders of the Company approve a merger, consolidation, sale of substantially all assets or other reorganization of the Company, other than a reincorporation, in which the Company does not survive.

For purposes of this Section 5.10, (i) "Person" shall have the meaning set forth in Sections 3 (a) (9) and 13 (d) (3) of the Securities Exchange Act of 1934, as in effect on May 20, 1997, (ii) "Beneficial Owner" shall have the meaning set forth in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934 on May 20, 1997; and (iii) "Voting Power" shall mean the voting power of the outstanding securities of the Company having the right under ordinary circumstances to vote at an election of the Board of Directors.

SECTION 5.11. Deferred Compensation and Trust Agreements. The Committee may authorize and establish deferred compensation agreements and arrangements in connection with Awards under the Plan and may establish trusts and other arrangements, including "rabbi trusts", with respect to such agreements and appoint one or more trustees for such trusts. Shares of Common Stock under the Plan may also be acquired by one or more trustees from the Company, in the open market or otherwise.

SECTION 5.12. Duration and Termination. (a) The Plan shall be of unlimited duration. Notwithstanding the foregoing, no incentive stock option (within the meaning of Section 422 of the Code) shall be granted under the Plan ten (10) years after the approval of the Corporation's stockholder, but Awards granted prior to such date may extend beyond such date, and the terms of this Plan shall continue to apply to all Awards granted hereunder.

(b) The Board of Directors may suspend, discontinue or terminate the Plan at any time. Such action shall not impair any of the rights of any holder of any Award outstanding on the date of the Plan's suspension, discontinuance or termination without the holder's written consent.

SECTION 5.13. Effective Date. The Plan shall be effective as of May 20, 1997, subject to approval of a majority of the Corporation's stockholders present and eligible to vote at a meeting of the stockholders of the Corporation at which a quorum is present.

LONG-TERM INCENTIVE PLAN
OF
CAMCO INTERNATIONAL INC.

ARTICLE I

General

SECTION 1.1. Purpose of the Plan. The Long-Term Incentive Plan (the "Plan") of Camco International Inc. (the "Company") is intended to advance the best interests of the Company, its subsidiaries and its stockholders in order to attract, retain and motivate key employees by providing them with additional incentives through (i) the grant of options ("Options") to purchase shares of Common Stock, par value \$.01 per share, of the Company ("Common Stock"), (ii) the grant of stock appreciation rights ("Stock Appreciation Rights"), (iii) the award of shares of restricted Common Stock ("Restricted Stock") and (iv) the award of units payable in cash or shares of Common Stock based on performance ("Performance Awards"), thereby increasing the personal stake of such key employees in the continued success and growth of the Company.

SECTION 1.2. Administration of the Plan. (a) The Plan shall be administered by the Executive Compensation Committee or other designated committee (the "Committee") of the Board of Directors of the Company (the "Board of Directors") which shall consist of at least two Outside Directors. The Committee shall have authority to interpret conclusively the provisions of the Plan, to adopt such rules and regulations for carrying out the Plan as it may deem advisable, to decide conclusively all questions of fact arising in the application of the Plan, to establish performance criteria in respect of Awards (as defined herein) under the Plan, to certify that Plan requirements have been met for any participant in the Plan, to submit such matters as it may deem advisable to the Company's stockholders for their approval, and to make all other determinations and take all other actions necessary or desirable for the administration of the Plan. The Committee is expressly authorized to adopt rules and regulations limiting or eliminating its discretion in respect of certain matters as it may deem advisable to comply with or obtain preferential treatment under any applicable tax or other law rule, or regulation. All decisions and acts of the Committee shall be final and binding upon all affected Plan participants.

For purposes of this Plan, "Outside Director" shall mean a nonemployee director of the Company who is "disinterested" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(b) The Committee shall designate the eligible employees, if any, to be granted Awards and the type and amount of such Awards and the time when Awards will be granted. All Awards granted under the Plan shall be on the terms and subject to the conditions determined by the Committee consistent with the Plan.

SECTION 1.3. Eligible Participants. Key employees, including officers, of the Company and its subsidiaries (all such subsidiaries being referred to as "Subsidiaries") shall be eligible for Awards under the Plan.

SECTION 1.4. Awards Under the Plan. Awards to key employees may be in the form of (i) Options, (ii) Stock Appreciation Rights, which may be issued independent of or in tandem with Options, (iii) shares of Restricted Stock, (iv) Performance Awards, or (v) any combination of the foregoing (collectively, "Awards").

SECTION 1.5. Shares Subject to the Plan. Initially, the aggregate number of shares of Common Stock that may be issued under the Plan shall be 1,750,000. In addition, as of January 1 of each year the Plan is in effect, if the total number of shares of Common Stock issued and outstanding, not including any shares issued under the Plan, exceeds the total number of shares of Common Stock issued and outstanding as of January 1 of the preceding year (or, for 1994, as of the commencement of the Plan), the number of shares that may be issued under the Plan shall be increased by an amount such that the total number of shares of Common Stock available for issuance under the Plan equals 7% of the total number of shares of Common Stock outstanding, not including any shares issued under the Plan. Shares distributed pursuant to the Plan may consist of authorized but unissued shares or treasury shares of the Company, as shall be determined from time to time by the Board of Directors. The aggregate number of shares of Common Stock that may be issued to any one participant under the Plan shall be 500,000.

If any Award under the Plan shall expire, terminate or be canceled (including cancellation upon an Option holder's exercise of a related Stock Appreciation Right) for any reason without having been exercised in full, or if any Award shall be forfeited to the Company, the unexercised or forfeited award shall not count against the above limits and shall again become available for grants under the Plan (unless the holder of such Award received dividends or other economic benefits with respect to such award, which dividends or other economic benefits are not forfeited, in which case the award shall count against the above limits). Shares of Common Stock equal in number to the shares surrendered in payment of the option price, and shares of Common Stock which are withheld in order to satisfy Federal, state or local tax liability, shall count against the above limits. Only the number of shares of Common Stock actually issued upon exercise of a Stock Appreciation Right shall count against the above limits, and any shares which were estimated to be used for such purposes and were not in fact so used shall again become available for grants under the Plan. Cash exercises of Stock Appreciation Rights and cash settlement of other awards will not count against the above limits.

The total number of Awards (or portions thereof) settled in cash under the Plan, based on the number of shares covered by such Awards (e.g., 100 shares for a Stock Appreciation Right with respect to 100 shares), shall not exceed a number equal to (i) the number of shares initially available for issuance under the Plan plus (ii) the number of shares that have become available for issuance under the Plan pursuant to the first paragraph of this Section 1.5

The number of shares of Common Stock that will be available under the Plan for options granted in accordance with Section 2.4(i) ("ISOs") is 1,750,000.

SECTION 1.6. Other Compensation Programs. Nothing contained in the Plan shall be construed to preempt or limit the authority of the Board of Directors to exercise its corporate rights and powers, including, but not by way of limitation, the right of the Board of Directors (i) to grant incentive awards for proper corporate purposes otherwise than under the Plan to any employee, officer, director or other person or entity or (ii) to grant incentive awards to, or assume incentive awards of, any person or entity in connection with the acquisition (whether by purchase, lease, merger, consolidation or otherwise) of the business or assets (in whole or in part) of any person or entity).

ARTICLE II

Stock Options and Stock Appreciation Rights

SECTION 2.1. Terms and Conditions of Options. Subject to the following provisions, all Options granted under the Plan to employees of the Company and its Subsidiaries shall be in such form and shall have such terms and conditions as the Committee, in its discretion, may from time to time determine consistent with the Plan.

(a) Option Price. The option price per share shall be determined by the Committee, except that in the case of an Option granted in accordance with Section 2.4(i) (an "ISO") the option price per share shall not be less than the fair market value of a share of Common Stock (as determined by the Committee) on the date the Option is granted (other than in the case of substitute or assumed Options to the extent required to qualify such Options for preferential tax treatment under the Code as in effect at the time of such grant).

(b) Term of Option. The term of an Option shall be determined by the Committee, except that in the case of an ISO the term of the Option shall not exceed ten years from the date of grant, and, notwithstanding any other provision of this Plan, no Option shall be exercised after the expiration of its term.

(c) Exercise of Options. Options shall be exercisable at such time or times and subject to such terms and conditions as the Committee shall specify in the Option grant. Unless the Option grant specifies otherwise, the Committee shall have discretion at any time to accelerate such time or times and otherwise waive or amend any conditions in respect of all or any portion of the Options held by any optionee. An Option may be exercised in accordance with its terms as to any or all shares purchasable thereunder.

(d) Payment for Shares. The Committee may authorize payment for shares as to which an Option is exercised to be made in cash, shares of Common Stock, a combination thereof, by "cashless exercise" or in such other manner as the Committee in its discretion may provide.

(e) Stockholder Rights. The holder of an Option shall, as such, have none of the rights of a stockholder.

(f) Termination of Employment. The Committee shall have discretion to specify in the Option grant, or, with the consent of the optionee, an amendment thereof, provisions with respect to the period, not extending beyond the term of the Option, during which the Option may be exercised following the optionee's termination of employment.

SECTION 2.2. Stock Appreciation Rights in Tandem with Options. (a) The Committee may, either at the time of grant of an Option or at any time during the term of the Option, grant Stock Appreciation Rights ("Tandem SARs") with respect to all or any portion of the shares of Common Stock covered by such Option. A Tandem SAR may be exercised at any time the Option to which it relates is then exercisable, but only to the extent the Option to which it relates is exercisable, and shall be subject to the conditions applicable to such Option. When a Tandem SAR is exercised, the Option to which it relates shall cease to be exercisable to the extent of the number of shares with respect to which the Tandem SAR is exercised. Similarly, when an Option is exercised, the Tandem SARs relating to the shares covered by such Option exercise shall terminate. Any Tandem SAR which is outstanding on the last day of the term of the related Option (as determined pursuant to Section 2.1(b)) shall be automatically exercised on such date for cash without any action by the optionee.

(b) Upon exercise of a Tandem SAR, the holder shall receive, for each share with respect to which the Tandem SAR is exercised, an amount (the "Appreciation") equal to the difference between the option price per share of the Option to which the Tandem SAR relates and the fair market value (as determined by the Committee) of a share of Common Stock on the date of exercise of the Tandem SAR. The Appreciation shall be payable in cash, Common Stock, or a combination of both, at the option of the Committee, and shall be paid within 30 days of the exercise of the Tandem SAR.

SECTION 2.3. Stock Appreciation Rights Independent of Options. Subject to the following provisions, all Stock Appreciation Rights granted independent of Options ("Independent SARs") under the Plan to employees of the Company and its Subsidiaries shall be in such form and shall have such term and conditions as the Committee, in its discretion, may from time to time determine consistent with the Plan.

(a) Exercise Price. The exercise price per share shall be determined by the Committee on the date the Independent SAR is granted.

(b) Term of Independent SAR. The term of an Independent SAR shall be determined by the Committee, and, notwithstanding any other provision of this Plan, no Independent SAR shall be exercised after the expiration of its term.

(c) Exercise of Independent SARs. Independent SARs shall be exercisable at such time or times and subject to such term and condition as the Committee shall specify in the Independent SAR grant. Unless the Independent SAR grant specifies otherwise, the Committee shall have discretion at any time to accelerate such time or times and otherwise waive or amend any conditions in respect of all or any portion of the Independent SARs held by any participant. Upon exercise of an Independent SAR, the holder shall receive, for each share specified in the Independent SAR grant, an amount (the "Appreciation") equal to the difference between the exercise price per share specified in the Independent SAR grant and the fair market value (as determined by the Committee) of a share of Common Stock on the date of exercise of the Independent SAR. The Appreciation shall be payable in cash, Common Stock, or a combination of both, at the option of the Committee, and shall be paid within 30 days of the exercise of the Independent SAR.

(d) Stockholder Rights. The holder of an Independent SAR shall, as such, have none of the rights of a stockholder.

(e) Termination of Employment. The Committee shall have discretion to specify in the Independent SAR grant, or, with the consent of the holder, an amendment thereof, provisions with respect to the period, not extending beyond the term of the Independent SAR, during which the Independent SAR may be exercised following the holder's termination of employment.

SECTION 2.4. Statutory Options. Subject to the limitations on Option terms set forth in Section 2.1, the Committee shall have the authority to grant (i) incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) Options containing such terms and conditions as shall be required to qualify such Options for preferential tax treatment under the Code as in effect at the time of such grant. Options granted pursuant to this Section 2.4 may contain such other terms and conditions permitted by Article II of this Plan as the Committee, in its discretion, may from time to time determine (including, without limitation, provision for Stock Appreciation Rights), to the extent that such terms and condition do not cause the Options to lose their preferential tax treatment.

SECTION 2.5. Change of Control. Notwithstanding the exercisability schedule governing any Option or Stock Appreciation Right, upon the occurrence of a Change of Control (as defined in Section 5.10) all Options and Stock Appreciation Rights outstanding at the time of such Change of Control and held by participants who are employees of the Company or its subsidiaries at the time of such Change of Control shall (unless specifically provided otherwise in the grant thereof) become immediately exercisable and, unless the participant agrees otherwise in writing, remain exercisable for three years (but not beyond the term of the option or Stock Appreciation Right) after the employee's termination of employment for any reason other than termination by the Company or a subsidiary of the Company for dishonesty, conviction of a felony, wilful unauthorized disclosure of confidential information or wilful refusal to perform the duties of such employee's position or positions with the Company or such subsidiary (termination for "cause"); provided that (i) in no event will any participant be entitled to receive any payment in excess of the amount permitted to be paid without penalty under Section 4999 of the Code, (ii) this

Section 2.5 shall not apply to Awards granted to a participant if, in connection with a Change of Control pursuant to clause (1) of Section 5.10, such participant is the Person or forms part of the Person specified in such clause (1) and (iii) to the extent an Option granted hereunder is intended to replace a cancelled option to purchase Pearson plc ordinary shares, such Option may not be exercised after the date the cancelled option could have been exercised under the Pearson plc 1992 United States Executive Share Option Scheme had such original option remained in effect and the participant's employment within the group (as defined thereunder) had continued until termination of employment with the Company.

ARTICLE III

Restricted Stock

SECTION 3.1. Terms and Conditions of Restricted Stock Awards.

Subject to the following provisions, all awards of Restricted Stock under the Plan to employees of the Company and its Subsidiaries shall be in such form and shall have such terms and conditions as the Committee, in its discretion, may from time to time determine consistent with the Plan.

(a) Restricted Stock Award. The Restricted Stock award shall specify the number of shares of Restricted Stock to be awarded, the price, if any, to be paid by the recipient of the Restricted Stock, and the date or dates on which the Restricted Stock will vest. The vesting and number of shares of Restricted Stock may be conditioned upon the completion of a specified period of service with the Company or its Subsidiaries, upon the attainment of specified performance goals, or upon such other criteria as the Committee may determine in its sole discretion.

(b) Restrictions on Transfer. Stock certificates representing the Restricted Stock granted to an employee shall be registered in the employee's name. Such certificates shall either be held by the Company on behalf of the employee, or delivered to the employee bearing a legend to restrict transfer of the certificate until the Restricted Stock has vested, as determined by the Committee. The Committee shall determine whether the employee shall have the right to vote and/or receive dividends on the Restricted Stock before it has vested. No share of Restricted Stock may be sold, transferred, assigned, or pledged by the employee until such share has vested in accordance with the terms of the Restricted Stock award. Unless the grant of a Restricted Stock award specifies otherwise, in the event of an employee's termination of employment before all the employee's Restricted Stock has vested, or in the event other conditions to the vesting of Restricted Stock have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the award, the shares of Restricted Stock that have not vested shall be forfeited and any purchase price paid by the employee shall be returned to the employee. At the time Restricted Stock vests (and, if the employee has been issued legended certificates of Restricted Stock, upon the return of such certificates to the Company), a certificate for such vested shares shall be delivered to the employee (or the beneficiary designated by the employee in the event of death), free of all restrictions.

(c) Accelerated Vesting. Notwithstanding the vesting conditions set forth in the Restricted Stock award, (i) unless the Restricted Stock grant specifies otherwise, the Committee may in its discretion at any time accelerate the vesting of Restricted Stock or otherwise waive or amend any conditions of a grant of Restricted Stock, and (ii) all shares of Restricted Stock shall vest upon a Change of Control of the Company; provided that in no event will any participant be entitled to receive any payment in excess of the amount permitted to be paid without penalty under Section 4999 of the Code and clause (ii) above shall not apply to Awards granted to a participant if, in connection with a Change of Control pursuant to clause (1) of Section 5.10, such participant is the Person or forms part of the Person specified in such clause (1).

ARTICLE IV

Performance Awards

SECTION 4.1. Terms and Conditions of Performance Awards. The Committee shall be authorized to grant Performance Awards, which are payable in stock, cash or a combination thereof, at the discretion of the Committee.

(a) Performance Period. The Committee shall establish with respect to each Performance Award a performance period over which the performance of the holder of such Performance Award shall be measured. The performance period for a Performance Award shall be established at the time such Performance Award is granted and may overlap with performance periods relating to other Performance Awards granted hereunder to the same employee.

(b) The Committee shall establish a minimum level of acceptable achievement for the holder at the time of each award. Each Performance Award shall be contingent upon future performances and achievement of objectives described either in terms of Company-wide performance or in terms that are related to performance of the employee or of the division, subsidiary, department or function within the Company in which the employee is employed. The Committee shall have the authority to establish the performance objectives and measures applicable to such objectives.

(c) Size, Frequency and Vesting. The Committee shall have the authority to determine at the time of the award the maximum value of a Performance Award, the frequency of awards and the date or dates when awards vest.

(d) Payment. Following the end of each performance period, the holder of each Performance Award will be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Award, based on the achievement of the performance measures for such performance period, as determined by the Committee. If at the end of the performance period the specified objectives have been attained, the employee shall be deemed to have fully earned the Performance Award. If the employee exceeds the specified minimum level of acceptable achievement but does not attain such objectives, the employee shall be deemed to have partly earned

the Performance Award, and shall become entitled to receive a portion of the total award, as determined by the Committee. If a Performance Award is granted after the start of a performance period, the award shall be reduced to reflect the portion of the performance period during which the award was in effect. Unless the award specifies otherwise, the Committee may adjust the payment of awards or the performance objectives if events occur or circumstances arise which would cause a particular payment or set of performance objectives to be inappropriate, as determined by the Committee.

(e) Termination of Employment. A recipient of a Performance Award who, by reason of death, disability or retirement, terminates employment before the end of the applicable performance period shall be entitled to receive, to the extent earned, a portion of the award which is proportional to the portion of the performance period during which the employee was employed. A recipient of a Performance Award who terminates employment for any other reason shall not be entitled to any part of the award unless the Committee determines otherwise; however, the Committee may in no event pay the employee more than that portion of the award which is proportional to his or her period of actual service.

(f) Accelerated Vesting. Notwithstanding the vesting conditions set forth in a Performance Award, (i) unless the Award specifies otherwise, the Committee may in its discretion at any time accelerate vesting of the award or otherwise waive or amend any conditions (including but not limited to performance objectives) in respect of a Performance Award, and (ii) all Performance Awards shall vest upon a Change of Control of the Company. In addition, each participant in the Plan shall receive the maximum Performance Award he or she could have earned for the proportionate part of the performance period prior to the Change of Control, and shall retain the right to earn any additional portion of his or her award if he or she remains in the Company's employ. In no event, however, will any participant be entitled to receive any payment in excess of the amount permitted to be paid without penalty under Section 4999 of the Code and clause (ii) above shall not apply to Awards granted to a participant if, in connection with a Change of Control pursuant to clause (1) of Section 5.10, such participant is the Person or forms part of the Person specified in such clause (1).

(g) Stockholder Rights. The holder of a Performance Award shall, as such, have none of the rights of a stockholder.

ARTICLE V

Additional Provisions

SECTION 5.1. General Restrictions. Each Award under the Plan shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration or qualification of the shares of Common Stock subject or related thereto upon any securities exchange or under any state or Federal law, or (ii) the consent or approval of any government regulatory body, or (iii) an agreement by the recipient of an Award with respect to the

disposition of shares of Common Stock, is necessary or desirable (in connection with any requirement or interpretation of any Federal or state securities law, rule or regulation) as a condition of, or in connection with, the granting of such Award or the issuance, purchase or delivery of shares of Common Stock thereunder, such Award may not be consummated in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

SECTION 5.2. Adjustments for Changes in Capitalization. In the event of any stock dividends, stock splits, recapitalizations, combinations, exchanges of shares, mergers, consolidation, liquidations, split-ups, split-offs, spin-offs, or other similar changes in capitalization, or any distribution to stockholders, including a rights offering, other than regular cash dividends, changes in the outstanding stock of the Company by reason of any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any similar capital adjustment or the payment of any stock dividend, any share repurchase at a price in excess of the market price of the Common Stock at the time such repurchase is announced or other increase or decrease in the number of such shares, the Committee shall make appropriate adjustment in the number and kind of shares authorized by the Plan (including shares available for ISOs), in the number, price or kind of shares covered by the Awards and in any outstanding Awards under the Plan; provided, however, that no such adjustment shall increase the aggregate value of any outstanding Award.

In the event of any adjustment in the number of shares covered by any Award, any fractional shares resulting from such adjustment shall be disregarded and each such Award shall cover only the number of full shares resulting from such adjustment.

SECTION 5.3. Amendments. (a) The Board of Directors may at any time and from time to time and in any respect amend or modify the Plan; provided, however, that no such action of the Board of Directors without approval of stockholders of the Company may increase the total number of shares of Common Stock available under Section 1.5 for the implementation of Awards under the Plan except as contemplated in Section 5.2.

(b) The Committee shall have the authority to amend any Award to include any provision which, at the time of such amendment, is authorized under the terms of the Plan; however, no outstanding Award may be revoked or altered in a manner unfavorable to the holder without the written consent of the holder.

SECTION 5.4. Cancellation of Awards. Any award granted under the Plan may be canceled at any time with the consent of the holder and a new award may be granted to such holder in lieu thereof, which award may, in the discretion of the Committee, be on more favorable terms and conditions than the canceled award.

SECTION 5.5. Beneficiary. A participant may file with the Company a written designation of beneficiary, on such form as may be prescribed by the Committee, to receive

any Options, Stock Appreciation Rights, shares of Restricted Stock, Common Stock and Performance Awards that become deliverable to the participant pursuant to the Plan after the participant's death. A participant may, from time to time, amend or revoke a designation of beneficiary. If no designated beneficiary survives the participant, the executor or administrator of the participant's estate shall be deemed to be the participant's beneficiary.

SECTION 5.6. Withholding. Whenever the Company proposes or is required to issue or transfer shares of Common Stock under the Plan, the Company shall have the right to require the holder to pay an amount in cash or to retain or sell without notice, or demand surrender of, shares of Common Stock in value sufficient to satisfy any Federal, state or local withholding tax liability ("Withholding Tax") prior to the delivery of any certificate for such shares (or remainder of shares if Common Stock is retained to satisfy such tax liability). Whenever under the Plan payments are to be made in cash, such payments shall be net of an amount sufficient to satisfy any Federal, state or local withholding tax liability.

Whenever Common Stock is so retained or surrendered to satisfy Withholding Tax, the value of shares of Common Stock to be retained or surrendered shall be determined by the Committee, and the value of shares of Common Stock so sold shall be the net proceeds (after deduction of commissions) received by the Company from such sale, as determined by the Committee.

SECTION 5.7. Non-assignability. Except as expressly provided in the Plan, no Award under the Plan shall be assignable or transferable by the holder thereof except by will or by the laws of descent and distribution. During the life of the holder, Awards under the Plan shall be exercisable only by such holder or by the guardian or legal representative of such holder.

SECTION 5.8. Non-uniform Determinations. Determinations by the Committee under the Plan (including, without limitation, determinations of the persons to receive Awards; the form, amount and timing of such awards; the terms and provisions of such Awards and the agreements evidencing same; and provisions with respect to termination of employment) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

SECTION 5.9. No Guarantee of Employment. The grant of an Award under the Plan shall not constitute an assurance of continued employment for any period or any obligation of the Board of Directors to nominate any director for reelection by the Company's stockholders.

SECTION 5.10. Change of Control. A "Change of Control" shall be deemed to have occurred if:

- (1) any Person (as defined below), other than Designated Person, is or becomes the Beneficial Owner (as defined below) of securities of the Company representing 30% or more of the Voting Power (as defined below);

(2) there shall occur a change in the composition of a majority of the Board of Directors within any period of four consecutive years which change shall not have been approved by a majority of the Board of Directors as constituted immediately prior to the commencement of such period;

(3) at any meeting of the stockholders of the Company called for the purpose of electing directors, more than one of the persons nominated by the Board of Directors for election as directors shall fail to be elected; or

(4) the stockholders of the Company approve a merger, consolidation, sale of substantially all assets or other reorganization of the Company, other than a reincorporation, in which the Company does not survive.

For purposes of this Section 5.10, (i) "Person" shall have the meaning set forth in Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934, as in effect on September 1, 1993, (ii) "Beneficial Owner" shall have the meaning set forth in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934 on September 1, 1993; (iii) "Voting Power" shall mean the voting power of the outstanding securities of the Company having the right under ordinary circumstances to vote at an election of the Board of Directors; and (iv) "Designated Person" shall mean any one or more of (A) Pearson plc. ("Pearson") or any of its affiliates, (B) any Person that includes Pearson or any of its affiliates, (C) any Person whose Beneficial Ownership of securities representing 30% or more of the Voting Power is a result of such Person acquiring securities as an underwriter in an underwritten public offering of such securities.

SECTION 5.11. Duration and Termination. (a) The Plan shall be of unlimited duration. Notwithstanding the foregoing, no incentive stock option (within the meaning of Section 422 of the Code) shall be granted under the Plan ten (10) years after the approval of the Corporation's stockholder, but Awards granted prior to such date may extend beyond such date, and the terms of this Plan shall continue to apply to all Awards granted hereunder.

(b) The Board of Directors may suspend, discontinue or terminate the Plan at any time. Such action shall not impair any of the rights of any holder of any Award outstanding on the date of the Plan's suspension, discontinuance or termination without the holder's written consent.

SECTION 5.12. Effective Date. The Plan shall be effective as of November 1, 1993, subject to approval of the Corporation's stockholder.

PRODUCTION OPERATORS CORP
1992 LONG-TERM INCENTIVE PLAN
Approved by the Stockholders February 24, 1993,
amended June 2, 1993 and October 24, 1995

1. Purpose. The purpose of the Production Operators Corp 1992 Long-Term Incentive Plan is to promote the interests of the Company and its shareholders by enabling selected key employees of the Company and its subsidiaries to participate in the long-term growth of the Company by receiving the opportunity to acquire shares of the Company's Stock and to provide for additional compensation based on appreciation in the Company's Stock. The Plan will thereby facilitate securing, retaining and motivating key employees, thus contributing to the long-term growth and profitability of the Company.

2. Defined Terms. The following defined terms have the meanings set forth below:

(a) "Act" means the Securities Exchange Act of 1934, as amended from time to time.

(b) "Award" or "Awards," except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Unrestricted Stock Awards, Deferred Stock Awards, Performance Unit Awards and Other Stock-Based Awards.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the internal Revenue Code of 1986, as amended, and any successor code and related rules, regulations and interpretations.

(e) "Committee" means the Stock Option and Executive Compensation Committee of the Board (or such other committee as described in Section 5 below); such Committee shall consist of at Least three members of the Board, each of whom shall be a Disinterested Person.

(f) "Company" means Production Operators Corp

(g) "Deferred Stock Award" is defined in Section 11(a) below.

(h) "Disability" means permanent and total disability as determined under procedures established by the Committee for purposes of the Plan.

- (i) "Disinterested Person" shall have the meaning set forth in Rule 16b-3, or any successor definition promulgated by the Securities and Exchange Commission under the Act.
- (j) "Fair Market Value" on a specified date shall be the closing price of the Stock on the NASDAQ National Market System on that date or, if no prices are reported on that date, on the last preceding date on which such price of the Stock was so reported.
- (k) "Incentive Stock Option" means any Stock Option intended to be and designated as an "incentive stock option" within the meaning of Section 422 of the Code.
- (l) "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.
- (m) "Other Stock-Based Award" is defined in Section 13(a) below.
- (n) "Performance Unit Award" is defined in Section 12(a) below.
- (o) "Plan" means the Production Operators Corp 1992 Long-Term incentive Plan, as amended from time to time.
- (p) "Restricted Stock Award" is defined in Section 9(a) below.
- (q) "Retirement" means a severance from the active employment of the Company or its Subsidiaries by reason of retirement pursuant to the provisions of the Company's Policy Manual, or any contract between the Company or any of its Subsidiaries and the Plan participant. The Committee reserves the final authority to determine the definition of retirement.
- (r) "Rule 16b-3" means Rule 16b-3, as promulgated by the Securities and Exchange Commission under Section 16(b) of the Act, as amended from time to time.
- (s) "Stock" means the Common Stock, \$1.00 par value, of the Company.
- (t) "Stock Appreciation Right" means a right described in Section 8(a) below.
- (u) "Stock Option" means any option to purchase shares of Stock granted Pursuant to Section 7 below.
- (v) "Stock Surrender Withholding Election" shall have the meaning set forth in Section 15 below.

(w) "Subsidiary" shall mean any subsidiary corporation as defined in Section 424 of the Code of the Company.

(x) "Unrestricted Stock Award" is defined in Section 10 below.

(y) "Tax Date" shall have the meaning set forth in Section 15 below.

3. Stock Subject to the Plan.

(a) Shares Issuable. The maximum number of shares of Stock reserved and available for distribution pursuant to Awards under the Plan shall be 700,000 shares. Such shares may consist, in whole or in part, of authorized and unissued shares or treasury shares. If an Award expires or terminates for any reason without being exercised in full or is satisfied without the distribution of Stock, the Stock subject to such expired or terminated Award or an Award satisfied without the distribution of Stock shall again be available for distribution for purposes of the Plan.

(b) Changes in Capitalization. In the event of a stock dividend, stock split or any increase or decrease in the number of issued shares of Stock resulting from a subdivision or combination of shares effected without receipt of consideration by the Company, the Committee shall make appropriate adjustments in (i) the number and kind of shares of Stock or other securities with respect to which Awards may thereafter be granted, (ii) the number and kind of shares remaining subject to outstanding Awards and (iii) the option or purchase price in respect of such shares. In the event of any such change in capitalization of the Company, the Committee may make such additional adjustments in the number and kind of shares of Stock or other securities with respect to which outstanding Awards are exercisable and with respect to which future Awards may be granted as the Committee in its sole discretion shall deem equitable or appropriate, subject to the provisions of Section 18 below. In the event the Stock is changed into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Stock within the meaning of the Plan. Except (i) as expressly provided in the preceding sentences or (ii) for any distribution or adjustment made with respect to outstanding shares of Restricted Stock in connection with a distribution or adjustment made with respect to all other outstanding shares of Stock, any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Stock subject to any Award. The existence of the Plan and the Awards granted pursuant to the Plan shall not affect in any way the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Stock or the

rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or any part of its business or assets, or any other corporate act or proceeding.

(c) Substitute Awards. The Company may grant Awards under the Plan in substitution for stock and stock-based awards held by employees. Also the Company may grant Awards under the Plan in substitution for stock and stock-based awards held by employees of another corporation who concurrently become employees of the Company or a Subsidiary as the result of a merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Committee may direct that the substitute Awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances. The shares which may be delivered under such substitute Awards shall be subject to and applied against the maximum number of shares provided for in paragraph (a) above.

4. Eligibility. Participants in the Plan will be such officers and other senior key employees of the Company and its Subsidiaries (but excluding any person who serves only as a director) who are responsible for or contribute to the management, growth, or profitability of the Company and its Subsidiaries and who are selected from time to time by the Committee, in its sole discretion.

5. Administration of the Plan. The Plan shall be administered by the Committee or such other committee of the Board, composed of not less than three Disinterested Persons, who shall be appointed by the Board and who shall serve at the pleasure of the Board. The Committee shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the officers and other key employees of the Company and its Subsidiaries to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the amount, if any, of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Unrestricted Stock Awards, Deferred Stock Awards, Performance Units Awards, and any Other Stock-Based Awards, or any combination of the foregoing, granted to any one or more Plan participants;

(iii) to determine the number of shares of Stock to be covered by any Award;

(iv) to determine the terms and conditions of any Award (including, but not limited to, the share price, any restriction or limitation, and any waiver of vesting, acceleration or forfeiture provisions regarding any Stock Option or other Award and the Stock relating thereto, based on such factors as the Committee shall determine); and

(v) to determine whether, to what extent and under what circumstances Stock and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the Participant, and whether and to what extent the Company shall pay or credit amounts equal to interest (at rates determined by the Committee), dividends or deemed dividends on such deferrals.

Subject to the provisions of the Plan, the Committee shall have full and conclusive authority to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of the respective Award agreements and to make all other determinations necessary or advisable for the proper administration of the Plan. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan (whether or not such persons are similarly situated). Any determination made by the Committee pursuant to the provisions of the Plan with respect to any Award shall be made in its sole discretion at the time of the grant of the Award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions by the Committee made pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Plan participants.

6. Limitations on Term and Date Of Awards.

(a) Duration of Awards. Subject to Section 19(c) below, no restrictions or limitations on any Award shall extend beyond ten years from the grant date, except that deferrals of the receipt of Stock or other benefits under the Plan elected by participants may extend beyond such date.

(b) Term. No Award shall be granted more than ten years after the effective date of the Plan as specified in Section 20 below, but then outstanding Awards may extend beyond such date.

7. Stock Options. Stock Options may be granted alone or in addition to other Awards and may be of two types: Incentive Stock Options and Non-Qualified Stock Options. Each Stock Option shall be clearly identified as to its status as an Incentive Stock Option or a Non-Qualified Stock Option at the date of grant. To the extent that any Stock Option denominated as an Incentive Stock Option does not qualify as an "incentive stock option" within the meaning of Section 422 of the Code, it shall constitute a separate Non-Qualified Stock Option. Stock Options granted under the Plan shall be subject to the following terms and conditions and shall be evidenced by option agreements, which shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a) Option Price. The option price per share of Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant and set forth in the

option agreement but shall be (i) in the case of Incentive Stock Options, not less than 100% of the Fair Market Value on the date of grant and (ii) in the case of Non-Qualified Stock Options, unless expressly authorized otherwise by the Committee, not less than 100% of the Fair Market Value on the date of grant; provided, however, that the option price per share of Stock purchasable under a Non-Qualified Stock Option may not be less than 50% of the Fair Market Value on the date of grant nor less than the par value of such stock. If an officer or key employee owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation, and an Incentive Stock Option is granted to such officer or key employee, the option price shall be no less than 110% of the Fair Market Value on the date of grant. The grant of a Stock Option shall occur on the date the Committee by resolution selects an officer or employee as a Plan participant in any grant of Stock Options, determines the number of shares of Stock covered by the Stock Option and specifies the terms and provisions of the option agreement.

(b) Option Term. Unless an option agreement provides for a shorter exercise period, any Stock Option shall be exercisable not later than ten years after the Stock Option is granted; provided, however, that if an Incentive Stock Option is granted to an employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation, the term of such Incentive Stock Option shall be no more than five years from the date of grant.

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions, and in such amounts, as the Committee shall specify in the option agreement, except that no Stock Option when initially granted shall provide that it may be exercisable to any extent during the first six months following the date of grant. Notwithstanding the foregoing, subsequent to the grant of a Stock Option, the Committee, at any time before the complete expiration of such Stock Option, may accelerate the time or times at which such Stock Option may be exercised in whole or in part; provided, however, that if any Stock Option is exercised within the first six months following the date of grant, the shares of Stock received upon such exercise may not be sold within the first six months following the date of grant. Except as provided in subsections (f), (g), (h) and (i) below, a Stock Option may not be exercised by the holder unless the holder is then, and continually after the grant of the Stock Option has been, an employee of the Company or one of its Subsidiaries.

(d) Method of Exercise. Stock Options may be exercised at any time during the option period by giving written notice of exercise to the Company specifying the number of shares to be purchased. Except as provided in subsection (1) below, such

notice shall be accompanied by payment in full of the purchase price, either by certified or bank check or other instrument acceptable to the Committee, or by delivery of shares of Stock as provided in this subsection. As determined by the Committee, in its discretion at (or, in the case of Non-Qualified Stock Options, at or after) the time of grant, payment in full or part may also be made in the form of shares of Stock not then subject to restrictions under any Company plan (but which may include shares the disposition of which constitutes a disqualifying disposition for purposes of obtaining incentive stock option treatment under the Code). Shares of Stock so surrendered shall be valued at Fair Market Value on the exercise date. Except as provided in subsection (1) below, no shares of Stock shall be issued until full payment therefor has been made. An optionee shall have all of the rights of a shareholder of the Company, including the right to vote the shares and the right to receive dividends, with respect to shares subject to a Stock Option when the optionee has given written notice of exercise, has paid in full for such shares and, if requested, has given the representation described in Section 19(c) below.

(e) Nontransferability. No Stock Option shall be transferable by the optionee other than by will or by the laws of descent and distribution, and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee or the guardian or legal representative of the optionee.

(f) Termination by Death. If an optionee's employment with the Company or any Subsidiary terminates by reason of death, any Stock Option held by such optionee may thereafter be exercised, to the extent exercisable at the time of death by the legal representative or legatee of the optionee, for a period of one year from the date of death or until the expiration of the stated term of the Stock Option, whichever period is the shorter

(g) Termination by Disability. If an optionee's employment with the Company or any Subsidiary terminates by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of termination, for a period of one year from the date of such termination or until the expiration of the stated term of the Stock Option, whichever period is the shorter. Except as otherwise provided by the Committee at the time of grant, the death of an optionee during such exercise period shall extend such period for one year following death, or until the expiration of the stated term of the Stock Option, whichever period is the shorter.

(h) Termination by Retirement. If an optionee's employment with the Company or any Subsidiary terminates by reason of Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of Retirement, for a period of (i) in the case of Incentive Stock Options, three months, and (ii) in the case of Non-Qualified Stock Options, one year from the

date of Retirement or until the expiration of the stated term of the Stock Option, whichever period is the shorter. Except as otherwise provided by the Committee at the time of grant, the death of an optionee during such exercise period shall extend such period for one year following death, or until the expiration of the stated term of the Stock Option, whichever period is the shorter.

(i) Other Termination. Unless otherwise determined by the Committee, if an employee's employment with the Company or any Subsidiary terminates for any reason other than death, Disability or Retirement, the Stock Option shall thereupon terminate.

(j) Form of Settlement. The Committee may provide in the option agreement that upon receipt of written notice of exercise, the Committee may elect to settle all or a part of the portion of any Stock Option so exercised by paying the optionee an amount, in cash or Stock, equal to the excess of the Fair Market Value of the Stock over the exercise price (the "Spread Value") (determined on the date the Stock Option is exercised). Any such settlement relating to Stock Options held by optionees who are actually or potentially subject to Section 16(b) of the Act shall comply with the "window period" provisions of Rule 16b-3(e), to the extent applicable, and, in the case of settlements of Non-Qualified Stock Options held by such optionees, the Committee may determine Fair Market Value under the pricing rule set forth in Section 8(e) below.

(k) Accelerated Right of Exercise in Certain Circumstances. Notwithstanding the vesting provisions established pursuant to subparagraph (c) above, but subject to the provisions of subparagraph (b) above and the last sentence of this subparagraph (k), a Stock Option may be exercised as to the full number of shares covered by the Stock Option without regard to the date of grant of the Stock Option if: (i) a tender offer or exchange offer has been made for at least 25% of the outstanding shares of Stock, other than one made by the Corporation or any entity as to which Carl W. Knobloch, Jr. is an "affiliate" as defined in Rule 12b-2 promulgated under the Act provided that the corporation, person or other entity making such offer purchases or otherwise acquires shares of Stock pursuant to such offer; or (ii) any person, entity or "group," within the meaning of Section 13(d)(3), or 14(d)(2) of the Act (excluding, for this purpose, any employee benefit plan of the Corporation or its Subsidiaries and any group including Carl W. Knobloch, Jr. or any affiliate of Carl W. Knobloch, Jr.) acquires (other than from the Corporation or in a transaction approved by the "Incumbent Board" as defined below) (beneficial ownership within the meaning of Rule 13d-3 promulgated under the Act) of 25% or more of either the then outstanding shares of Stock or the combined voting power of the Corporation's then outstanding voting securities entitled to vote generally in the election of directors; or (iii) the individuals who constitute the Incumbent Board fail for any reason to continue to constitute at least a majority of the Board of Directors. The

"Incumbent Board" shall mean the members of the Board of Directors as of April 8, 1992 and any person becoming a member of the Board of Directors thereafter whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Corporation, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act). If any of the events specified in this subparagraph (k) have occurred, the Stock Option shall be fully exercisable: (x) in the event of (i) above, on or after the date on which shares are purchased or otherwise acquired pursuant to such tender offer or exchange offer; or (y) in the event of (ii) above, at any time after the date upon which the Corporation is provided a copy of a Schedule 13D (filed pursuant to section 13(d) of the Act and the rules and regulations promulgated thereunder) or other notice indicating that any person, entity or group has become the holder of 25% or more of the outstanding shares of Stock, or, if the Corporation is not subject to Section 13(d) of the Act, at any time after the date upon which the Corporation receives written notice that any person, entity or group has become the holder of 25% or more of the outstanding shares of Stock; or (z) in the event of (iii) above, on or after the occurrence of such failure.

(1) Certain Procedure for Certain Credit Assisted Transactions. To the extent not inconsistent with the provisions of Section 422 of the Code or Rule 16b-3, any optionee desiring to obtain credit from a broker, dealer or other "creditor" as defined in Regulation T issued by the Board of Governors of the Federal Reserve System (provided such broker, dealer or creditor has been approved by the Committee) to assist in exercising a Stock Option may deliver to such creditor an exercise notice properly executed by such optionee with respect to such Stock Option, together with instructions to the Company to deliver the resulting Stock to the creditor for deposit into a designated account. Upon receipt of such exercise notice and related instructions in a form acceptable to the Company, the Company shall confirm to the creditor that it will deliver to the creditor the Stock covered by such exercise notice and instructions promptly following receipt of the exercise price from the creditor. To the extent not inconsistent with the provisions of Section 422 of the Code or Rule 16b-3, upon request the Company may in its discretion, but shall not be obligated to, deliver to the creditor shares of Stock resulting from an assisted exercise prior to receipt of the option exercise price for such shares if the creditor has delivered to the Company, in addition to the other documents contemplated hereby, the creditor's agreement to pay the Company such exercise price in cash within five days after delivery of such shares. The credit assistance contemplated hereby may include a margin loan by the creditor secured by the Stock purchased upon exercise of a Stock Option or an immediate sale of some or all of such Stock by the creditor to obtain or recover the option exercise price which the creditor has committed to Pay to the Company.

(m) Special Provisions Relating to Incentive Stock Options. At the time any Incentive Stock Option granted under the Plan is exercised, the Company shall be entitled to legend the certificates representing the shares of Stock purchased pursuant to such Incentive Stock Option to clearly identify them as representing shares purchased upon exercise of an Incentive Stock Option that may be subject to income tax withholding requirements as set forth in Section 15 below. Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised so as to disqualify the Plan under Section 422 of the Code or, without the consent of the affected optionee, to disqualify any Incentive Stock Option under Section 422 of the Code (except to the extent provided in Section 16 below).

8. Stock Appreciation Rights.

(a) General. A Stock Appreciation Right is an Award entitling the recipient to receive an amount in cash or shares of Stock (or forms of payment permitted under subsection (d) below) or a combination thereof having a value equal to (or, if the Committee shall so determine at time of grant, less than) the excess of the Fair Market Value of a share of Stock on the date of exercise over the Fair Market Value of a share of Stock on the date of grant (or over the option exercise price, if the Stock Appreciation Right was granted in tandem with a Stock Option) multiplied by the number of shares with respect to which the Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment.

(b) Grant and Exercise. Stock Appreciation Rights may be granted in tandem with, or independently of, any Stock Option granted under the Plan. In the case of a Stock Appreciation Right granted in tandem with a Non-Qualified Stock Option, such Stock Appreciation Right may be granted either at or after the time of grant of such option. In the case of a Stock Appreciation Right granted in tandem with an Incentive Stock Option, such Stock Appreciation Right may be granted only at the time of the grant of such option. A Stock Appreciation Right or applicable portion thereof granted in tandem with a Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option, except that a Stock Appreciation Right granted with respect to less than the full number of shares covered by a related Stock Option shall not be reduced until the exercise or termination of the related Stock Option exceeds the number of shares not covered by the Stock Appreciation Right.

(c) Terms and Conditions. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined from time to time by the Committee, including the following:

(i) No Stock Appreciation Right shall be exercisable in whole or in part during the first six months of its term.

(ii) Stock Appreciation Rights granted in tandem with Stock Options shall be exercisable only at such time or times and to the extent that the related Stock Option shall be exercisable. Upon the exercise of a Stock Appreciation Right, the applicable portion of any related Stock Option shall be surrendered.

(iii) Stock Appreciation Rights granted in tandem with a Stock Option shall be transferable only with such Stock Option. Stock Appreciation Rights shall not be transferable otherwise than by will or the laws of descent and distribution. All Stock Appreciation Rights shall be exercisable during the participant's lifetime only by the participant or by the participant's legal representative or guardian.

(iv) A Stock Appreciation Right granted in tandem with an Incentive Stock Option may be exercised only when the market price of the Stock subject to the Incentive Stock Option exceeds the exercise price of such option.

(d) Form of Settlement. Subject to Section 19(c) below, shares of Stock issued upon exercise of a Stock Appreciation Right shall be free of all restrictions under the Plan, except as otherwise provided in this subsection (d). The Committee may provide at time of grant of a Stock Appreciation Right that such shares shall be in the form of Restricted Stock or rights to acquire Deferred Stock, or may reserve the right to provide so at any time after the date of grant. Any such shares and any shares subject to rights to acquire Deferred Stock issued upon exercise of a Stock Appreciation Right shall be valued at Fair Market Value on the date of exercise of the Stock Appreciation Right without regard to any restrictions or deferral limitations.

(e) Rules Relating to Exercise. In the case of a participant subject to the restrictions of Section 16(b) of the Act, no Stock Appreciation Right shall be exercised except in compliance with any applicable requirements of Rule 16b-3(e) or any successor rule. Notwithstanding paragraph (a) above, in the event of such exercise during an exercise period currently prescribed by such rule, the Committee may prescribe, by rule of general application, such other measure of value as it may determine but not in excess of the highest per share closing sale price of the Stock reported on the Nasdaq National Market System or such other exchange as the stock trades on during such period and, where a Stock Appreciation Right relates to an Incentive Stock Option, not in excess of an amount consistent with the qualification of such Stock Option as an "incentive stock option" under Section 422 of the Code.

9. Restricted Stock.

(a) General. A Restricted Stock Award is an Award entitling the recipient to acquire shares of Stock, subject to such conditions, including the right of the Company during a specified period or periods to repurchase such shares at the purchase price paid by the Award recipient or to require forfeiture of such shares (if no cash consideration was paid) upon the participant's termination of employment, as the Committee may determine at the time of grant. The Committee may award shares of Restricted Stock (i) at no cost to the recipient (or for a purchase price not in excess of the par value of the shares) or (ii) for a purchase price equal to at least 50% of the Fair Market Value of the Stock without regard to any restrictions) on the date of grant. Shares of Restricted Stock may be granted or sold in respect of past services or other valid consideration.

(b) Award Agreement and Certificates. A participant who is granted a Restricted Stock Award shall have no rights with respect to such Award unless the participant shall have accepted the Award within sixty days (or such shorter period as the Committee may specify) following the Award date by executing and delivering to the Company a Restricted Stock Award agreement in such form as the Committee shall determine and by making payment to the Company, by certified or bank check or other instrument acceptable to the Committee, of any cash consideration required to be paid in connection with such Restricted Stock Award. For each participant receiving a Restricted Stock Award, the Restricted Stock will be registered in the name of the participant in an uncertificated account with the Company's transfer agent and evidence of such registration will be furnished by the said transfer agent to the participant. Such account shall include an appropriate legend referring to the terms, conditions and restrictions applicable to such Award, substantially in the following form:

"This uncertificated account and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in the Production operators Corp 1992 Long-Term Incentive Plan and an agreement entered into between the registered owner and Production Operators Corp. Release from such terms and conditions shall be obtained only in accordance with the provisions of the Plan and the agreement, copies of which are on file in the office of the Secretary of Production Operators Corp 11302 Tanner Road, Houston, Texas 77041."

The Committee may require that, as a condition of any Restricted Stock Award, the participant shall have delivered to the Company a stock power, endorsed in blank, relating to the Stock covered by such Award.

(c) Rights as a Shareholder. Upon complying with subsection (b) above, a participant shall have all the rights of a shareholder with respect to the Restricted Stock including voting and dividend rights, subject to nontransferability restrictions, Company repurchase or forfeiture rights and any other condition described in this Section 9 or contained in the Restricted Stock Award, agreement. The Restricted Stock Award agreement may require or permit the immediate payment, waiver, deferral, or investment of dividends Paid on the Restricted Stock.

(d) Restrictions. Shares of Restricted Stock may not be sold, assigned, transferred, pledged, or otherwise encumbered or disposed of except as specifically provided herein and in the Restricted Stock Award agreement. Unless the Committee in its discretion provides otherwise, all shares of Restricted Stock shall be subject to the restrictions against transfer and the Company's right to repurchase or require forfeiture set forth in this subsection (d) for a minimum period of six months from the date of grant. The Committee shall specify the date or dates which may depend upon or be related to the attainment of performance goals or such other factors or criteria as the Committee shall determine) on which the restrictions against transfer and the Company's right to repurchase or require forfeiture of such shares shall lapse. The Committee may provide for the lapse of such restrictions in installments and at any time may accelerate such date or dates and otherwise waive or, subject to Section 18 below, amend any terms and conditions of the Award. Except as otherwise may be provided in the Award agreement or determined by the Committee at any time after the date of grant, in the event of termination of employment of a participant with the Company and its Subsidiaries for any reason (including death), the participant or the participant's legal representative shall resell to the Company, at the cash consideration paid therefor, all Restricted Stock, and the Company shall purchase such shares at that price or, if no cash consideration was paid, all shares of Restricted Stock awarded to the participant shall automatically be forfeited to the Company. Any shares of Stock or other securities of the Company or any other entity which are issued as a distribution on, or in exchange for, Restricted Stock or into which Restricted Stock is converted as a result of a recapitalization, stock dividend, distribution of securities, stock split or combination of shares or a merger, consolidation or sale of substantially all of the assets of the Company shall be subject to the restrictions set forth in the Restricted Stock Award agreement, which shall inure to the benefit of any surviving or successor corporation which is the issuer of such securities. Upon the lapse of the forfeiture restrictions applicable to a participant's Restricted Stock, the participant may request, by providing written notice to the Company at its principal executive office addressed to the attention of its Secretary, a certificate evidencing the stock whose Forfeiture Restrictions have lapsed be issued by the Company in the participant's name to the participant or such participant's legal representative or guardian.

(e) Section 83(b) Election. Any Restricted Stock Award agreement may provide that the participant may not elect to be taxed with respect to such Award in accordance with Section 83(b) of the Code.

10. Unrestricted Stock. The Committee may, in its sole discretion, grant (or sell at a purchase price not to exceed the par value of the shares of Stock at the time of sale) to any participant shares of Stock free of restrictions under the Plan ("Unrestricted Stock"). Shares of Unrestricted Stock may be granted or sold as described in the preceding sentence in respect of past services or other valid consideration. Any purchase of Unrestricted Stock by a recipient must take Place within sixty days after the time of grant of the right to purchase such shares. Notwithstanding the foregoing, any shares of Unrestricted Stock granted to a participant who is subject to Section 16(b) of the Act may not be sold or otherwise disposed of for value for a period of six months from the date of grant.

11. Deferred Stock Awards.

(a) General. A Deferred Stock Award is an Award entitling the recipient to acquire shares of Stock without payment in one or more installments at a future date or dates, all as determined by the Committee. The Committee may condition such acquisition on the attainment of specified performance goals or such other factors or criteria as the Committee shall determine. Unless the Committee in its discretion provides otherwise, the deferral period with respect to any Deferred Stock Award shall be no less than six months from the date of grant.

(b) Award Agreement. A participant who is granted a Deferred Stock Award shall have no rights with respect to such Award unless within sixty days of the grant of such Award (or such shorter period as the Committee may specify) the participant shall have accepted the Award by executing and delivering to the Company a Deferred Stock Award agreement.

(c) Restriction on Transfer. Deferred Stock Awards and rights with respect to such Awards may not be sold, assigned, transferred, pledged or otherwise encumbered. Rights with respect to such Awards shall be exercisable during the participant's lifetime only by the participant or by the participant's legal representative or guardian.

(d) Rights as a Shareholder. A participant receiving a Deferred Stock Award will have rights of a shareholder only as to shares actually received by the participant under the Plan and not with respect to shares subject to the Award but not actually received by the participant. A participant shall be entitled to receive a certificate for shares of Stock only upon satisfaction of all conditions specified in the Deferred Stock Award agreement.

(e) Elective Deferral. A participant may elect to further defer receipt of the Stock payable under a Deferred Stock Award (or an installment of the Award) for a specified period or until a specified event, subject in each case to the Committee's approval and under such terms as determined by the Committee. Subject to any exceptions adopted by the Committee, such election must generally be made at least 12 months prior to completion of the deferral period for the Award (or for such installment of the Award).

(f) Termination. Except as may otherwise be Provided in the Deferred Stock Award agreement, a participant's rights in all Deferred Stock Awards shall automatically terminate upon the participant's termination of employment with the Company and its Subsidiaries for any reason (including death). At any time prior to the Participant's termination of employment, the Committee may in its discretion accelerate, waive, or, subject to Section 18 below, amend any or all of the restrictions or conditions imposed under any Deferred Stock Award.

(g) Payments in Respect of Deferred Stock. Without limiting the right of the Committee to specify different terms, the Deferred Stock Award agreement may require or permit the immediate payment, deferral, or investment of amounts equal to, or less than, any cash dividends which would have been payable on the Deferred Stock had such Stock been outstanding, all as determined by the Committee in its sole discretion.

12. Performance Unit Awards.

(a) General. A Performance Unit Award is an Award entitling the recipient to acquire cash or shares of Stock, or a combination of cash and Stock, upon the attainment of specified performance goals. The Committee in its sole discretion shall determine whether and to whom Performance Unit Awards shall be made, the performance goals applicable under each such Award, the periods during which performance is to be measured, and all other limitations and conditions applicable to a Performance Unit Award. Notwithstanding the foregoing, no Performance Unit Award shall be exercisable in whole or in part during the first six months following the date of grant. Performance goals may vary from participant to participant and between groups of participants and shall be based upon such Company, business unit or individual performance factors or criteria as the Committee may deem appropriate. Performance periods applicable to Performance Unit Award recipients may overlap and participants may participate simultaneously with respect to Performance Unit Awards that are subject to different performance periods and different performance goals. The Committee may adjust the performance goals and periods applicable to a Performance Unit Award to take into account changes in law and accounting and tax rules, and to make such adjustments as the Committee deems necessary or appropriate to reflect the inclusion or exclusion of the impact of extraordinary or

unusual items, events or circumstances in order to avoid windfalls or hardships. Performance Units may be awarded independent of or in connection with the grant of any other Award under the Plan.

(b) Award Agreement. A participant shall have no rights with respect to a Performance Unit Award unless within sixty days of the grant of such Award (or such shorter period as the Committee may specify) the participant shall have accepted the Award by executing and delivering to the Company a Performance Unit Award agreement.

(c) Restrictions on Transfer. Performance Unit Awards and all rights with respect to such Awards may not be sold, assigned, transferred, pledged or otherwise encumbered, and if exercisable over a specified period, shall be exercisable during the participant's lifetime only by the participant or the participant's legal representative or guardian.

(d) Rights as a Shareholder. A participant receiving a Performance Unit Award will have rights of a shareholder only as to shares of Stock actually received by the participant under the Plan and not with respect to shares subject to the Award but not actually received by the participant. A participant shall be entitled to receive a certificate evidencing the acquisition of shares of Stock under a Performance Unit Award only upon satisfaction of all conditions specified in the Performance Unit Award agreement.

(e) Termination. Except as may otherwise be provided by the Committee at any time prior to the termination of employment, a participant's rights and all Performance Unit Awards shall automatically terminate upon the participant's termination of employment by the Company and its Subsidiaries for any reason (including death).

(f) Acceleration; waiver. At any time prior to the participant's termination of employment with the Company and its Subsidiaries, the Committee may in its sole discretion accelerate, waive, or, subject to Section 18 below, amend any or all of the goals, restrictions or conditions imposed under any Performance Unit Award.

(g) Exercise. The Committee in its sole discretion shall establish procedures to be followed in exercising any Performance Unit Award, which procedure shall be set forth in the Performance Unit Award agreement. The Committee may at any time provide that payment under a Performance Unit Award shall be made, upon satisfaction of the applicable performance goals, without any exercise by the participant. Except as otherwise specified by the Committee, (i) a Performance Unit granted in tandem with a Stock Option may be exercised only while the Stock Option is exercisable, and (ii) the exercise of a Performance Unit granted in tandem with any

Award shall reduce the number of shares of Stock subject to the related Award on such basis as is specified in the Performance Unit Award agreement.

13. Other Stock-Based Awards.

(a) General. The Committee may grant other Awards under which Stock is or may in the future be acquired ("Other Stock-Based Awards"). Such Awards may include, without limitation, debt securities convertible into or exchangeable for shares of Stock upon such conditions, including attainment of performance goals, as the Committee shall determine. No Other Stock-Based Award shall be exercisable in whole or in part during the first six months following the date of grant or, if shares of Stock are awarded to a participant on the date of grant such Stock shall be subject to restrictions against transfer for a period of no less than six months from the date of grant. Subject to the purchase price limitations in subsection (b) below, such convertible or exchangeable securities may have such terms and conditions as the Committee may determine at the time of grant. However, no convertible or exchangeable debt shall be issued unless the Committee shall have provided (by the Company's right of repurchase, right to require conversion or exchange, or other means deemed appropriate by the Committee) a means of avoiding any right of the holders of such debt to prevent a Company transaction by reason of covenants in such debt.

(b) Purchase Price; Form of Payment. The Committee may determine the consideration, if any, payable upon the issuance or exercise of an Other Stock-Based Award. However, no shares of Stock (whether acquired by purchase, conversion, or exchange or otherwise) shall be issued unless (i) issued at no cost to the recipient (or for a purchase price not in excess of the par value of the shares), or (ii) sold, exchanged, or converted by the Company, and the Company shall have received payment for such Stock or securities so sold, exchanged, or converted equal to at least 50% of Fair Market Value of the Stock on the grant or effective date, or the exchange or conversion date, under the Award, as specified by the Committee. The Committee may permit payment by certified check or bank check or other instrument acceptable to the Committee or by surrender of other shares of Stock (excluding shares then subject to restrictions under the Plan).

(c) Forfeiture of Awards; Repurchase of Stock; Acceleration or Waiver of Restrictions. The Committee may determine the conditions under which an Other Stock-Based Award shall be forfeited or, in the case of an Award involving a payment by the recipient, the conditions under which the Company may or must repurchase such Award or related Stock. At any time the Committee may in its sole discretion accelerate, waive, or, subject to Section 18 below, amend any or all of the limitations or conditions imposed under any Other Stock-Based Award.

(d) Award Agreements. A participant shall have no rights with respect to any Other Stock-Based Award unless within sixty days after the grant of such Award (or such shorter period as the Committee may specify) the participant shall have accepted the Award by executing and delivering to the company an Other Stock-Based Award agreement.

(e) Restrictions on Transfer. Other Stock-Based Awards may not be sold, assigned, transferred, pledged, or encumbered except as may be provided in the Other Stock-Based Award agreement. However, in no event shall any Other Stock-Based Award be transferred other than by will or by the laws of descent and distribution or be exercisable during the participant's lifetime by other than the participant or the participant's legal representative or guardian.

(f) Rights as a Shareholder. A recipient of any Other Stock-Based Award will have rights of a shareholder only at the time and to the extent, if any, specified by the Committee in the Other Stock-Based Award agreement.

(g) Deemed Dividend Payments; Deferrals. Without limiting the right of the Committee to specify different terms, an Other Stock-Based Award agreement may require or permit the immediate payment, waiver, deferral, or investment of dividends or deemed dividend's payable or deemed payable on Stock subject to the Award.

14. Supplemental Grants.

(a) Loans. The Company may in its sole discretion make a loan to the recipient of an Award hereunder, either on or after the date of grant of such Award. Such loans may be either in connection with exercise of a Stock Option, a Stock Appreciation Right or an Other Stock-Based Award, in connection with the purchase of shares under any Award, or in connection with the payment of any federal, state and local income taxes in respect of income recognized under an Award. The Committee shall have full authority to decide whether to make a loan hereunder and to determine the amount, term, and provisions of any such loan, including the interest rate (which may be zero) charged in respect of any such loan, whether the loan is to be secured or unsecured, the terms on which the loan is to be repaid and the conditions, if any, under which it may be forgiven. However, no loan hereunder shall provide or reimburse to the borrower the amount used by him for the Payment of the par value of any shares of Stock issued, have a term (including extensions) exceeding ten years in duration, or be in an amount exceeding (i) the total exercise or purchase price paid by the borrower under an Award or for related Stock under the Plan plus (ii) an amount equal to any cash payment made as permitted in subsection (b) below.

(b) Cash Payments. The Committee may, at any time and in its discretion, authorize a cash payment, in respect of the grant or exercise of an Award under the Plan or the lapse or waiver of restrictions under an Award, which shall not exceed the amount which would be required in order to pay in full the federal, state and local income taxes due as a result of income recognized by the recipient as a consequence of (i) the receipt of an Award or the exercise of rights thereunder and (ii) the receipt of such cash payment. The Committee shall have complete authority to decide whether to make such cash payments in any case, to make provisions for such payments either simultaneously with or after the grant of the associated Award, and to determine the amount of any such payment.

15. Withholding. Whenever the Company proposes or is required to issue or transfer shares of Stock under the Plan, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy any federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. If a participant surrenders shares of Stock acquired pursuant to the exercise of an Incentive Stock Option in payment of the option exercise price of a Stock Option or the purchase price under another Award, and such surrender constitutes a disqualifying disposition for purposes of obtaining incentive stock option treatment under the Code, the Company shall have the right to require the participant to remit to the Company an amount sufficient to satisfy any federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. Whenever under the Plan payments are to be made in cash, such Payments shall be net of an amount sufficient to satisfy any federal, state and local withholding tax requirements. A recipient may elect with respect to any Non-Qualified Stock Option, Stock Appreciation Right, Restricted Stock Award, Unrestricted Stock Award, Deferred Stock Award, Performance Unit Award or Other Stock-Based Award to surrender or authorize the Corporation to withhold shares of Stock (valued at Fair Market Value on the date of surrender or withholding of the shares) in satisfaction of all such withholding requirements (the "Stock Surrender Withholding Election") in accordance with the following:

(i) Any Stock Surrender Withholding Election shall be made by written notice to the Company and thereafter shall be irrevocable by the recipient.

(ii) Any Stock Surrender Withholding Election shall be subject to the consent or disapproval of the Committee in accordance with rules established from time to time by the Committee.

(iii) Any Stock Surrender Withholding Election must be made prior to the date on which the recipient recognizes taxable income with respect to the receipt of such shares (the "Tax Date").

(iv) If a recipient is subject to Section 16 of the Act, or any successor law, (A) the date of the actual surrender or withholding of shares of Stock (the "Withholding Date") must be more than six months after the date of grant of the Award with

respect to which such surrender or withholding is made (except whenever such surrender or withholding is made by a disabled recipient or the estate or personal representative of a deceased recipient); and (B) the Stock Surrender Withholding Election (i) must be made six months prior to the Withholding Date, or (ii) must be made, and the Withholding Date occur, during a period beginning on the third business day following the date of release by the Company for publication of quarterly or annual summary statements of sales and earnings and ending on the twelfth business day following such date, or (iii) must be made in connection with a delivery to the Company of shares of Stock owned by the recipient for at least six months prior to the Withholding Date to satisfy the Portion of the tax required to be withheld with respect to those shares of Stock received by the recipient, pursuant to the grant of an Award for which payment of the purchase price was made to the Company in shares of Stock owned by the recipient for at least six months prior to the Withholding Date.

(v) When the Tax Date falls after the exercise of a Non-Qualified Stock Option or issuance of shares pursuant to any other Award and the recipient makes a Stock Surrender Withholding Election, the full number of shares of Stock subject to the Non-Qualified Stock Option being exercised or issuable pursuant to the Award will be issued, but the recipient will be unconditionally obligated to deliver to the Company on the Tax Date the number of shares of Stock having a value on the Tax Date equal to the recipient's federal, state and local withholding tax requirements.

(vi) For purposes of this Section 15, the Committee shall have the discretion to provide (by general rule or a provision in the specific Award agreement) that, at the election of the recipient, "federal, state and local withholding tax requirements" shall be deemed to be any amount designated by the recipient which does not exceed his estimated federal, state and local tax obligations associated with the transaction, including FICA taxes to the extent applicable.

16. Merger; Liquidation. If the Company shall be the surviving corporation in any merger, recapitalization or similar reorganization, the optionee of each outstanding Stock Option shall be entitled to purchase, at the same times and upon the same terms and conditions as are then provided in the Stock Option, the number and class of shares of Stock or other securities to which a holder of the number of shares of Stock subject to the Stock Option at the time of such transaction would have been entitled to receive as a result of such transaction, and a corresponding adjustment shall be made in connection with determining the value of any related Stock Appreciation Right. In the event of any such change in capitalization of the Company, the Committee may make such additional adjustments in the number and class of shares of stock or other securities with respect to which outstanding Awards are exercisable and with respect to which future Awards may be granted as the Committee in its sole discretion shall deem equitable or appropriate, subject to the provisions of Section 18 below. In the event of dissolution or liquidation of the Company or a merger in which the Company is not the surviving corporation, the Committee in its sole discretion may, as to any

outstanding Awards, make such substitution or adjustment in the aggregate number of shares reserved for issuance under the Plan and in the number or purchase price (if any) of shares subject to such Awards as it may determine, or accelerate, amend, or terminate such Awards upon such terms and conditions as it shall provide, which, in the case of the termination of the vested portion of any Award, shall require payment or other consideration which the Committee deems equitable in the circumstances.

17. Unfunded Status of Plan. With respect to the portion of any Award which has not been exercised and any payments in cash, Stock or other consideration not received by a Participant, a Participant shall have no rights greater than those of a general creditor of the Company unless the Committee shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards, provided that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

18. Amendments and Termination. The Board may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuance shall be made which would impair the rights of an optionee under a Stock Option or a recipient of another Award theretofore granted without the optionee's or recipient's consent; provided, however, that any alteration or amendment which would (i) increase the aggregate number of shares of Stock which may be issued under the Plan (other than an increase merely reflecting a change in capitalization such as a stock dividend or stock split), (ii) modify the designation of employees eligible to receive Awards under the Plan, or (iii) materially increase the benefits accruing to holders of Awards granted or to be granted under the Plan, within the meaning the Rule 16b-3, shall be effective only if it is approved by the shareholders of the Company at the next annual meeting of shareholders after the date of adoption by the Board of such alteration or amendment. The Committee may at any time amend or cancel any outstanding Award (or provide substitute Awards at the same or a reduced exercise or purchase price or with no exercise or purchase price, but such price, if any, must satisfy the requirements which would apply to the substitute or amended Award if it were then initially granted under the Plan) for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the recipient's consent (except to the extent provided in Section 16 above).

19. General Provisions.

(a) Transfers. For purposes of the Plan, the transfer to the employment by the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another, shall not be deemed a termination of employment.

(b) Leaves of Absence. The Committee may in its discretion determine whether a leave of absence constitutes a termination of employment for purposes of the Plan and the impact, if any, of such leave of absence on Awards previously granted to a holder who takes a leave of absence.

(c) Restrictions on Delivery and Sale of Shares. Each Award granted under the Plan is subject to the condition that if at any time the Committee, in its discretion, shall determine that the listing, registration or qualification of the Stock covered by such Award upon any securities exchange or under any state or federal law is necessary or desirable as a condition of or in connection with the granting of such Award or the purchase or delivery of Stock thereunder, the delivery of any or all shares pursuant to such Award may be withheld unless and until such listing, registration or qualification shall have been effected. If a registration statement is not in effect under the Securities Act of 1933 and any applicable state securities laws with respect to the shares of Stock covered by Awards then outstanding, the Committee may require, as a condition to any delivery of Stock pursuant to an Award, that the recipient of Stock represent, in writing, that the shares received pursuant to the Award are being acquired for investment and not with a view to distribution and agree that the Stock will not be disposed of except pursuant to an effective registration statement, unless the Company shall have received an opinion of counsel that such disposition is exempt from such requirement under the Securities Act of 1933 and any applicable state securities laws. The Company may endorse on certificates representing shares delivered pursuant to an Award such legends referring to the foregoing representations or restrictions or any applicable restrictions on resale as the Company, in its discretion, shall deem appropriate.

(d) Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of the Plan does not confer upon any employee any right to continued employment with the Company or a Subsidiary, or affect the right of the Company or any Subsidiary to terminate the employment of any of its employees at any time.

(e) Governing Law. The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with laws of the State of Texas.

20. Effective Date. The Plan shall become effective as of April 8, 1992, the date of its adoption by the Board, upon the approval of the Plan by the shareholders of the Company at their next Annual Meeting. Subject to approval by the shareholders, and to the requirement that no Stock may be issued hereunder prior to such approval, Awards may be granted hereunder on and after adoption of the Plan by the Board. Unless shareholder approval is obtained by February 25, 1993, this Plan and any Award granted hereunder shall become void thereafter.

RULES OF THE CAMCO

1996 SAVINGS RELATED SHARE OPTION SCHEME

1. DEFINITIONS

(a) In these Rules the following words and expressions shall unless a different meaning is deemed necessary have the following meanings:

"Act"	the Income and Corporation Taxes Act 1988.
"Announcement Date"	the date on which the Company announces its quarterly, half yearly or final results to the New York Stock Exchange.
"Approval Date"	means the date on which the Scheme was formally approved by the Inland Revenue.
"Board"	the board of directors for the time being of the Company or the directors present at a duly convened meeting of the directors of the Company at which a quorum is present or a committee appointed by the board of directors.
"Bonus"	means any sum payable by way of terminal bonus under the relevant Savings Contract.
"Company"	Camco International Inc., a company incorporated in Delaware, USA.
"Compensation Committee"	the executive compensation committee of the Board.
"Control"	control within the meaning of Section 840 of the Act (and "Controlled" shall be construed accordingly).

"Date of Grant" the date on which an Option is granted under Rule 3 of these Rules.

"Eligible Employee" means any person who at the relevant Invitation Date is a director or employee of a Participating Company chargeable to tax in respect of his office or employment under Case 1 of Schedule E of the Act, is not at the relevant Date of Grant ineligible to participate in the Scheme by virtue of the provisions of paragraph 8 of Schedule 9 of the Act; and

- (i) has been a director or employee of a Group Company for a continuous period of six (6) months on the Invitation Date; or
- (ii) is designated by the Board as an Eligible Employee.

"Exercise Price" the L. Sterling price at which the Board determines that Shares may be acquired in respect of each Option being not less than the greater of:

- (i) 80 per cent (or such lower percentage as may be permitted under paragraph 25 of Schedule 9 to the Act) of the closing US dollar price of a Share on the New York Stock Exchange (or, if agreed in advance with the Inland Revenue, such other exchange on which the Shares are listed) on the dealing day immediately preceding the Invitation Date which shall be no earlier than the thirtieth day preceding the Date of Grant or on such other day as may be agreed in advance with the Inland Revenue; or
- (ii) in respect of Options giving a right to subscribe for Shares, the nominal value of a Share,

where in each case the US dollar share price shall be converted to L. sterling a rate of exchange equal to that quoted by any UK clearing bank on the dealing day specified in respect of (i) above or on the day on which the Exercise Price is determined in respect of (ii) above.

"Group"	the Company and any Subsidiaries and the term Group Company shall mean any such company.
"Holding Company"	in relation to the Company, a holding company as defined in Section 736 of the Companies Act 1985.
"Invitation Date"	the date on which the Board invites Eligible Employees to apply for the grant of an Option.
"Maturity Date"	the date on which the terminal bonus is payable under the relevant Savings Contract or such other date as may be provided for in the Act from time to time.
"Maximum Monthly Contribution"	the maximum monthly savings limit determined by the Board from time to time being not more than the greater of L.250 or the amount permitted from time to time under paragraph 24 of Schedule 9 to the Act.
"Minimum Monthly Contribution"	L.10.00 or such other minimum monthly savings limit, if any, determined by the Board from time to time and permitted under paragraph 24 of Schedule 9 to the Act.
"Option"	a right to acquire Shares to be granted pursuant to the Scheme or which has been so granted and is still subsisting.
"Participant"	any person who has been granted and still holds a subsisting Option under the Scheme. References to a Participant shall include,

where the context so admits or requires, his personal representatives.

"Participating Company"	means the Company and any other Group Company incorporated in the UK, provided such company has been notified to the Inland Revenue as being a Participating Company.
"Rules"	rules as amended from time to time in accordance with the provisions of these rules.
"Savings Contract"	means a savings contract made between an Eligible Employee and an approved savings authority (within the meaning of Section 326 of the Act).
"Scheme"	the Camco 1996 Savings Related Share Option Scheme operating in accordance with these Rules.
"Shares"	shares of common stock of the Company that comply with paragraphs 10-14 of Schedule 9 to the Act.
"Specified Age"	age 65.
"Subsidiary"	in relation to the Company, a subsidiary as defined in Section 736 of the Companies Act 1985.

- (b) Words or expressions defined in the Act and in the Great Britain Companies Acts 1985 and 1989 shall bear the same meanings in these Rules and where there is a conflict the definitions in the Act shall take precedence.
- (c) Where the context so admits or requires words importing the singular shall include the plural and vice versa and words importing the masculine shall include the feminine and neuter genders.
- (d) Any reference to a statute or a statutory provision shall be construed as if it referred also to that statute or provision as the same may from time to time be consolidated, replaced, amended or re-enacted and to any related statutory instrument or other subordinate legislation in force from time to time.

2. APPLICATION FOR OPTIONS

- (a) The Board may, in their absolute discretion, invite applications for Options from all Eligible Employees at such time or times as they consider appropriate. The type or types of Savings Contract offered at each invitation shall be at the discretion of the Board.
- (b) The Board shall determine and specify in any invitation to apply for Options;
 - (i) the Invitation Date;
 - (ii) either the Exercise Price or the date on which the Exercise Price will be fixed;
 - (iii) the maximum aggregate number of Shares over which Options may be granted, if any;
 - (iv) the Minimum Monthly Contribution and Maximum Monthly Contribution that may be made under the Savings Contracts;
 - (v) the method of calculating the amount of the Bonus;
 - (vi) the Maturity Date(s) of the Savings Contract(s) being offered to the Eligible Employee; and
 - (vii) the closing date for receipt by the Company of applications for Options being a date not less than 14 days and not more than 21 days after the Invitation Date or, if later, after the date upon which Eligible Employees receive notification of the Exercise Price.
- (c) Invitations shall be given by means of notices on notice boards of Participating Companies, circulars, letters or such other method as the Board may determine.
- (d) Each Eligible Employee may, before the closing date stated in the invitation, apply for an Option. Each application shall be in writing in such form as the Board may from time to time prescribe and shall:
 - (i) state the monthly amount which such Eligible Employee wishes to save under the Savings Contract(s) for which he is applying;
 - (ii) state the duration of the Savings Contracts which the Eligible Employee wishes to save under, if a choice has been given in the invitation issued pursuant to Rule 2(b);

- (iii) state the Eligible Employee's agreement to the terms of such Savings Contract; and
- (iv) authorise the Board to complete and/or amend such application on behalf of the Eligible Employee in such manner as the Board may determine having regard to the requirements of Rule 2(e), Rule 3(b) and Rule 4.
- (e) Subject to reduction in accordance with the Rules of the Scheme, the number of Shares over which an Option is applied for under this Rule shall be deemed to be such whole number of Shares (rounding down as necessary) which would be purchased on the Date of Grant with the sum of money equal to the amount that would be repayable under the relevant Savings Contract (including the Bonus) on the Maturity Date.

3. GRANT OF OPTIONS

- (a) Options will be granted by the Board in accordance with Rule 2:
 - (i) within thirty days of determining the Exercise Price; or
 - (ii) within forty two days of determining the Exercise Price if the number of applications results in the Board exercising the powers of scaling down under Rule 3(b),provided that the person is still an Eligible Employee at the Date of Grant.
- (b) In the event that following any invitation pursuant to Rule 2 the Board receives valid applications which would result in the grant of Options over a greater number of Shares than permitted under Rule 4 or than specified by the Board in accordance with Rule 2(b)(iii) then the Board shall scale down pro rata the monthly contribution proposed by each Eligible Employee in excess of the Minimum Monthly Contribution. In the event that this results in insufficient Shares to cover the Minimum Monthly Contribution of applicants, Options based on the Minimum Monthly Contribution shall be granted to those applicants who are selected by lot.
- (c) Option certificates will be issued to each Participant as soon as practicable after the Date of Grant and will specify the Date of Grant, the maximum number of Shares over which the Option may be exercised, the Exercise Price and the Maturity Date.
- (d) No Option shall be capable of transfer or assignment and if a Participant shall do or suffer any act or thing whereby he parts with or is deprived of the legal and/or beneficial ownership of an Option, that Option shall lapse.

- (e) The Board may determine that any Option granted under the Scheme shall be subject to additional and/or modified terms and conditions relating to the grant and terms of exercise as may be necessary to comply with or take account of any securities, exchange control or taxation laws, regulations or practice of any territory which may have application to the relevant Eligible Employee, Participant or Participating Company, provided that no such terms or conditions shall take effect until approved by the Inland Revenue.
- (f) In exercising their discretion under Rule 3(e) the Board may:
 - (i) require a Participant to make such declarations or take such other action (if any) as may be required for the purpose of any securities, taxes or other laws of any territory which may be applicable to him at the Date of Grant or on exercise; and
 - (ii) adopt any supplemental rules or procedures governing the grant or exercise of an option as may be required for the purpose of any securities, tax or other laws of any territory which may be applicable to an Eligible Employee or Participant, provided that such rules or procedures may not be adopted to the extent that they require the approval of the Company in general meeting in accordance with Rule 11(d)(i), unless such approval has been obtained.
- (g) No Option shall be granted before the Approval Date.

4. LIMITATION ON THE ISSUE OF SHARES

- (a) The Board may at any time determine a limit on the number of Shares that may be available for use under the Scheme either in respect of a particular invitation or generally.
- (b) No Option shall be granted to an Eligible Employee if the contribution payable by such Eligible Employee in any month under the Savings Contract to be entered into by him in connection with the Option for which he has applied:
 - (i) is less than the Minimum Monthly Contribution; or
 - (ii) when added to the contribution or contributions payable by the Eligible Employee in such month under any other Savings Contract in respect of this Scheme or any other Inland Revenue approved savings related share option scheme is greater than the Maximum Monthly Contribution, as specified by the Board from time to time under Rule 2(b)(iv).

5. EXERCISE OF OPTIONS

- (a) Subject to Rule 8 and paragraph (b) below Options may only be exercised by a Participant within six months following the Maturity Date of the relevant Savings Contract or, if earlier, within six months of the Participant:
- (i) ceasing to hold an office or employment with a Participating Company by reason of injury, illness, disability, redundancy or retirement at the Specified Age or any other age at which he is bound to retire in accordance with his contract of employment; or
 - (ii) attaining the Specified Age while continuing to hold an office or employment with a Participating Company; or
 - (iii) ceasing to hold an office or employment with a Participating Company Group by reason only that:
 - a) his office or employment is in a company of which the Company ceases to have Control; or
 - b) his office or employment relates to a business or part of a business which is transferred to a person who is neither an associated company of the Company nor a company of which the Company has Control; or
 - (iv) any of the circumstances specified in Rule 8 applying; or
 - (v) ceasing to hold an office or employment with a Participating Company or in any associated company of the Company, for any reason (except misconduct) at least three years after the Date of Grant of the Option.
- (b) If a Participant dies prior to the Maturity Date of the relevant Savings Contract his Option may be exercised within the period of 12 months after the date of his death or if he dies within 6 months after the Maturity Date of the Savings Contract, his Option may be exercised within the period of 12 months after the Maturity Date of the Savings Contract.
- (c) Subject to Rule 5(b) no Option shall be exercisable more than six months after a Bonus is paid under the relevant Savings Contract.
- (d) Save as provided in Rule 5(a)(i), (iii), (iv) and (v) and Rule 5(b) an Option shall be exercised by a Participant only if at the date of exercise he is either a director or

employee of a Participating Company or, provided the date of exercise takes place within 6 months following the Maturity Date, an employee or office holder of the Company or an associated company (as defined in section 187 (2) of the Act) or company of which the Company has control, provided that, for these purposes, no Participant shall be regarded as ceasing to hold an office or employment by virtue of which he is eligible to participate in the Scheme until he ceases to hold an office or employment in the Company or an associated company (as defined in section 187(2) of the Act) or company of which the Company has control.

- (e) Subject to Rule 5(f) below an Option shall be exercisable once only in whole or in part during the periods referred to in Rule 5(a) and (b) above by the Participant delivering to the Company Secretary or otherwise as the Board may notify in writing written notice in such form as the Board may from time to time determine specifying the amount or percentage of the amount repayable under the Savings Contract that is to be applied in the acquisition of Shares together with the appropriate remittance. Subject to Rule 8(c) the date of receipt by the Company Secretary or otherwise as the Board may notify in writing of such notice together with such remittance shall be the date upon which the Option is deemed to be exercised.
- (f) Upon exercise of an Option with the remittance as referred to in paragraph (e) above the Option shall be deemed to be exercised in respect of the largest whole number of Shares that may be acquired with the amount of the remittance and the Option to the extent not so deemed to be exercised shall immediately lapse. The balance of any remittance not applied in the acquisition of Shares shall be returned to the Participant.
- (g) The Participant shall pay all expenses and taxes which arise or result from the exercise of an Option or transfer of Shares, provided that the Company in its absolute discretion may meet any taxes or expenses which it deems necessary or appropriate.
- (h) Shares acquired on exercise of an Option under the Scheme shall be paid for with monies not exceeding the amount of repayment (including any Bonus or interest) made under the related Savings Contract. For this purpose repayment under the Savings Contract shall exclude the repayment of any monthly contributions, the due date for payment of which falls more than one month after the date on which repayment was made.
- (i) No Option may be exercised by a Participant who is excluded by paragraph 8 of Schedule 9 of the Act.

6. LAPSE AND SURRENDER OF OPTIONS

- (a) An Option shall immediately lapse and cease to be exercisable:-
- (i) subject to Rule 5(b), six months after the Maturity Date of the Savings Contract;
 - (ii) as provided in Rule 3(d);
 - (iii) upon the Participant ceasing to hold an office or employment within the Group in any circumstances other than those described in Rule 5(a)(i), (iii), (iv) and (v);
 - (iv) upon the expiration of any of the periods referred to in Rule 5(a) and (b) (except that referred to in Rule 5(a)(ii)) and in the event of more than one period applying to an Option it shall be upon the expiry of the earlier (except as provided for in rule 5(b));
 - (v) as provided in Rule 5(f);
 - (vi) as provided in Rule 8;
 - (vii) upon the Participant:
 - a) giving notice to the nominated savings body, or where relevant, the Company, for repayment or that he intends to stop paying contributions under the related Savings Contract; or
 - b) failing to pay a monthly contribution under the related Savings Contract on or before the due date on seven occasions,in each case before the earliest date on which the Option becomes exercisable under Rule 5(a);
 - (viii) upon the Participant being adjudicated bankrupt; or
 - (ix) the date on which a resolution is passed or order is made by the Court for the compulsory winding up of the Company.
- (b) It shall be a condition of the Scheme that a Participant shall not be entitled to any compensation in the event of cessation, lapse or alteration of any rights or rights in prospect under the Scheme or under any Option granted under the Scheme subject always to Rule 11(d) (ii) below. No provisions of the Scheme form part of any

contract of employment between the Company or any Participating Company and a Participant.

- (c) Nothing in this Scheme or in any instrument executed pursuant hereto shall confer upon any person any right to continue in the employ of the Company or any Group Company or shall affect the right of the Company or any Group Company to terminate the employment of any person without liability at any time with or without cause, or shall impose upon the Company or any Group Company, the Board or their respective agents and employees any liability for any forfeiture or termination of Options which may result if that person's employment is so terminated.

7. ADJUSTMENTS

- (a) In the event of a variation of the issued share capital of the Company by way of a capitalisation or rights issue, sub-division, consolidation or reduction or otherwise then:

- (i) the Exercise Price; and

- (ii) the number of Shares subject to an Option;

- shall be adjusted in such manner and with effect from such date, as the Board may determine to be appropriate and as the auditors of the Company shall confirm in writing to be, in their opinion, fair and reasonable subject to prior Inland Revenue approval.

- (b) Notice of any such adjustments shall be given to Participants by the Board who may call in Option certificates for endorsement or replacement.

8. CHANGE IN CONTROL, RECONSTRUCTION AND WINDING UP OF THE COMPANY

- (a) If, in consequence of any general offer made to the holders of Shares or otherwise, as specified in paragraph 15(1)(a) of Schedule 9 to the Act, any person obtains Control of the Company, then the Board shall as soon as practicable thereafter notify every Participant accordingly and each Participant shall be entitled at any time within the period of six months after such Control has been obtained but not later than six months following the Maturity Date to exercise his Option. To the extent that it has not been so exercised, any Option shall upon the expiry of such period lapse provided that if during such period any person becomes entitled or bound to acquire Shares in the Company under Sections 428 and 430F of the Companies Act 1985 and gives notice to any holders of Shares that he intends to exercise such rights the Board shall

as soon as practicable thereafter notify each Participant accordingly. All Options may be exercised at any time when such person remains so entitled or bound and if not so exercised shall then lapse. For the purpose of this paragraph Control shall include the obtaining of Control by a person and others acting in concert with him

- (b) If under Section 425 of the Companies Act 1985 the Court sanctions a compromise or arrangement proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies any Option held by a Participant may be exercised within six months of the Court sanctioning the compromise or arrangement and if not so exercised shall lapse.
- (c) If a resolution is passed for the voluntary winding-up of the Company, Options granted under the Scheme may be exercised until the expiry of six months following the passing of the resolution. Subject to the above, all Options shall lapse upon the commencement of the winding-up of the Company.
- (d) Where the person mentioned in Rule 8(a) or Rule 8(b) is a company within the meaning of Section 832 of the Act ("the Acquiring Company"), any Participant may, by agreement with the Acquiring Company and notwithstanding anything to the contrary in this Scheme, release, within the appropriate period, (as defined in paragraph 15(2) of Schedule 9 to the Act), his rights under this Scheme (the "old rights") in consideration of the grant to him of rights (the "new rights") which, within the meaning of paragraph 15(3) of Schedule 9 to the Act, are equivalent to the old rights but relate to shares in a different company (whether the Acquiring Company or some other company falling within paragraph (b) or (c) of paragraph 10 of Schedule 9 to the Act) and references in Rules 5, 7, 8, 9, 10 and 12 to the term "Company" shall be construed accordingly with effect from the date of release and references to "Shares" and "the Board" shall, in relation to the new rights, be considered as references to shares in the Acquiring Company or that other company and to the board of such company as the case may be.

9. ALLOTMENT, TRANSFER AND LISTING

- (a) Subject to receipt of the appropriate remittance and to paragraph (b) below, any Shares to be issued pursuant to the exercise of an Option will be allotted and issued, and any Shares to be transferred shall be transferred to the relevant Participant or a nominee nominated by a Participant no later than 30 days after the date of exercise of the Option. Such Shares shall rank pari passu in all respects with other shares of the same class save that newly issued Shares shall not rank for dividend or other distribution payable by reference to a record date that is before the date of allotment.
- (b) Any allotment and issue or transfer of Shares under the Scheme shall be subject to such consents (if any) of HM Treasury or other authorities (whether of the United

Kingdom or elsewhere) as may from time to time be required and it shall be the responsibility of the Participant to obtain such consents.

- (c) The Company will apply to the New York Stock Exchange or such other exchange on which the Shares are listed for Shares subscribed to be admitted to official listing on the exchange or equivalent on or as soon as practicable after allotment.

10. AVAILABILITY OF SHARES

- (a) The Company shall keep available for issue sufficient authorised and unissued Shares to satisfy all subsisting rights to subscribe for Shares granted pursuant to the Scheme, taking account of any other obligations of the Company to allot and issue unissued Shares.
- (b) The Company shall ensure that there are available for transfer sufficient existing Shares to satisfy all subsisting rights to acquire Shares granted pursuant to the Scheme, taking account of any other obligations of the Company to arrange for the transfer of shares.

11. ADMINISTRATION, AMENDMENTS AND TERMINATION

- (a) The Scheme shall be administered by the Board in accordance with the Rules. Any question or dispute concerning the interpretation of the Rules shall be determined by the Board in its sole discretion and its decision on such matter shall be final and binding upon both the Company and the Participant. The Board may delegate such of its rights and obligations under these Rules to the Compensation Committee, or otherwise as it considers appropriate.
- (b) The Company shall bear the costs of establishing and administering the Scheme and may pass these costs on to Participating Companies as it considers appropriate.
- (c) The Company shall maintain or cause to be maintained all necessary accounts and records relating to the Scheme.
- (d) The Board shall be entitled to amend the Rules provided that no amendment:
 - (i) will prejudice the subsisting rights of any Participant, except with the prior consent of such Participant; and
 - (ii) shall take effect without the prior approval of the Inland Revenue pursuant to Part 1 of Schedule 9 to the Act.

- (e) No Options shall be granted under the Scheme later than the tenth anniversary of the date on which the Scheme is adopted by the Company. Prior to this date the Board may determine to grant no further Options and may from time to time modify or at any time suspend or terminate the Scheme (but without prejudice to Options already granted).

12. NOTICES

- (a) Notices or documents required to be given by the Company to an Eligible Employee or Participant shall be properly given if delivered to him at his normal place of work or sent to him by first class post at his last known address and any notice or document required to be given to the Company shall be properly given if delivered or sent by air mail post to the registered office from time to time or by first class post if directed to be sent to an address in the United Kingdom.
- (b) Participation in the Scheme shall not entitle a Participant to receive copies of any notice or other document sent by the Company to its shareholders.

13. GOVERNING LAW

The operation of the Scheme shall be governed by and construed in accordance with English Law.

CAMCO INTERNATIONAL INC.

AMENDED AND RESTATED STOCK OPTION PLAN FOR NONEMPLOYEE DIRECTORS

ARTICLE I

PURPOSES

The purposes of the Camco International Inc. Amended and Restated Stock Option Plan for Nonemployee Directors (the "Plan") are to attract and retain the services of experienced and knowledgeable nonemployee directors of Camco International Inc. (the "Corporation") and to provide an incentive for such directors to increase their proprietary interests in the Corporation's long-term success and progress.

ARTICLE II

SHARES SUBJECT TO THE PLAN

Subject to adjustment in accordance with Article VI hereof, the total number of shares of the Corporation's common stock, par value \$.01 per share (the "Common Stock"), which may be delivered upon the exercise of options granted under the Plan is 250,000 (the "Shares"). The Shares shall be shares of Common Stock presently authorized but unissued or subsequently acquired by the Corporation. In the event that an option for Shares granted under the Plan shall terminate, expire or be canceled or forfeited without being exercised in whole or in part, new options for Shares may be granted covering such unexercised shares.

ARTICLE III

ADMINISTRATION OF THE PLAN

The administrator of the Plan (the "Plan Administrator") shall be the Board of Directors of the Corporation (the "Board") or any designated committee thereof. Subject to the terms of the Plan, the Plan Administrator shall have the power to construe the provisions of the Plan, to determine all questions arising thereunder and to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable. No member of the Plan Administrator shall participate in any vote by the Plan Administrator on any matter materially affecting the rights of any such member under the Plan.

ARTICLE IV

PARTICIPATION IN THE PLAN

1. Initial and Annual Grants. Beginning on the Annual Meeting of Stockholders of the Corporation to be held in 1996, each member of the Board elected, or appointed, who is not otherwise an employee of the Corporation or subsidiary corporation (an "Eligible Director") shall automatically receive an initial grant of an option to purchase 10,000 shares, such grant to be received on the 30th day following such member's initial election or appointment to the Board or upon such member's reelection (the "Election Grant"), and shall also receive an annual grant of an option (the "Annual Grant") to purchase 5,000 shares on the 30th day following each Annual Meeting of Stockholders (as described in the Corporation's By-laws), provided such member continues to be a member of the Board on such 30th day.

2. One-Time Grants. In addition to the options to be granted pursuant to Section 1 of this Article IV, the following Eligible Directors shall receive a one-time grant of an option (a "One-Time Grant") to purchase that number of shares set forth opposite the Eligible Director's name, such grant to be received upon approval of this Amended and Restated Plan by the stockholders of the Corporation (provided such member continues to be a member of the Board on such day):

ELIGIBLE DIRECTORS	NUMBER OF SHARES SUBJECT TO OPTION

Class I Directors	
Robert L. Howard	6,666
Charles P. Siess, Jr.	6,666

Class II Directors	
William J. Johnson	10,000
Gilbert H. Tausch	10,000

Class III Directors	
Hugh H. Goerner	3,333
William A. Krause	3,333

ARTICLE V

OPTION TERMS

Each option granted to an Eligible Director under the Plan and the issuances of Shares thereunder shall be subject to the following terms:

1. Option Agreement

Each option to acquire Shares granted under the Plan shall be evidenced by an option agreement (an "Agreement") duly executed on behalf of the Corporation. Each Agreement shall comply with and be subject to the terms and conditions of the Plan. Any Agreement may contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Plan Administrator.

2. Option Exercise Price

The option exercise price for an option granted under the Plan shall be the fair market value of the Shares covered by the option at the time the option is granted. For purposes of the Plan, "fair market value" on a date shall be the average of the high and low sales prices at which the Common Stock was sold on such date on the New York Stock Exchange or, if no Common Stock was traded on such date, on the next preceding date on which Common Stock was so traded.

3. Vesting and Exercisability

(a) Subject to paragraph (c) of this Section 3, each option granted pursuant to Section 1 of Article IV shall become fully vested and become nonforfeitable in three equal annual installments (rounding to the nearest Share for the first two installments, with the remaining balance vesting on the third installment) beginning on the first anniversary of the date of the grant of the option, provided that an installment shall vest only if the optionee has continued to serve as an Eligible Director until the applicable anniversary.

(b) Subject to paragraph (c) of this Section 3, options granted pursuant Section 2 of Article IV shall become fully vested and nonforfeitable as follows:

(i) with respect to options granted to a Class I Eligible Director, 3,333 shares subject to option shall vest six months following the date on which the Plan is approved by stockholders of the Corporation, with the balance vesting on the first anniversary of the date of such approval, provided that an installment shall vest only if the optionee has continued to serve as an Eligible Director until the applicable vesting date;

(ii) with respect to options granted to a Class II Eligible Director, 3,333 shares shall vest six months following the date on which the Plan is approved by the stockholders of the Corporation, with the remaining two-thirds of the shares vesting in equal annual installments (rounding to the nearest share for the first installment, with the remaining balance vesting on the second installment) beginning on the first anniversary date of the date of such approval, provided that an installment shall vest only if the optionee has continued to serve as an Eligible Director until the applicable date; and

(iii) with respect to options granted to a Class III Eligible Director, such option shall vest six months following the date on which the Plan is approved by the stockholders of the Corporation.

(c) Notwithstanding the provisions on vesting set forth in paragraphs (a) and (b) of this Section 3, an option shall become fully vested and become nonforfeitable immediately upon the death, disability or retirement of the optionee or upon the occurrence of a Change of Control; provided that in no event will any director be entitled to receive any payment in excess of the amount permitted to be paid without penalty under Section 4999 of the Internal Revenue Code of 1986, as amended, and clause (ii) above shall not apply upon the occurrence of a Change of Control to any option granted to a participant if, in connection with a Change of Control pursuant to clause (1) of the definition thereof, such participant is the Person or forms part of the Person referred to in such clause (1). A "Change of Control" shall be deemed to have occurred if (1) any Person (as defined below) is or becomes the Beneficial Owner (as defined below) of securities of the Corporation representing 30% or more of the Voting Power (as defined below), (2) there shall occur a change in the composition of a majority of the Board within any period of four consecutive years which change shall not have been approved by a majority of the Board as constituted immediately prior to the commencement of such period, (3) at any meeting of the stockholders of the Corporation called for the purpose of electing directors, more than one of the persons nominated by the Board for election as directors shall fail to be elected or (4) the stockholders of the Corporation approve a merger, consolidation, sale of substantially all assets or other reorganization of the Corporation, other than a reincorporation, in which the Corporation does not survive.

(d) For purposes of this Section 3, (i) "Person" shall have the meaning set forth in Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934, as in effect on September 1, 1993, (ii) "Beneficial Owner" shall have the meaning set forth in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934 on September 1, 1993; and (iii) "Voting Power" shall mean the voting power of the outstanding securities of the Corporation having the right under ordinary circumstances to vote at an election of the Board.

(e) For purposes of the Plan "retirement" means cessation as a director of the Corporation other than on account of any act of (i) fraud or intentional misrepresentation or (ii) embezzlement, misappropriation or conversion of assets or opportunities of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation.

4. Time and Manner of Exercise of Option

Each vested option may be exercised in whole or in part at any time and from time to time; provided, however, that no fewer than 100 Shares (or the remaining Shares then purchasable under the option, if less than 100 Shares) may be purchased upon any exercise of options rights hereunder and that only whole Shares will be issued pursuant to the exercise of any option.

Any vested option may be exercised by giving written notice, signed by the person exercising the option, to the Corporation stating the number of Shares with respect to which the option is being exercised, accompanied by (i) payment in full for such Shares, which payment may be in whole or in part (A) in cash or by check or (B) in shares of Common Stock already owned by the person exercising the option or (ii) an election to pay in full for such Shares by having the Corporation withhold shares of Common Stock otherwise issuable to such person as a result of the exercise of such option ("cashless exercise"). Shares of common Stock so delivered or withheld shall be valued at fair market value at the time of such exercise.

5. Terms of Options

Each option shall expire ten (10) years from the date of the granting thereof, but shall be subject to earlier termination in the event that an optionee ceases to be a director of the Corporation for any reason other than the retirement, death or disability of the optionee or upon a Change of Control. Upon the retirement or disability of the optionee or upon a Change of Control, the vested options granted to such optionee may be exercised by him or her only within thirty-six months after the date such optionee ceases to be a director of the Corporation. Upon the death of the optionee prior to retirement or disability or a Change of Control, the vested options granted to such optionee may be exercised only within twelve months thereafter. In the event of the death of an optionee, whether during the optionee's service as a director or during the period referred to in the second preceding sentence, the vested options granted to such optionee shall be exercisable by the legal representatives or the estate of such optionee, by any such person or persons whom the optionee shall have designated in writing on forms prescribed by and filed with the Corporation or, if no such designation has been made, by the person or persons to whom the optionee's rights have passed by will or the laws of descent and distribution.

6. Transferability

During an optionee's lifetime, a vested option may be exercised only by the optionee. Options granted under the Plan and the rights and privileges conferred thereby shall not be subject to execution, attachment or similar process and may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent and distribution except that, to the extent permitted by applicable law and Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), a recipient of an option may designate in writing during the optionee's lifetime a beneficiary to receive and exercise options in the event of the optionee's death (as provided in Section 5). Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of any option under the Plan or of any right or privilege conferred thereby, contrary to the provisions of the Plan, or the sale or levy or any attachment or similar process upon the rights and privileges conferred hereby, shall be null and void.

7. Participant's or successor's Rights as Stockholder

Neither the recipient of an option under the Plan nor the optionee's successor(s) in interest shall have any rights as a stockholder of the Corporation with respect to any Shares subject to an option granted to such person until such person becomes a holder of record of such Shares.

8. Limitation as to Directorship

Neither the Plan nor the granting of an option nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that an optionee has a right to continue as a director for any period of time or at any particular rate of compensation.

9. Regulatory Approval and Compliance

The Corporation shall not be required to issue any certificate or certificates for Shares upon the exercise of an option granted under the Plan, or record as a holder of record of Shares the name of the individual exercising an option under the Plan, without obtaining to the complete satisfaction of the Plan Administrator the approval of all regulatory bodies deemed necessary by the Plan Administrator, and without complying, to the Plan Administrator's complete satisfaction, with all rules and regulations under Federal, state or local law deemed applicable by the Plan Administrator.

10. Withholding

Whenever the Corporation proposes or is required to issue or transfer shares of Common Stock under the Plan, the Corporation shall have the right to require the holder to pay an amount in cash or to retain or sell without notice, or demand surrender of, shares of Common Stock in value sufficient to satisfy and Federal, state or local withholding tax liability ("Withholding Tax") prior to the delivery of any certificate for such shares (or remainder of shares if Common Stock is retained to satisfy such tax liability). Whenever under the Plan payments are to be made in cash, such payments shall be net of an amount sufficient to satisfy any Federal, state or local withholding tax liability.

Whenever Common Stock is so retained or surrendered to satisfy Withholding Tax, the value of shares of Common Stock so retained or surrendered shall be the fair market value on the date that the amount of the Withholding tax is to be determined, and the value of shares of Common Stock so sold shall be the actual net proceeds (after deduction of commissions) received by the Corporation from such sale.

ARTICLE VI

CAPITAL ADJUSTMENTS

The aggregate number and class of Shares for which options may be granted under the Plan, the number and class of Shares covered by each Election Grant, the Annual Grant and the One-Time Grant and each outstanding option and the exercise price per Share thereof (but not the total price) shall all be appropriately adjusted by the Plan Administrator for any stock dividends, stock splits, recapitalizations, combinations, exchanges of shares, mergers, consolidation, liquidations, split-ups, split-offs, spin-offs, or other similar changes in capitalization, or any distribution to stockholders, including a rights offering, other than regular cash dividends, changes in the outstanding stock of the Corporation by reason of any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any similar capital adjustment or the payment of any stock dividend, any share repurchase at a price in excess of the market price of the Common Stock at the time such repurchase is announced or other increase or decrease in the number of such shares, provided that counsel to the Corporation has determined that such adjustment will not contravene the requirements of Rule 16b-3(c)(2)(ii) of the Exchange Act.

In the event of any adjustment in the number of Shares covered by any option, any fractional Shares resulting from such adjustment shall be disregarded and each such option shall cover only the number of full Shares resulting from such adjustment.

ARTICLE VII

EXPENSES OF THE PLAN

All costs and expenses of the adoption and administration of the Plan shall be borne by the Corporation; none of such expenses shall be charged to any optionee.

ARTICLE VII

EFFECTIVE DATE AND DURATION OF THE PLAN

The amendments to the Corporation's Stock Option Plan for Nonemployee Directors (the "Initial Plan") provided for in the Plan shall become effective upon approval of the Corporation's stockholders and shall apply to all options granted on or after the date of such approval. All grants of options under the Initial Plan shall continue to be subject to the terms of the Initial Plan. The Plan shall continue in effect until December 31, 2003, or such earlier date as it is terminated by action of the Board or the Corporation's stockholder(s), but such termination shall not affect the then outstanding terms of any options.

ARTICLE IX

TERMINATION AND AMENDMENT OF THE PLAN

The Board may amend, terminate or suspend the Plan at any time, in its sole and absolute discretion; provided, however, that (i) no amendment shall increase the number of Shares that may be issued under the Plan, other than pursuant to Article VI, without stockholder approval and (ii) to the extent required to qualify the Plan under Rule 16b-3 promulgated under Section 16(b) of the Exchange Act, no amendment may be made more than once every six (6) months.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated January 21, 1998 appearing on page 44 of Schlumberger Limited's Annual Report on Form 10-K for the year ended December 31, 1997.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

New York, New York

August 28, 1998

POWER OF ATTORNEY

Each of the undersigned, in the capacity or capacities set forth below his or her signature as a member of the Board of Directors and/or an officer of Schlumberger Limited (the "Corporation"), a Netherlands Antilles corporation, hereby appoints David S. Browning, Arthur Lindenauer and Ellen S. Summer, and each of them, the attorney or attorneys of the undersigned, with full power of substitution and revocation, for and in the name, place and stead of the undersigned to execute and file with the Securities and Exchange Commission the Form S-8 Registration Statement under the Securities Act of 1933 (or such other Form as may be required), relating to the offering of shares of capital stock of the Corporation under any of the Camco Benefit Plans (as such term is defined in that certain Agreement and Plan of Merger dated June 18, 1998 among Schlumberger Technology Corporation, Schlumberger OFS, Inc. and Camco International Inc.), and any amendment or amendments to any such Registration Statement and any agreements, consents or waivers relative thereto, and to take any and all such other action for and in the name and place and stead of the undersigned as may be necessary or desirable in connection with any such Registration Statement.

/s/ D. Euan Baird

D. Euan Baird
Director
Chairman, President and
Chief Executive Officer

/s/ William T. McCormick, Jr.

William T. McCormick, Jr.
Director

/s/ Don E. Ackerman

Don E. Ackerman
Director

/s/ Didier Primat

Didier Primat
Director

/s/ John Deutch

John Deutch
Director

/s/ Nicolas Seydoux

Nicolas Seydoux
Director

/s/ Victor E. Grijalva

Victor E. Grijalva
Director

/s/ Linda G. Stuntz

Linda G. Stuntz
Director

/s/ Denys Henderson

Denys Henderson
Director

/s/ Sven Ullring

Sven Ullring
Director

/s/ Andre Levy-Lang

Andre Levy-Lang
Director

/s/ Yoshihiko Wakumoto

Yoshihiko Wakumoto
Director

Dated: July 16, 1998
