

NATIONAL OILWELL VARCO INC  
Form DEF 14A  
March 30, 2018  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party Other than the Registrant

Check the Appropriate Box

Preliminary Proxy Statement

**Confidential for Use of the Commission only (as permitted by Rule 14a-6(e)(2)).**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12.

**National Oilwell Varco, Inc.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Persons(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14-a6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

- (2) Aggregate number of securities to which the transaction applies;
  
  
  
  
  
  
  
  
  
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined.)
  
  
  
  
  
  
  
  
  
  
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Fee paid previously with preliminary materials.

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4) Date Filed:

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**NATIONAL OILWELL VARCO, INC.**

**7909 Parkwood Circle Drive**

**Houston, Texas 77036**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held May 11, 2018**

DATE: Friday, May 11, 2018  
TIME: 10:00 a.m. (Houston time)  
PLACE: National Oilwell Varco  
7909 Parkwood Circle Dr.  
Houston, Texas 77036

**The 2018 annual meeting of stockholders ( Annual Meeting ) of National Oilwell Varco, Inc. will be held at the Company s corporate headquarters located at 7909 Parkwood Circle Drive, Houston, Texas on Friday, May 11, 2018, at 10:00 a.m. Houston time, for the following purposes:**

To elect nine directors to hold office for a one-year term;

To consider and act upon a proposal to ratify the appointment of Ernst & Young LLP as independent auditors of the Company for 2018;

To consider and act upon an advisory proposal to approve the compensation of our named executive officers;

To consider and vote on the approval of the National Oilwell Varco, Inc. 2018 Long-Term Incentive Plan; and

To consider and act upon any other matters that may properly come before the annual meeting or any postponement or adjournment thereof.

**The Board of Directors recommends that you vote FOR the election of the nine nominees for director (Proposal 1), FOR the proposal to ratify the appointment of Ernst & Young LLP as Independent Auditors of the Company for 2018 (Proposal 2), FOR the approval of the compensation of our named executive officers (Proposal 3), and FOR the proposal to approve the National Oilwell Varco, Inc. 2018 Long-Term Incentive Plan (Proposal 4).**

Beginning on or about March 30, 2018, the Company is mailing a Notice Regarding the Availability of Proxy Materials (the Notice ) to our stockholders of record as of the record date (but excluding those stockholders who have

previously requested a printed copy of our proxy materials) containing instructions on how to access the proxy materials (including our 2017 annual report) via the Internet, as well as instructions on voting shares via the Internet. The Notice also contains instructions on how to request a printed copy of the proxy materials by mail or an electronic copy of the proxy materials by email.

The Board of Directors has set March 16, 2018 as the record date for the Annual Meeting. If you were a stockholder of record at the close of business on March 16, 2018, you are entitled to vote at the Annual Meeting. A complete list of these stockholders will be available for examination at the Annual Meeting and during ordinary business hours at our offices at 7909 Parkwood Circle Drive, Houston, Texas for a period of ten days prior to the Annual Meeting.

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You are cordially invited to join us at the Annual Meeting. However, to ensure your representation, we request that you vote via the Internet using the instructions in the Notice or, if you received a printed copy of the proxy materials, return your signed proxy card at your earliest convenience, whether or not you plan to attend the Annual Meeting. You may revoke your proxy at any time if you wish to attend and vote in person.

By Order of the Board of Directors

*/s/ Craig L. Weinstock*

Craig L. Weinstock

Senior Vice President, General Counsel and Secretary

Houston, Texas

March 30, 2018

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**NATIONAL OILWELL VARCO, INC.**

**7909 Parkwood Circle Drive**

**Houston, Texas 77036**

**PROXY STATEMENT**

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

**ANNUAL MEETING:**

Date: Friday, May 11, 2018

Time: 10:00 a.m. (Houston time)

Place: National Oilwell Varco

7909 Parkwood Circle Dr.

Houston, Texas 77036

**AGENDA:**

Proposal 1: To elect nine nominees as directors of the Company for a term of one year.

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

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

Proposal 4: To approve the National Oilwell Varco, Inc. 2018 Long-Term Incentive Plan.

**The Board of Directors recommends that you vote FOR the election of the nine nominees for director (Proposal 1), FOR the proposal to**



**ratify the appointment of Ernst & Young LLP as independent auditors of the Company for 2018 (Proposal 2), FOR the approval of the compensation of our named executive officers (Proposal 3), and FOR the proposal to approve the National Oilwell Varco, Inc. 2018 Long-Term Incentive Plan (Proposal 4).**

**RECORD DATE/WHO CAN VOTE:**

All stockholders of record at the close of business on March 16, 2018 are entitled to vote (the Record Date ). The only class of securities entitled to vote at the Annual Meeting is National Oilwell Varco common stock. Holders of National Oilwell Varco common stock are entitled to one vote per share at the Annual Meeting.

**PROXIES SOLICITED BY:**

Your vote and proxy is being solicited by the Board of Directors for use at the Annual Meeting. This Proxy Statement and enclosed proxy card is being sent on behalf of the Board of Directors to all stockholders beginning on or about March 30, 2018. By completing, signing and returning your proxy card, you will authorize the persons named on the proxy card to vote your shares according to your instructions.

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**PROXIES:**

If your properly executed proxy does not indicate how you wish to vote your common stock, the persons named on the proxy card will vote FOR election of the nine nominees for director (Proposal 1), FOR the ratification of the appointment of Ernst & Young LLP as independent auditors (Proposal 2), FOR the approval of the compensation of our named executive officers (Proposal 3), and FOR the approval of the National Oilwell Varco, Inc. 2018 Long-Term Incentive Plan (Proposal 4).

**REVOKING YOUR PROXY:**

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

**QUORUM:**

As of March 16, 2018, there were 381,866,426 shares of National Oilwell Varco common stock issued and outstanding. The holders of these shares have the right to cast one vote for each share held by them. The presence, in person or by proxy, of stockholders entitled to cast at least 190,933,214 votes constitutes a quorum for adopting the proposals at the Annual Meeting. Abstentions will be included in determining the number of shares present at the meeting for the purpose of determining a quorum, as will broker non-votes. A broker non-vote occurs when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares and no instruction is given. If you have properly signed and returned your proxy card by mail, you will be considered part of the quorum, and the persons named on the proxy card will vote your shares as you have instructed them.

**VOTE REQUIRED FOR APPROVAL:**

For the proposal to elect the nine director nominees (Proposal 1), our bylaws require that each director nominee be elected by the majority of votes cast with respect to such nominee (i.e., the number of shares voted for a director nominee must exceed the number of shares voted against that nominee). For additional information regarding our majority voting policy, see page 5 of the proxy statement. You cannot abstain in the election of directors and broker non-votes are not counted. **Brokers are not permitted to vote your shares on the election of directors in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.**

Approval of the proposal to ratify the appointment of Ernst & Young LLP as independent auditors (Proposal 2), and the proposal to approve the compensation of our named executive officers (Proposal 3), will

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

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Approval of the proposal to approve the National Oilwell Varco, Inc. 2018 Long-Term Incentive Plan (Proposal 4) will require the affirmative vote of the majority of the votes cast on the proposal. An abstention will have the same effect as a vote against such proposal. **With respect to Proposal 4, brokers are not permitted to vote your shares in the absence of your specific instructions as to how to vote. Please provide your broker with voting instructions so that your vote can be counted.**

**MULTIPLE PROXY CARDS:**

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

**HOUSEHOLDING:**

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

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

**COST OF PROXY SOLICITATION:**

We have retained InvestorCom, Inc. to solicit proxies from our stockholders at an estimated fee of \$6,500, plus expenses. This fee does

not include the costs of preparing, printing, assembling, delivering and mailing the Proxy Statement. The Company will pay for the cost of soliciting proxies. Some of our directors, officers and employees may also solicit proxies personally, without any additional compensation, by telephone or mail. Proxy materials also will be furnished without cost to brokers and other nominees to forward to the beneficial owners of shares held in their names.

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**NOTICE REGARDING THE  
AVAILABILITY OF PROXY  
MATERIALS:**

This proxy statement, the accompanying notice of annual meeting of stockholders and form of proxy and our 2017 annual report are available via the Internet at:

<http://investors.nov.com/phoenix.zhtml?c=97690&p=irol-sec> and at [www.proxyvote.com](http://www.proxyvote.com).

Pursuant to United States Securities and Exchange Commission ( SEC ) rules related to the Internet availability of proxy materials, we have elected to provide access to our proxy materials on the Internet instead of mailing a printed copy of the proxy materials to each stockholder of record. Accordingly, beginning on or about March 30, 2018, we are mailing a Notice Regarding the Availability of Proxy Materials (the Notice ) to our stockholders of record as of the Record Date (but excluding those stockholders who have previously requested a printed copy of our proxy materials) in lieu of mailing the printed proxy materials. Instructions on how to access the proxy materials via the Internet, on voting shares via the Internet and on how to request a printed or electronic copy of the proxy materials may be found in the Notice. All stockholders will have the option to access our proxy materials on the websites referred to above. Stockholders will not receive printed copies of the proxy materials unless they request (or have previously requested) such form of delivery. Printed copies will be provided upon request at no charge. In addition, stockholders may request to receive future proxy materials in printed form by mail or electronically by email on an ongoing basis. A request to receive proxy materials in printed form by mail or electronically by email will remain in effect until the stockholder terminates such request. Stockholders who do not expect to attend the Annual Meeting are encouraged to vote via the Internet using the instructions on the Notice or, if you received a printed copy of the proxy materials (which includes the proxy card), by signing and returning the proxy card in the pre-paid envelope provided or by voting via the Internet or by phone using the instructions provided on the proxy card.

**Important Notice Regarding the Availability of Proxy Materials for the**

**Stockholder Meeting to Be Held on Friday, May 11, 2018.**

**The Company's 2018 Proxy Statement and the Annual Report to Stockholders for the year ended 2017 are also available at: <http://www.proxyvote.com>**

For directions to the Annual Meeting, please contact investor relations at 713-346-7500.

**PLEASE VOTE YOUR VOTE IS IMPORTANT**



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**ELECTION OF DIRECTORS**

**PROPOSAL NO. 1 ON THE PROXY CARD**

Clay C. Williams, Greg L. Armstrong, Marcela E. Donadio, Ben A. Guill, James T. Hackett, David D. Harrison, Eric L. Mattson, Melody B. Meyer and William R. Thomas are nominees for directors for a one-year term expiring at the Annual Meeting in 2019, or when their successors are elected and qualified. Each of the nominees was elected as a director at the 2017 Annual Meeting, with the exception of Ms. Meyer, who joined the Board of Directors in September 2017. We believe each of the nominees will be able to serve if elected. However, if any nominee is unable to serve, the remaining members of the Board have authority to nominate another person, elect a substitute, or reduce the size of the Board. Proxies cannot be voted for a greater number of persons than the number of nominees named.

**Vote Required for Approval**

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

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

**Key Attributes, Experience and Qualifications**

The Company believes that each member of its Board of Directors possesses the basic attributes of being a director of the Company, namely having a reputation for integrity, honesty, candor, fairness and discretion. Each director has also become knowledgeable in major aspects of the Company's business and operations, which has allowed the Board to provide better oversight functions to the Company.



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The Company considered the following factors in determining that the board member should serve on the Board:

**CLAY C. WILLIAMS, 55**

Mr. Williams has been a Director of the Company since November 2013 and Chairman of the Board since May 2014. Mr. Williams has served as the Company's Chief Executive Officer since February 2014 and as the Company's President since December 2012. Mr. Williams served as the Company's Chief Operating Officer from December 2012 until February 2014. Mr. Williams previously served as the Company's Executive Vice President from February 2009 and as the Company's Senior Vice President and Chief Financial Officer from March 2005, until December 2012. He served as Varco's Vice President and Chief Financial Officer from January 2003 until its merger with the Company on March 11, 2005. From May 2002 until January 2003, Mr. Williams served as Varco's Vice President Finance and Corporate Development. From February 2001 until May 2002, and from February 1997 until February 2000, he served as Varco's Vice President Corporate Development. Mr. Williams serves as a director of Benchmark Electronics, Inc., a company engaged in providing electronic manufacturing services in the United States and internationally.

Mr. Williams has been an officer of a publicly traded company since 1997, occupying positions of increasing importance from VP-Corporate Development, to Senior VP and CFO, to President and COO, to President and CEO. Mr. Williams has extensive experience with the Company and the oil service industry. Mr. Williams has an MBA degree from the University of Texas at Austin, as well as a Bachelor of Science degree in Civil/Geological Engineering from Princeton University. Mr. Williams has also gained valuable outside board experience from his tenure as a director of Benchmark Electronics, Inc.

**GREG L. ARMSTRONG, 59**

Mr. Armstrong has been a Director of the Company since March 2005. Mr. Armstrong served as a Director of Varco from May 20, 2004 until its merger with the Company on March 11, 2005. Since 1998, he has been the Chairman of the Board and Chief Executive Officer of Plains All American GP LLC, the general partner and controlling entity of Plains All American Pipeline, L.P., a publicly traded master limited partnership engaged in the business of marketing, gathering, transporting, terminalling and storing crude oil. In November 2017, it was announced that Mr. Armstrong plans to retire from his role at Plains All American Pipeline at the end of 2018. From 2010 to 2013, he served as Chairman of the Board and Chief Executive Officer of PAA Natural Gas Storage, L.P., a publicly traded master limited partnership engaged in the

natural gas storage business, the outstanding minority interest of which was acquired by Plains All American in 2013. Mr. Armstrong is Chairman of the National Petroleum Council and is a director and Deputy Chairman of the Federal Reserve Bank of Dallas and previously served as a director and Chairman of the Federal Reserve Bank of Dallas, Houston Branch.

Mr. Armstrong has approximately 31 years of experience being a certified public accountant (currently inactive) and eight years of experience serving as a chief financial officer. Mr. Armstrong has been an officer of a publicly traded energy company since 1981, occupying positions of increasing importance ranging from controller, to CFO, to COO and CEO. Through service in these roles, he gained extensive experience in assessing the risks associated with various energy industry cycles. He has also gained valuable outside board experience from his previous tenure as a director of BreitBurn Energy Partners.

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**MARCELA E. DONADIO, 63**

Ms. Donadio has been a Director of the Company since April 2014. She was Americas Oil & Gas Sector Leader of Ernst & Young LLP, from which she retired in March 2014. Ms. Donadio joined Ernst & Young in 1976, serving since 1989 as audit partner for multiple companies in the oil and gas industry. She held various energy industry leadership positions until being named Americas Oil & Gas Sector Leader in 2007. In that role, she was responsible for one of the firm's most significant industry groups in the US and throughout the Americas. Ms. Donadio also served as spokesperson of the firm on business and industry issues affecting energy companies, including those relevant to accounting standards. Ms. Donadio also serves as a director of Marathon Oil Corporation, an energy company, and Norfolk Southern Corporation, a transportation company.

Ms. Donadio provides valuable service and experience to the Audit Committee, due to her 37 years of audit and public accounting experience with a specialization in domestic and international operations in all segments of the energy industry. Ms. Donadio has in-depth experience on numerous audit engagements of global energy companies conducted in compliance with the Sarbanes-Oxley Act and under the financial reporting requirements of the SEC. Ms. Donadio earned a Bachelor of Science degree in Accounting from Louisiana State University and is a licensed certified public accountant in the State of Texas.

**BEN A. GUILL, 67**

Mr. Guill has served as a Director of the Company since 1999. He is a Managing Partner of White Deer Energy, a middle market private equity fund focused on energy investments. Until April 2007, he was President of First Reserve Corporation, a corporate manager of private investments focusing on the energy and energy-related sectors, which he joined in September 1998. Prior to joining First Reserve, Mr. Guill was the Managing Director and Co-head of Investment Banking of Simmons & Company International, an investment-banking firm specializing in the oil service industry.

Mr. Guill has an MBA degree and 22 years of experience in investment banking and 16 years of experience in private equity. Mr. Guill also served as president of a private investment firm focused on the energy sector. Mr. Guill has over 35 years of experience in the energy industry as an investment banker and private equity investor. Mr. Guill has also gained valuable outside

board experience from his previous tenures as a director of: Emerald Oil, Inc., Dresser, Inc., Quanta Services, Inc., T-3 Energy Services, Inc., Chart Industries, Inc. and the general partner of Cheniere Energy Partners, L.P.

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**JAMES T. HACKETT, 64**

Mr. Hackett has been a Director of the Company since April 2016. Mr. Hackett is currently serving as the Executive Chairman of Alta Mesa Resources and Chief Operating Officer of Kingfisher Midstream, a wholly owned affiliate of Alta Mesa Resources focused on gathering, processing, marketing and transportation of hydrocarbons. Mr. Hackett is also a Partner at Riverstone Holdings, LLC, an energy focused private investment firm, based in New York, which he joined in 2013. Prior to joining Riverstone Holdings, LLC in 2013, Mr. Hackett served as the Chairman of the Board from 2006 to 2013 and the Chief Executive Officer from 2003 to 2012 of Anadarko Petroleum Corporation. Before joining Anadarko, Mr. Hackett served as President and Chief Operating Officer of Devon Energy Corporation, following its merger with Ocean Energy, where he had served as Chairman, President, and Chief Executive Officer. Mr. Hackett has held senior positions at Seagull, Duke Energy, and Pan Energy. He also held positions in engineering, finance and marketing with NGC Corp., Burlington Resources, and Amoco Oil Corp. Mr. Hackett also serves as a director of Enterprise Products Holdings, LLC and Fluor Corporation.

Mr. Hackett provides valuable service and experience to the Audit Committee, due to his four years of experience in private equity and over 38 in the energy industry. Through the various leadership positions, he has held with several publicly traded energy companies, Mr. Hackett has gained valuable knowledge of the oil and gas industry and extensive experience in assessing the risks associated with various energy industry cycles. Mr. Hackett received a Bachelor of Science degree from the University of Illinois in 1975 and an MBA from Harvard Business School in 1979. Mr. Hackett has also gained valuable outside board experience from his previous tenures as a director of: Cameron International, Anadarko Petroleum Corporation, Bunge, Ltd., Halliburton Corporation, Federal Reserve Bank of Dallas and Temple-Inland, Inc, to name a few.

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**DAVID D. HARRISON, 70**

Mr. Harrison has been a Director of the Company since August 2003. He has served as Executive Vice President and Chief Financial Officer of Pentair, Inc., a diversified manufacturer in water technologies and enclosures businesses, since February 2000 until his retirement in February 2007. He also served as Executive Vice President and Chief Financial Officer of Pentair, Inc. from 1994 to 1996. From 1972 through 1994, Mr. Harrison held various domestic and international finance positions with a combination of General Electric and Borg-Warner Chemicals. Mr. Harrison served as a director of Navistar International Corporation until his retirement from the Board in October 2012. Navistar is a holding company whose wholly owned subsidiaries produce International® brand commercial trucks, MaxxForce brand diesel engines, IC brand school buses, and Workhorse brand chassis for motor homes and step vans. Mr. Harrison also serves as a director of James Hardie Industries, a leading fiber cement technology company.

Mr. Harrison provides valuable service and experience to the Audit Committee, due to his 29 years of being a certified management accountant and 15 years of experience serving as a chief financial officer and chief accounting officer of publicly traded companies. Mr. Harrison has 45 years of continuous experience in major domestic and foreign companies in a variety of different industries. Mr. Harrison's experience outside the energy industry helps provide a different perspective for the Company. He has a bachelor's degree in accounting and an MBA degree. He has also gained valuable outside board experience from his tenure as a director of Navistar International Corporation and James Hardie Industries.

**ERIC L. MATTSON, 66**

Mr. Mattson has been a Director of the Company since March 2005. Mr. Mattson served as a Director of Varco (and its predecessor, Tuboscope Inc.) from January 1994 until its merger with the Company on March 11, 2005. Mr. Mattson is currently an investor in and serves as the EVP-Finance of Select Energy Services, Inc., a public oil service company located in Houston. On March 8, 2018, it was announced that Mr. Mattson will retire from his role at Select Energy Services, Inc. at the end of March. Mr. Mattson also served as Senior Vice President and Chief Financial Officer of VeriCenter, Inc., a private provider of managed hosting services, since 2003, until its acquisition in August 2007. From November 2002 until October 2003, Mr. Mattson worked as an independent consultant. Mr. Mattson was the Chief Financial Officer of Netrail, Inc., a private Internet backbone and broadband service provider, from September 1999 until November 2002. From July 1993 until May 1999,

Mr. Mattson served as Senior Vice President and Chief Financial Officer of Baker Hughes Incorporated, a provider of products and services to the oil, gas and process industries. Mr. Mattson also serves as a director of Rex Energy Corporation and Holly Energy Partners L.P.

Mr. Mattson has an MBA degree and 43 years of financial experience, including 24 years as a chief financial officer of four different companies. Mr. Mattson has extensive experience in the oil service business, having worked in that industry for over 34 years. He also has extensive mergers and acquisitions experience of over 34 years on a global basis. Mr. Mattson has dealt with all facets of potential risk areas for a global energy service company, as a former chief financial officer of Baker Hughes, and brings that experience and perspective to the Company.

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**MELODY B. MEYER, 60**

Ms. Meyer has been a Director of the Company since September 2017. Ms. Meyer was with Chevron for over 37 years and held various positions of increasing responsibility, including managing domestic and international operations, managing strategy and planning and leading new technology development for the organization. Ms. Meyer was the President of Chevron Asia Pacific Exploration and Production from 2011 until her retirement in 2016. Prior to that, Ms. Meyer served as the President of the Chevron Energy Technology Company from 2008 to 2011 and the Vice President of Chevron's Gulf of Mexico business unit from 2004 to 2008. Ms. Meyer also serves as a director of BP p.l.c. and AbbVie Inc.

Ms. Meyer has extensive experience in the upstream oil and gas industry, having worked in that industry for over 37 years. During her lengthy career at Chevron, Ms. Meyer had P&L responsibility for major segments of upstream exploration and production portfolios and was responsible strategy and planning, global portfolio, large capital projects.

**WILLIAM R. THOMAS, 65**

Mr. Thomas has been a Director of the Company since November 2015. Mr. Thomas has been serving as the Chairman and CEO of EOG Resources, Inc. since January 2014. Prior to that, he served as President and Chief Executive Officer from July 2013 through December 2013 and as President from September 2011 to July 2013. Mr. Thomas previously held other leadership positions at EOG Resources, Inc., including Senior Executive Vice President, Exploitation and Senior Executive Vice President, Exploration. Mr. Thomas has been with EOG Resources, Inc. and its predecessor companies since 1979.

Mr. Thomas provides valuable service and experience to the Audit Committee, due to his over three years of experience serving as a director of, and as the Chief Executive Officer of, EOG Resources, Inc. (EOG). Mr. Thomas has been with EOG and its predecessor companies for over 38 years. Through his service at EOG and various leadership positions held with EOG, he has gained valuable knowledge of the oil and gas industry and extensive experience in assessing the risks associated with various energy industry cycles. Mr. Thomas received a Bachelor of Science degree in Geology from Texas A&M University in 1975.





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**Your Board of Directors recommends that you vote FOR the election of the nine nominees for director.**

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**Table of Contents****COMMITTEES AND MEETINGS OF THE BOARD****Committees**

The Board of Directors appoints committees to help carry out its duties. The Board of Directors has the following standing committees: Audit, Compensation, and Nominating/Corporate Governance. Last year, the Board of Directors met four times and the committees met a total of 13 times. As an employee of the Company, Mr. Williams does not serve on any committees. The following table sets forth the committees of the Board of Directors and their members during 2017, as well as the number of meetings each committee held during 2017:

Director	Nominating/Corporate		
	Audit	Compensation	Governance
Clay C. Williams			
Greg L. Armstrong			
Marcela E. Donadio	M		M
Ben A. Guill		C	
James T. Hackett	M		M
David D. Harrison	C		
Eric L. Mattson		M	C
Melody B. Meyer		M	M
William R. Thomas	M	M	
Number of Meetings Held in 2017	9	2	2

C: Chair M: Member

**Attendance at Meetings**

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

**Audit Committee**

Mr. Harrison (Chair), Ms. Donadio, Mr. Hackett and Mr. Thomas are the current members of the Audit Committee. All members of this committee are independent within the meaning of the rules governing audit committees by the New York Stock Exchange, or NYSE.

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

monitor the integrity of the Company's financial statements, financial reporting processes, systems of internal controls regarding finance, and disclosure controls and procedures;

select and appoint the Company's independent auditors, pre-approve all audit and non-audit services to be provided, consistent with all applicable laws, to the Company by the Company's independent auditors, and establish the fees and other compensation to be paid to the independent auditors;

monitor the independence and performance of the Company's independent auditors and internal audit function;

establish procedures for the receipt, retention, response to and treatment of complaints, including confidential, anonymous submissions by the Company's employees, regarding accounting, internal controls, disclosure or auditing matters, and provide an avenue of communication among the independent auditors, management, the internal audit function and the Board of Directors;

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prepare an audit committee report as required by the Securities and Exchange Commission (the SEC) to be included in the Company's annual proxy statement; and

monitor the Company's compliance with legal and regulatory requirements.

A copy of the Audit Committee Charter is available on the Company's website, [www.nov.com](http://www.nov.com), under the Investor Relations/Corporate Governance section.

### ***Audit Committee Financial Expert***

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

### **Compensation Committee**

Mr. Guill (Chair), Mr. Mattson, Ms. Meyer and Mr. Thomas are the current members of the Compensation Committee. All members of the Compensation Committee are independent as defined by the applicable NYSE listing standards.

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

discharge the Board's responsibilities relating to compensation of the Company's directors and executive officers;

approve and evaluate all compensation of directors and executive officers, including salaries, bonuses, and compensation plans, policies and programs of the Company; and

administer all plans of the Company under which shares of common stock may be acquired by directors or executive officers of the Company.

A copy of the Compensation Committee Charter is available on the Company's website, [www.nov.com](http://www.nov.com), under the Investor Relations/Corporate Governance section.

***Compensation Committee Interlocks and Insider Participation.*** Mr. Guill, Mr. Mattson, Ms. Meyer and Mr. Thomas served on the Compensation Committee during 2017. None of these members is a former or current officer or employee of the Company or any of its subsidiaries, is involved in a relationship requiring disclosure as an interlocking executive officer/director, or had any relationship requiring disclosure under Item 404 of Regulation S-K.

### **Nominating/Corporate Governance Committee**

Mr. Mattson (Chair), Ms. Donadio, Mr. Hackett and Ms. Meyer are the current members of the Nominating/Corporate Governance Committee. All members of the Nominating/Corporate Governance Committee are independent as defined by the applicable NYSE listing standards.

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

ensure that the Board and its committees are appropriately constituted so that the Board and directors may effectively meet their fiduciary obligations to stockholders and the Company;

identify individuals qualified to become Board members and recommend to the Board director nominees for each annual meeting of stockholders and candidates to fill vacancies in the Board;

recommend to the Board annually the directors to be appointed to Board committees;

monitor, review, and recommend, when necessary, any changes to the Corporate Governance Guidelines;  
and

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monitor and evaluate annually the effectiveness of the Board and management of the Company, including their effectiveness in implementing the policies and principles of the Corporate Governance Guidelines. A copy of the Nominating/Corporate Governance Committee Charter is available on the Company's website, [www.nov.com](http://www.nov.com), under the Investor Relations/Corporate Governance section.

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**BOARD OF DIRECTORS**

**Director Nomination Process and Diversity Considerations**

The Nominating/Corporate Governance Committee has the responsibility of identifying candidates for election as directors, reviewing background information relating to candidates for director, and recommending to the Board of Directors nominees for directors to be submitted to stockholders for election. It is the policy of the Committee to consider director candidates recommended by stockholders. Nominees to be evaluated by the Nominating/Corporate Governance Committee are selected by the Committee from candidates recommended by multiple sources, including other directors, management, stockholders, and candidates identified by independent search firms (which firms may be paid by the Company for their services), all of whom will be evaluated based on the same criteria. As of March 16, 2018, we had not received any recommendations from stockholders for potential director candidates. All of the current nominees for director are standing members of the Board that are proposed by the entire Board for re-election. Written suggestions for nominees should be sent to the Secretary of the Company at the address listed below.

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

have a reputation for integrity, honesty, candor, fairness and discretion;

be knowledgeable, or willing to become so quickly, in the critical aspects of the Company's businesses and operations;

be experienced and skillful in serving as a competent overseer of, and trusted advisor to, the senior management of at least one substantial enterprise; and

have a range of talent, skill and expertise sufficient to provide sound and prudent guidance with respect to the full scope of the Company's operations and interests.

The Board values diversity and seeks to achieve a mix of directors that represents a diversity of viewpoints, backgrounds and experiences. The Board considers diversity in a variety of different ways and in a fairly expansive manner when identifying nominees for director. In evaluating the overall qualifications of a prospective nominee, the Nominating/Corporate Governance Committee and Board will take into account the individual's professional experience, experience in the oil and gas industry, education, skills, gender, race and other qualities and attributes that contribute to board heterogeneity.

The Nominating/Corporate Governance Committee reviews Board composition annually to ensure that the Board reflects the knowledge, experience, skills, expertise, and diversity required for the Board to fulfill its duties. If and when the need arises for the Company to add a new director to the Board, the Nominating/Corporate Governance Committee will take every reasonable step to ensure that diverse candidates (including, without limitation, women and minority candidates) are in the pool from which nominees are chosen and strive to obtain diverse candidates by searching in traditional corporate environments, as well as government, academia, and non-profit organizations.





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The following are some of the key qualifications and skills of our Board.

**Armstrong Donadio Guill Hackett Harrison Mattson Meyer Thomas Williams**

**Skills & Experience**

Operations  
International business  
Risk Management  
Financial expertise/literacy  
Strategic planning  
Oil & gas industry  
Engineering/technology  
Sales/marketing

**Background**

Age	59	63	67	64	70	66	60	65	55
Year joined Board	2005	2014	1999	2016	2003	2005	2017	2015	2013

**Independent**

Nominations of persons for election to the Board of Directors may be made at an annual or special meeting of stockholders by any stockholder entitled to vote for the election of directors at the meeting, who complies with the notice procedures set forth in Article II, Section 9 of our Amended and Restated Bylaws dated as of August 11, 2017 (the Bylaws), and who is a stockholder of record both at the time of the giving of notice provided for in Article II, Section 9 of the Bylaws and at the time of the meeting. Such nominations shall be made pursuant to timely notice in writing to our Secretary. To be timely under Article II, Section 9 of the Bylaws, a stockholder's notice must be delivered to and received by our Secretary at our principal executive offices by hand or by certified or registered mail, return receipt requested: (i) with respect to an election to be held at an annual meeting of stockholders, not less than one hundred twenty (120) days nor more than one hundred fifty (150) days prior to the first anniversary of the date on which we released our proxy materials for the preceding year's annual meeting; provided, however, that in the event the annual meeting of stockholders is to be held more than thirty (30) days before or more than thirty (30) days after the first anniversary of the date of the preceding year's annual meeting, not less than one hundred twenty (120) days prior to the date of such annual meeting or the tenth (10th) day following the public announcement of the date of such annual meeting; and (ii) with respect to an election to be held at a special meeting of stockholders, other than a request of a stockholder or stockholders pursuant to Article II, Section 4 of the Bylaws requesting that a special meeting be called to elect Directors pursuant to the requirements of that section, not later than the close of business on the tenth (10th) day following the first public announcement of the date of such special meeting. In no event shall any adjournment, rescheduling or postponement of a meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice. Article II, Section 9 of the Bylaws prescribes specific information that must be included in a stockholder's notice, eligibility requirements for the proposed nominee and other requirements for a valid nomination. With respect to our annual meeting of stockholders for 2019, a stockholder's notice to nominate a person for election as director must be received no earlier than October 31, 2018 and no later than November 30, 2018. Article II, Section 10 of the Bylaws prescribes the procedures and requirements for inclusion of a stockholder nominee in our proxy materials.

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**AUDIT COMMITTEE REPORT**

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

The Board of Directors has determined that all of the members of the Audit Committee are independent based on the guidelines set forth by the NYSE and SEC rules for the independence of Audit Committee members. The Audit Committee held nine (9) meetings in 2017, and at each regularly scheduled quarterly meeting met separately in executive session with both the internal audit vice president and the independent audit partner, without management being present.

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

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent external audit firm retained to audit the Company's financial statements. The Audit Committee has appointed Ernst & Young LLP as the Company's independent external auditor for fiscal year 2018. The Audit Committee is responsible for audit fee negotiations associated with the Company's retention of Ernst & Young LLP.

The Audit Committee discussed with Ernst & Young LLP, the Company's independent auditors, the matters required to be discussed under the applicable rules of the Public Company Accounting Oversight Board (PCAOB), which require independent auditors to communicate certain matters related to the conduct of an audit to those who have responsibility for oversight of the financial reporting process. Among the matters to be communicated to the audit committee are: (1) methods used to account for significant unusual transactions; (2) the effect of critical and significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus; (3) the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditor's conclusions regarding the reasonableness of those estimates; and (4) disagreements with management over the application of accounting principles, the basis for management's accounting estimates, and the disclosures in the financial statements. In addition, the Audit Committee reviewed with Ernst & Young their judgment as to the quality, not just the acceptability, of the Company's accounting principles.

The Audit Committee has received the written disclosures and the letter from Ernst & Young required by applicable requirements of the PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, regarding Ernst & Young's communication with the Audit Committee concerning independence, and has discussed Ernst & Young's independence with Ernst & Young.

Based on the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's 2017 Annual Report on Form 10-K.

Notwithstanding the foregoing, the Audit Committee's charter clarifies that it is not the Audit Committee's duty to conduct audits or to determine that the Company's financial statements are complete and accurate and are in

accordance with generally accepted accounting principles ( GAAP ). Management is responsible for

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the Company's financial reporting process, including its system of internal controls, and for the preparation of financial statements in accordance with GAAP. Management is also responsible for assuring compliance with laws and regulations and the Company's corporate policies, subject to the Audit Committee's oversight in the areas covered by the Audit Committee's charter. The independent auditors are responsible for expressing opinions on those financial statements and on the effectiveness of the Company's internal control over financial reporting.

**Members of the Audit Committee**

David D. Harrison, Committee Chair

Marcela E. Donadio

James T. Hackett

William R. Thomas

**Table of Contents****RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS****PROPOSAL NO. 2 ON THE PROXY CARD****Information Regarding our Independent Auditors**

The Audit Committee of the Board of Directors has reappointed Ernst & Young LLP as independent auditors for 2018. Stockholders are being asked to vote upon the ratification of the appointment. Representatives of Ernst & Young will attend the Annual Meeting, where they will be available to respond to appropriate questions and have the opportunity to make a statement if they desire.

**Vote Required for Approval**

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

**Audit Fees**

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

The following table sets forth Ernst & Young LLP's fees for services rendered during 2017 and 2016. All services provided by Ernst & Young LLP were pre-approved by the Audit Committee.

	2017	2016
	<i>(in thousands)</i>	
Audit Fees	\$ 8,841	\$ 8,812
Audit Related Fees	\$ 13	\$ 13
Tax Fees(1)	\$ 2,612	\$ 4,904
All Other Fees		
<b>Total</b>	<b>\$ 11,466</b>	<b>\$ 13,729</b>

(1)

Consists primarily of fees for compliance, planning and advice with respect to various domestic and foreign corporate tax matters.

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

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**APPROVAL OF COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS**

**PROPOSAL NO. 3 ON THE PROXY CARD**

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

**Why You Should Approve our Executive Compensation Program**

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

In the past, our stockholders have overwhelmingly approved the compensation of our named executive officers. In May 2017, our stockholders approved, on an advisory basis, the compensation of our named executive officers with approximately 97% of stockholder votes cast in favor of our say-on-pay resolution. We believe this strong result indicates general approval from our stockholders of the Company's existing approach to its compensation programs and policies.

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

**Strong Pay-for-Performance Orientation**

*Annual Incentive Plan awards are aligned with our performance:* For 2017, the Company's EBITDA performance was above the target EBITDA objective set under the 2017 annual incentive plan, therefore, the named executive officers received an incentive compensation bonus payout for 2017.

*Long-term incentives linked to shareholder value:* The Company's long-term incentive awards consist of: stock options, restricted stock and performance share awards (as used herein, the terms "performance awards" and "performance share awards" shall have the same meaning), which rewards the named executive officers for absolute stock price appreciation and relative shareholder return performance.

*Base salaries have been frozen since the downturn:* In early 2015, the CEO voluntarily reduced his base salary by \$100,000 in light of market conditions in our industry. In 2017, the Company made no adjustments to the base salary levels of its named executive officers.

**Compensation Program Has Appropriate Long-term Orientation**

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

stock awards and three-year cliff vesting for performance-based equity awards.

**Summary of Good Governance and Risk Mitigating Factors**

*Limited Bonus Payouts:* Bonus awards cannot exceed 200% of target, thus capping payouts for short-term performance.

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

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*Multiple Year Vesting of Long-Term Incentives:* Long-term incentive awards do not vest in their entirety until three years after the grant.

*CEO Pay:* CEO base salary level has generally been below the competitive peer median.

*Adoption of Executive Stock Ownership Guidelines:* The Company has stock ownership guidelines for executive officers that help align the interests of the Company's executive officers and the Company's stockholders by requiring executives to accumulate and retain a meaningful level of the Company's stock.

*Clawback Policy:* Awards of long-term equity compensation and compensation under the Company's annual cash incentive plan can be recouped by the Compensation Committee if it determines that the recipient of such award has engaged in material misconduct that requires the Company to make a restatement of its reported financial statements.

*Returns Focused Incentives:* The performance measures for the Company's Annual Incentive Plan (i.e., Adjusted EBITDA with a working capital modifier and NVA) encourage the prudent deployment of capital, the reduction of costs and inventory levels and the improvement of cash flow and working capital.

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

The following resolution will be submitted for a stockholder vote at the 2018 annual meeting:

RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the Company's named executive officers listed in the 2017 Summary Compensation Table included in the proxy statement for this meeting, as such compensation is disclosed pursuant to Item 402 of Regulation S-K in this proxy statement under the section entitled "Executive Compensation", including the compensation tables and other narrative executive compensation disclosures set forth under that section, as well as the section in the proxy statement entitled "Compensation Discussion and Analysis".

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

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



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**APPROVAL OF THE NATIONAL OILWELL VARCO, INC.**

**2018 LONG-TERM INCENTIVE PLAN**

**PROPOSAL NO. 4 ON THE PROXY CARD**

In 2005, the stockholders approved the National Oilwell Varco Long-Term Incentive Plan (the Equity Incentive Plan), which was most recently amended and restated effective May 18, 2016 to increase the number of shares available for issuance under its terms to 69,400,000, to incorporate a fungible ratio concept, to increase individual participant limits and to provide for the net exercise of options.

As of March 16, 2018, 8,839,989 shares are available for grant under the Equity Incentive Plan. The Compensation Committee of the Board of Directors and the Board itself considers this number to be inadequate to achieve the stated purpose of the Equity Incentive Plan in the future; namely, to promote the long-term financial interests of the Company by: (i) encouraging directors, officers and employees of the Company to acquire an ownership position in the Company; (ii) enhancing the ability of the Company to attract and retain directors, officers and key employees of outstanding ability; and (iii) providing directors, officers and key employees with an interest in the Company aligned with that of the Company's stockholders. As a result, the Company has decided to adopt a new National Oilwell Varco, Inc. 2018 Long-Term Incentive Plan (the 2018 Equity Plan). The 2018 Equity Plan is provided as Appendix I to this proxy statement.

As of March 16, 2018, there were 381,866,426 shares of National Oilwell Varco common stock issued and outstanding. If the 2018 Equity Plan is approved by the stockholders, then the 17,800,000 shares of our common stock that could be issued under the 2018 Equity Plan, as of March 16, 2018, would represent approximately 4.14% of the total number of shares of our common stock outstanding on a fully diluted basis as of such date. In determining this percentage, we divided the new shares requested by the common shares outstanding plus the new shares added plus the shares reserved for outstanding stock options and unvested full value awards. However, we expect in the future, to continue to grant full value awards, such as restricted stock, which count against available shares under the 2018 Equity Plan on a 2.5-to-1 basis and would reduce this dilution percentage.

Existing awards under the Equity Incentive Plan will remain in full force and effect in accordance with the plan's terms. No new awards will be made under the Equity Incentive Plan after approval of the 2018 Equity Plan by stockholders.

**Reasons for Seeking Shareholder Approval**

The 2018 Equity Plan provides for long-term compensation and incentive opportunities for directors, executives and key employees of the Company and its subsidiaries. The Board believes that the future success of the Company is dependent upon the quality and continuity of management, and that compensation programs such as stock options and restricted stock grants are important in attracting and retaining individuals of superior ability and in motivating their efforts on behalf of the Company.

Shareholder approval of the 2018 Equity Plan is required under the rules of the New York Stock Exchange applicable to the Company. If the 2018 Equity Plan is not approved, it will not go into effect. If that occurs, awards may continue to be made under the Equity Incentive Plan in accordance with its terms until the shares remaining for Awards under the Equity Incentive Plan are exhausted. The Company is also asking the stockholders to approve the 2018 Equity Plan for purposes of Section 421 of the Internal Revenue Code of 1986, as amended (the Code).

**Securities Authorized for Issuance under Equity Compensation Plans**

As of March 16, 2018, there were 30,105,408 shares reserved for issuance under the Equity Incentive Plan upon the vesting of performance awards/restricted stock grants and the exercise of existing option grants. As of March 16, 2018, there were 6,716,379 shares and 23,487,848 shares reserved for issuance under all Company equity plans (including the Equity Incentive Plan and all discontinued Company equity plans)

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upon the vesting of performance awards/restricted stock grants and the exercise of existing option grants, respectively. As of March 16, 2018, the weighted-average exercise price and the weighted-average remaining term for the Company's outstanding stock options under all Company equity plans were \$52.28 and 6.84 years, respectively.

As of March 16, 2018, there were 381,866,426 shares of National Oilwell Varco common stock issued and outstanding.

The following table sets forth information as of March 16, 2018, with respect to compensation plans under which our common stock may be issued:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding rights (b)</b>	<b>Number of securities remaining available for equity compensation plans (excluding securities reflected in column (a)) (c) (1)</b>
Equity compensation plans approved by security holders	23,417,135	\$ 52.28	8,839,989
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>23,417,135</b>	<b>\$ 52.28</b>	<b>8,839,989</b>

(1) Shares could be issued through equity instruments other than stock options, warrants or rights; however, none are anticipated during 2018.

**Vote Required for Approval**

Approval of the proposal to approve the adoption of the 2018 Equity Plan will require the affirmative vote of the majority of the votes cast on the proposal. An abstention will have the same effect as a vote against such proposal. Your shares will be voted as you specify on your proxy. If your properly executed proxy does not specify how you want your shares voted, we will vote them for the adoption of the 2018 Equity Plan.

**Description of the Plan**

The following summary describes briefly the principal features of the proposed 2018 Equity Plan, and is qualified in its entirety by reference to the full text of the proposed 2018 Equity Plan, which is provided as Appendix I to this Proxy Statement.

**General Terms**

The purpose of the 2018 Equity Plan is to promote the long-term financial interests of the Company, including its growth and performance, by encouraging directors, officers and employees of the Company and its affiliates to acquire an ownership position in the Company, by enhancing the ability of the Company to attract and retain directors, officers and key employees of outstanding ability, and by providing directors, officers and key employees with an interest in the Company aligned with that of the Company's stockholders. It is not possible to determine at this time the number of shares of Company common stock covered by options or restricted stock awards that may be granted in the future under the 2018 Equity Plan to any employee.



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### **Administration**

Generally, the 2018 Equity Plan will be administered by the Compensation Committee, which is and will be composed of independent directors of the Company. The Board will administer the 2018 Equity Plan as to awards to members of the Board. In addition, the Compensation Committee has the authority to delegate to one or more members of the Board or one or more officers of the Company the power to administer the plan as to employees, other than persons subject to Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

The Compensation Committee will have full authority, subject to the terms of the 2018 Equity Plan, to establish rules and regulations for the proper administration of the 2018 Equity Plan, to select the employees, consultants and directors to whom awards are granted, and to set the date of grant, the type of award that shall be made and the other terms of the awards.

### **Eligibility**

All employees, consultants and directors of the Company and its affiliates are eligible to participate in the 2018 Equity Plan. The selection of those employees, consultants and directors, from among those eligible, who will receive awards is within the discretion of the Compensation Committee. As of February 28, 2018, there were approximately 32,980 worldwide employees working for the Company and its affiliates who were eligible to participate in the plan. Of the approximate 32,980 worldwide employees, approximately 602 were temporary employees (the majority of which were non-US employees) and a small subset of this group may be classified by the Company as consultants. It is not possible at this time to determine the benefits or amounts that will be received by or allocated to eligible participants under the 2018 Equity Plan.

### **Term of the Plan**

The 2018 Equity Plan will terminate on May 11, 2028, after which time no additional awards may be made or options granted under the 2018 Equity Plan.

### **Number of Shares Subject to 2018 Equity Plan and Award Limits**

A total of 17,800,000 shares will be available for future grants under the 2018 Equity Plan.

In connection with the granting of an option or SAR, the number of shares available for issuance under the 2018 Equity Plan shall be reduced by the number of shares in respect of which the option or SAR is granted or denominated. For example, upon the grant of stock-settled SARs, the number of shares available for issuance shall be reduced by the full number of SARs granted, and the number of shares available for issuance shall not thereafter be increased upon the exercise of the SARs and settlement in shares, even if the actual number of shares delivered in settlement of the SARs is less than the full number of SARs exercised. In connection with the granting of an award that is not an option or SAR, the number of shares available for issuance under the 2018 Equity Plan shall be reduced by a number of shares equal to the product of (i) the number of shares in respect of which the award is granted and (ii) 2.5. However, awards that by their terms do not permit settlement in shares shall not reduce the number of shares available for issuance under the Equity Incentive Plan.

Any shares that are tendered by a participant or withheld as full or partial payment of withholding or other taxes or as payment for the exercise or conversion price of an award under the 2018 Equity Plan shall not be added back to the number of shares available for issuance under the 2018 Equity Plan.

Whenever any outstanding option or other award (or portion thereof) expires, is cancelled or forfeited or is otherwise terminated for any reason without having been exercised or payment having been made in the form of shares, the number of shares available for issuance under the 2018 Equity Plan shall be increased by the

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number of shares allocable to the expired, forfeited, cancelled or otherwise terminated option or other award (or portion thereof). To the extent that any award is forfeited, or any option or SAR terminates, expires or lapses without being exercised, the shares subject to such awards will not be counted as shares delivered under the 2018 Equity Plan.

No participant may receive awards with respect to more than 4,000,000 shares in any calendar year. The maximum amount of awards denominated in cash that may be granted to any participant during any calendar year may not exceed \$10,000,000. The maximum value for any award issued to a director during any calendar year, determined on the date of grant, may not exceed \$600,000. The limitations described in the preceding two sentences may be adjusted upon a reorganization, stock split, recapitalization or other change in the Company's capital structure.

## **Types of Awards**

The 2018 Equity Plan permits the granting of any or all of the following types of awards ( Awards ): (1) stock options, (2) restricted stock, (3) restricted stock units, (4) performance awards, (5) phantom shares, (6) stock appreciation rights, (7) stock payments, and (8) substitute awards.

### ***Stock Options***

The term of each option will be as specified by the Compensation Committee at the date of grant (but not more than ten years). The effect of the termination of an optionee's employment, consulting relationship, or membership on the Board will be specified in the Award agreement that evidences each option grant. The Compensation Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an option may vest and be exercised. The period during which an option is exercisable shall be set forth in the Award agreement. No portion of an option which is unexercisable at termination of the participant's employment or service, as applicable, shall thereafter become exercisable, except as may be otherwise provided by the Compensation Committee either in the Award agreement or by action following the grant of the option. At the election of the Compensation Committee, any option may be exercised by an optionee with a net exercise.

The option price will be determined by the Compensation Committee and will be no less than the fair market value of the shares on the date that the option is granted, except for adjustments for certain changes in the Company's common stock.

The Compensation Committee may determine the method by which the option price may be paid upon exercise, including in cash, check, other shares of Company common stock owned by the optionee, shares issuable upon option exercise, other securities or property, withholding of shares, or by a combination thereof. The 2018 Equity Plan also allows the Compensation Committee, in its discretion, to establish procedures pursuant to which an optionee may affect a cashless broker exercise of an option. No participant who is a member of the board of directors or an executive officer shall be permitted to pay the exercise price or tax withholding obligation of an option or any other Award in any method that would violate Section 13(k) of the Exchange Act.

### ***Restricted Stock***

Awards may be granted in the form of restricted stock ( Restricted Stock Award ). Restricted Stock Awards may be awarded in such numbers and at such times as the Compensation Committee may determine. Restricted Stock Awards will be subject to certain terms, conditions or restrictions, including vesting terms that may be linked to performance criteria or other specified criteria including passage of time. The Compensation Committee may, in its discretion, waive any restrictions on any outstanding Restricted Stock Award as of a date determined by the Compensation Committee. Cash dividends paid with respect to a Restricted Stock Award will not be paid during the vesting period

but shall be accrued and paid in cash at the time, and to the extent, the underlying shares of Company common stock are delivered.

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***Restricted Stock Units***

Restricted Stock Units are rights to receive shares of Company common stock, which vest over a period of time as established by the Compensation Committee and with the satisfaction of certain performance criteria or objectives. The Compensation Committee may, in its discretion, require payment or other conditions of the Participant respecting any Restricted Stock Unit. The Compensation Committee shall establish, with respect to and at the time of each Restricted Stock Unit, a period over which the award shall vest with respect to the Participant. Following the end of the vesting period for a Restricted Stock Unit (or at such other time as the applicable Restricted Stock Unit Agreement may provide), the holder of a Restricted Stock Unit shall be entitled to receive one share of Stock for each Restricted Stock Unit then becoming vested or otherwise able to be settled on such date. Cash dividend equivalents will not be paid during the vesting period but may be accrued to the extent provided for in the Restricted Stock Unit Agreement and paid in cash at the time the underlying shares of Company common stock are delivered.

A Restricted Performance Unit will terminate if the Participant does not remain continuously in the employ of the Company and its subsidiaries or does not continue to perform services as a consultant or a director for the Company and its subsidiaries at all times during the applicable vesting period, except as may be otherwise determined by the Compensation Committee. The terms and provisions of Restricted Stock Unit Agreements need not be identical.

***Performance Awards***

The Compensation Committee may, in its sole discretion, grant Performance Awards under the 2018 Equity Plan that may be paid in cash, shares of Company common stock, or a combination thereof as determined by the Compensation Committee. At the time of the grant, the Compensation Committee will establish the maximum dollar amount of each Performance Award, the performance goals which may be linked to performance criteria or other specified criteria, including passage of time, and the performance period over which the performance goals will be measured.

Performance Awards will be granted by the Compensation Committee no later than ninety days following the commencement of the performance period, will designate, in writing, the performance criteria applicable to the performance period, and establish performance goals and amounts of awards, as applicable, which may be earned for the performance period. Following the completion of the performance period, the Compensation Committee must certify in writing whether the applicable performance goals have been achieved for the performance period, and no award or portion of an award will be considered earned or vested until the Compensation Committee certifies in writing that the conditions to which the distribution, earning or vesting of such award is subject have been achieved.

If a change of control occurs during a performance period and a Participant is employed by the Company or one of its Affiliates on the date a Change of Control occurs and the Participant's employment is, within the 24 month period commencing on the effective date of such Change of Control, either involuntarily terminated by the Company or, if the Participant has an employment agreement which permits resignation for good reason the Participant resigns for good reason as defined in such employment agreement (each referred to as a Qualifying Termination), the payment level for any then outstanding Performance Awards shall be the greater of (i) the amount payable if each of the performance criteria shall be deemed to be satisfied at the target payment level, provided the Award shall be prorated based on the total number of days during the performance period prior to the date of the Employee's Qualifying Termination in relation to the total number of days during the performance period, or (ii) the amount payable based on the actual performance for each of the performance criteria through the date of the Employee's Qualifying Termination.



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### ***Phantom Shares***

Phantom Shares under the 2018 Equity Plan are awards of, or rights to receive amounts equal to, a specified number of shares of Company common stock over or following a specific period of time. Such awards may be subject to fulfillment of conditions, which may be linked to performance criteria or other specified criteria, including the passage of time, if any, as the Compensation Committee may specify.

Payment of Phantom Shares may be made in cash, Company common stock, or a combination thereof and shall be paid in a lump sum or installments, following the close of the performance period or at such later deferral date elected by the participant each as prescribed by the Compensation Committee. Any payment to be made in cash will be based on the fair market value of the Company common stock on the payment date.

### ***Stock Appreciation Rights***

The Compensation Committee may grant to employees, consultants and directors Stock Appreciation Rights ( SAR ), which consist of a right to receive amounts equal to the share appreciation in the Company's common stock over a specified period of time. The payment may be made in shares of Company common stock, cash or both. A SAR may be granted (1) in connection and simultaneously with the grant of an option, (2) with respect to a previously granted option, or (3) independent of an option.

### ***Stock Payments***

Stock Payments may be awarded in such number of shares of Company common stock and may be based upon performance criteria or other specific criteria, if any, as determined appropriate by the Compensation Committee, determined on the date such Stock Payment is made or on any date thereafter. Stock Payments may be made as part of any bonus, deferred compensation or other arrangement, in lieu of all or any portion of such compensation.

### ***Substitute Awards***

The Compensation Committee may also grant to individuals who become employees, consultants or directors of the Company or its subsidiaries in connection with a merger or other corporate transaction awards under the 2018 Equity Plan in substitution of an award such person may have held under his or her prior employer's plan. It is expected that a substitute award will have substantially the same terms as the award it replaces.

### **Dividend Treatment for Performance Based Awards**

Distributions on shares of Company common stock underlying performance awards or awards with performance criteria, including dividends and dividend equivalents, will accrue and be held by the Company without interest until the award with respect to which the distribution was made becomes vested or is forfeited and then paid to the award recipient or forfeited, as the case may be.

### **Federal Income Tax Consequences**

The following is a brief summary of the U.S. federal income tax consequences of the grant, vesting and exercise of awards under the 2018 Equity Plan. This summary is not intended to be exhaustive, and, among other things, does not describe state, local or non-United States tax consequences, or the effect of gift, estate or inheritance taxes. References to the Company in this summary mean National Oilwell Varco, Inc., or any affiliate of National Oilwell Varco, Inc. that employs or receives the services of a recipient of an award under the 2018 Equity Plan. Individuals receiving

awards under the 2018 Equity Plan should rely upon their own tax advisors for advice concerning the specific tax consequences applicable to them, including the applicability and effect of state, local and foreign tax laws.



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**Table of Contents*****Incentive Stock Options***

An optionee will not recognize any taxable income at the time of the award of an incentive stock option. In addition, an optionee will not recognize any taxable income at the time of the exercise of an incentive stock option (although taxable income may arise at the time of exercise for alternative minimum tax purposes) if the optionee has been an employee of the Company at all times beginning with the option award date and ending three months before the date of exercise (or twelve months in the case of termination of employment due to disability). If the optionee has not been so employed during that time, the optionee will be taxed as described below for non-statutory stock options. If the optionee disposes of the shares purchased through the exercise of an incentive stock option more than two years after the option was granted and more than one year after the option was exercised, then the optionee will recognize any gain or loss upon disposition of those shares as capital gain or loss. However, if the optionee disposes of the shares prior to satisfying these holding periods (known as a disqualifying disposition), the optionee will be obligated to report as taxable ordinary income for the year in which that disposition occurs the excess, with certain adjustments, of (i) the fair market value of the shares disposed of on the date of exercise over (ii) the exercise price paid for those shares. Any additional gain realized by the optionee on the disqualifying disposition would be capital gain. If the total amount realized in a disqualifying disposition is less than the exercise price of the incentive stock option, the difference would be a capital loss for the optionee. The Company will, subject to Section 162(m) of the Code, generally be entitled at the time of the disqualifying disposition to a tax deduction equal to that amount of ordinary income reported by the optionee.

***Non-Statutory Options***

An optionee will not recognize any taxable income at the time of the award of a non-statutory option. The optionee will recognize ordinary income in the year in which the optionee exercises the option equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares, and the optionee will be required at that time to satisfy the tax withholding requirements applicable to such income. Any appreciation or depreciation in the fair market value of those shares after the exercise date will generally result in a capital gain or loss to the optionee at the time he or she disposes of those shares. The Company will, subject to Section 162(m) of the Code, generally be entitled to an income tax deduction at the time of exercise equal to the amount of ordinary income recognized by the optionee at that time.

***Phantom Shares***

Phantom shares units are not subject to taxation at the time of grant, and the Company will not be entitled to a deduction at that time, assuming that the restrictions constitute a substantial risk of forfeiture for federal income tax purposes. Phantom shares settled in cash generally result in taxable income to the Participant and, subject to Section 162(m) of the Code, a compensation deduction by the Company at the time the cash payment is made. Phantom shares settled in shares of Company common stock generally result in taxable income to the Participant and, subject to Section 162(m) of the Code, a compensation deduction by the Company, in an amount equal to the fair market value of the shares of Company common stock on the date of the award is settled through the actual or constructive delivery of shares to the Participant. Phantom shares are subject to federal income and employment tax withholding.

***Restricted Stock Awards***

The recipient of shares of restricted stock will not recognize any taxable income at the time of the award so long as the shares of Company common stock are not transferable and are subject to a substantial risk of forfeiture. Accordingly, the Company is not entitled to a compensation deduction at that time. The recipient



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will have to report as ordinary income as and when those shares of Company common stock subsequently vest, that is, when they either become transferable or are no longer subject to a substantial risk of forfeiture, an amount equal to the excess of (i) the fair market value of the shares upon vesting over (ii) the cash consideration (if any) paid for the shares. The Company will, subject to Section 162(m) of the Code, then be entitled to a corresponding compensation deduction. All dividends and distributions (or the cash equivalent thereof) with respect to a restricted stock award paid to the employee before the risk of forfeiture lapses will also be compensation income to the Participant when paid. Notwithstanding the foregoing, the recipient of a restricted stock award may elect under Section 83(b) of the Code to be taxed at the time of grant of the restricted stock award based on the fair market value of the shares of common stock on the date of the award, in which case (1) subject to Section 162(m) of the Code, the Company will be entitled to a deduction at the same time and in the same amount, (2) dividends paid to the recipient during the period the forfeiture restrictions apply will be taxable as dividends and will not be deductible by the Company, and (3) there will be no further federal income tax consequences when the risk of forfeiture lapses. In such case, any appreciation or depreciation in the fair market value of those shares of Company common stock after grant will generally result in a capital gain or loss to the recipient at the time he or she disposes of those shares. This election must be made not later than thirty days after the grant of the restricted stock award and is irrevocable.

***Restricted Stock Units***

Restricted stock units are not subject to taxation at the time of grant, and the Company will not be entitled to a deduction at that time, assuming that the restrictions constitute a substantial risk of forfeiture for federal income tax purposes. On the date a restricted stock unit is settled through the actual or constructive delivery of shares of Company common stock to the Participant, the Participant will realize ordinary income in an amount equal to the fair market value of the shares received in settlement for the units at such time over the amount, if any, paid for the shares, and subject to Section 162(m) of the Code, the Company will be entitled to a corresponding deduction.

***Stock Appreciation Rights***

The recipient of a stock appreciation right will not recognize taxable income at the time of the award. The recipient will recognize ordinary income when the stock appreciation right is exercised in an amount equal to the excess of (i) the fair market value of the underlying shares of Company common stock on the exercise date over (ii) the base price in effect for the stock appreciation right, and the recipient will be required to satisfy the tax withholding requirements applicable to such income. The Company will, subject to Section 162(m) of the Code, generally be entitled at the time of exercise to an income tax deduction equal to the amount of ordinary income recognized by the recipient in connection with the exercise of the stock appreciation right.

***Performance Awards***

Performance Awards paid in cash generally result in taxable income to the Participant and, subject to Section 162(m) of the Code, a compensation deduction by the Company at the time the cash payment is made. Performance Awards paid in shares of Company common stock generally result in taxable income to the Participant and, subject to Section 162(m) of the Code, a compensation deduction by the Company, in an amount equal to the fair market value of the shares of Company common stock on the date of the award is settled through the actual or constructive delivery of shares to the Participant. Performance Awards are subject to federal income and employment tax withholding.

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***Deductibility of Executive Compensation***

Section 162(m) of the Internal Revenue Code places a limit of \$1,000,000 on the amount of compensation that the Company may deduct in any taxable year with respect to each covered employee within the meaning of Section 162(m) of the Internal Revenue Code.

***Prohibition on Deferred Compensation***

No award shall be deferred compensation subject to Section 409A of the Code unless and to the extent that the Compensation Committee specifically determines otherwise, and the 2018 Equity Plan and the terms and conditions of all awards shall be interpreted accordingly. The terms and conditions governing any awards that the Compensation Committee determines will be subject to Section 409A of the Code, including any rules for elective or mandatory deferral of the delivery of cash or shares pursuant thereto, shall be set forth in the applicable award agreement, and shall comply in all respects with Section 409A of the Code. Notwithstanding any provision herein to the contrary, any award issued under the 2018 Equity Plan that constitutes a deferral of compensation under a nonqualified deferred compensation plan as defined under Section 409A(d)(1) of the Code and is not specifically designated as such by the Compensation Committee shall be modified or cancelled to comply with the requirements of Section 409A of the Code, including any rules for elective or mandatory deferral of the delivery of cash or shares pursuant thereto.

**Miscellaneous**

The Compensation Committee may amend or modify the 2018 Equity Plan at any time; provided, however, that stockholder approval will be obtained for any amendment (1) to the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule, (2) to increase the number of shares available, or (3) to permit the exercise price of any outstanding option or SAR be reduced or for an underwater option or SAR to be cancelled and replaced with a new Award or cash. The Company's Corporate Governance Guidelines do not permit the repricing of options.

**Your Board of Directors recommends that you vote FOR the proposal to approve the National Oilwell Varco, Inc. 2018 Long-Term Incentive Plan.**

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**CORPORATE GOVERNANCE**

National Oilwell Varco's Board of Directors is committed to promoting transparency in reporting information about the Company, complying with the spirit as well as the literal requirements of applicable laws, rules and regulations, and corporate behavior that conforms to corporate governance standards that substantially exceed the consensus view of minimum acceptable corporate governance standards. The Board of Directors adopted Corporate Governance Guidelines which established provisions for the Board's composition and function, Board committees and committee membership, evaluation of director independence, the roles of the Chairman of the Board, the Chief Executive Officer and the Lead Director, the evaluation of the Chief Executive Officer, regular meetings of non-employee directors, board conduct and review, selection and orientation of directors, director compensation, access to management and independent advisors, and annual review of the Corporate Governance Guidelines. A copy of the Corporate Governance Guidelines is available on the Company's website, [www.nov.com](http://www.nov.com), under the Investor Relations/Corporate Governance section. The Company will furnish print copies of the Corporate Governance Guidelines, as well as its Committee charters, to interested stockholders without charge, upon request. Written requests for such copies should be addressed to: Craig L. Weinstock, Secretary, National Oilwell Varco, Inc., 7909 Parkwood Circle Drive, Houston, Texas 77036.

**Director Independence**

The Corporate Governance Guidelines address, among other things, standards for evaluating the independence of the Company's directors. The Board undertakes an annual review of director independence and considers transactions and relationships during the prior year between each director or any member of his or her immediate family and the Company and its affiliates, including those reported under "Certain Relationships and Related Transactions" in this Proxy Statement. As a result of this annual review, the Board affirmatively determined that a majority of the members of the Board of Directors are independent of the Company and its management under the standards set forth in the Corporate Governance Guidelines. The following directors were affirmed as independent: Greg L. Armstrong, Marcela E. Donadio, Ben A. Guill, James T. Hackett, David D. Harrison, Eric L. Mattson, Melody B. Meyer and William R. Thomas.

**Board Leadership**

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

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

To assist with providing independent oversight of management and the Company's strategy, the non-employee members of the Board of Directors have appointed Greg L. Armstrong, an independent director, as Lead Director. The Lead Director is responsible for: (1) developing the agenda for, and presiding over the executive sessions of, the Board's non-management directors, (2) facilitating communications between the Chairman of the Board and other members of the Board, (3) coordinating, with the Chairman, the assessment of the committee structure, organization, and charters, and evaluating the need for any changes, (4) acting as principal liaison between the non-management

directors and the Chief Executive Officer on matters dealt with in executive session, and (5) assuming such further tasks as the independent directors may determine.

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

The Board has concluded that the combined role of Chairman and Chief Executive Officer, together with an independent Lead Director having the duties described above, is in the best interest of stockholders because it provides an appropriate balance between our Chairman's ability to lead the Board and the Company and the ability of our independent directors, under the leadership of our Lead Director, to provide independent objective oversight of our management.

## **Board Role in Risk Oversight**

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

The Audit Committee serves an important role in providing risk oversight, as further detailed in its charter. One of the Audit Committee's primary duties and responsibilities is to monitor the integrity of the Company's financial statements, financial reporting processes, systems of internal controls regarding finance, and disclosure controls and procedures. The Audit Committee is also responsible for establishing procedures for the receipt, retention, response to and treatment of complaints, including confidential, anonymous submissions by the Company's employees, regarding accounting, internal controls, disclosure or auditing matters, and providing an avenue of communication among the independent auditors, management, the internal audit function and the Board. In addition, the Audit Committee monitors the Company's compliance with legal and regulatory requirements. The Company considers the Audit Committee an important part of the risk management process, and senior management works closely with the Audit Committee on these matters in managing material risks to the Company.

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

## **Risk Assessment in Compensation Programs**

Consistent with SEC disclosure requirements, the Company, its Compensation Committee and the Compensation Committee's

2008  
ASSETS

## CURRENT ASSETS

Cash		\$469	\$2,613
Accounts receivable			96 -
Inventory		8,838	8,891
<b>TOTAL CURRENT ASSETS</b>		<b>\$9,403</b>	<b>\$11,504</b>

## LIABILITIES AND STOCKHOLDERS' DEFICIT

## CURRENT LIABILITIES

Accounts payable and accrued expenses		\$21,569	\$12,176
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## STOCKHOLDERS' DEFICIT

Preferred stock, no stated value			
Authorized - 10,000,000 shares			
Issued and outstanding -0- shares	--	--	
Common stock, no par value			
Authorized - 100,000,000 shares			
Issued and outstanding - 48,300,000 shares at December 31, 2009 and 44,300,000 shares at December 31, 2008		243,454	223,454
Deficit accumulated during the development stage		( 255,620 )	( 224,126 )
<b>TOTAL STOCKHOLDERS' DEFICIT</b>		<b>( 12,166 )</b>	<b>( 672 )</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		<b>\$9,403</b>	<b>\$11,504</b>

The accompanying notes are an integral part of these financial statements.



DON MARCOS TRADING CO.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008  
AND FOR THE PERIOD FROM MAY 11, 1999 (INCEPTION) TO DECEMBER 31, 2009

	2009	2008	May 11, 1999 (Inception) To December 31, 2009
REVENUES	\$ 1,152	\$ 480	\$ 1,632
OPERATING EXPENSES	32,646	43,107	257,252
NET (LOSS)	\$ (31,494 )	\$ (42,627 )	\$ (255,620 )
NET (LOSS) PER SHARE			
Basic and diluted	\$ (.00 )	\$ (.00 )	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING			
Basic and diluted	46,984,900	40,861,096	

The accompanying notes are an integral part of these financial statements

DON MARCOS TRADING CO.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENT OF STOCKHOLDERS' EQUITY  
DECEMBER 31, 2009

	Common Stock		Deficit Accumulated During The Development Stage	Total
	Shares	Amount		
BALANCE, JANUARY 1, 2008	37,100,000	\$ 187,454	\$ ( 181,499 )	\$ 5,955
Common stock issued for cash	7,200,000	36,000	-	36,000
Net (loss) for the year ended December 31, 2008	-	-	( 42,627 )	( 42,627 )
BALANCE, DECEMBER 31, 2008	44,300,000	223,454	( 224,126 )	( 672 )
Common stock issued for cash	4,000,000	20,000	-	20,000
Net (loss) for the year ended December 31, 2009	-	-	( 31,494 )	( 31,494 )
BALANCE, DECEMBER 31, 2009	48,300,000	\$ 243,454	\$ ( 255,620 )	\$ ( 12,166 )

The accompanying notes are an integral part of these financial statements.

DON MARCOS TRADING CO.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008  
AND FOR THE PERIOD FROM MAY 11, 1999 (INCEPTION) TO DECEMBER 31, 2009

	2009	2008	May 11, 1999 (Inception) To December 31, 2009
<b>CASH FLOWS FROM</b>			
<b>OPERATING ACTIVITIES:</b>			
Net (loss)	\$(31,494 )	\$(42,627 )	\$(255,620 )
Adjustments to reconcile net (loss) to net cash (used) by operating activities:			
Common stock issued for services	-	-	3,635
Stock based compensation	-	-	45,474
Changes in operating assets and liabilities:			
Accounts receivable	( 96 )	-	( 96 )
Inventory	53	( 4,636 )	( 8,838 )
Accounts payable and accrued expenses	9,393	2,710	21,569
<b>NET CASH (USED) IN</b>			
<b>OPERATING ACTIVITIES</b>	( 22,144 )	( 44,553 )	( 193,876 )
<b>CASH FLOWS FROM</b>			
<b>INVESTING ACTIVITIES</b>	-	-	-
<b>CASH FLOWS FROM</b>			
<b>FINANCING ACTIVITIES</b>			
Issuance of common stock for cash	20,000	36,000	192,000
Cash contributed by stockholder	-	-	2,345
<b>NET CASH PROVIDED BY</b>			
<b>FINANCING ACTIVITIES</b>	20,000	36,000	194,345
<b>NET INCREASE (DECREASE) IN CASH</b>			
<b>AND CASH EQUIVALENTS</b>	( 2,144 )	( 8,553 )	469
<b>CASH AND CASH EQUIVALENTS,</b>			
<b>BEGINNING OF YEAR</b>	2,613	11,166	-
<b>CASH AND CASH EQUIVALENTS,</b>			
<b>END OF YEAR</b>	\$469	\$2,613	\$469

The accompanying notes are an integral part of these financial statements.

DON MARCOS TRADING CO.  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008  
AND FOR THE PERIOD FROM MAY 11, 1999 (INCEPTION) TO DECEMBER 31, 2009

	2009	2008	May 11, 1999 (Inception) To December 31, 2009
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
<b>CASH PAID DURING THE YEAR FOR:</b>			
Interest	\$-	\$-	\$-
Taxes	\$-	\$-	\$-
<b>NON-CASH INVESTING ACTIVITIES</b>			
Stock-based compensation	\$-	\$-	\$45,474

The accompanying notes are an integral part of these financial statements

DON MARCOS TRADING CO.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and History of Company

Don Marcos Trading Co. (“the Company”) is a development stage enterprise incorporated on May 11, 1999 in the state of Florida. The Company is the sole importer and distributor of Don Marcos coffee.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Fair value of financial instruments

For certain Company instruments, including cash and accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

Net Loss Per Share

The Company adopted ASC 260 (formerly FASB 128) that requires the reporting of both basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with ASC 260 any anti-dilutive effects on net income (loss) per share are excluded.

Revenue Recognition

The Company recognizes revenue from product sales when shipment of product to the customer has been made, which is when title passes. The Company estimates and records provisions for rebates, sales returns and allowances in the period the sale is recorded. Shipping and handling charges are included in gross sales, with the related costs included in selling, general and administrative expenses.

DON MARCOS TRADING CO.

(A DEVELOPMENT STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2009 AND 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is stated at the lower of cost (determined by the first-in, first-out method) or market. Inventories are adjusted for estimated obsolescence and written down to net realizable value based upon estimates of future demand, technology developments, and market conditions.

Common Stock Issued for Non-Cash Transaction

It is the Company's policy to value stock issued for non-cash transactions, such as services, at the fair market value of the goods or services received or the consideration granted, whichever is more readily determinable, at the date the transaction is negotiated.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in ASC 740 (formerly FASB Statement No. 109) "Accounting for Income Taxes." As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Stock Based Compensation

Effective November 1, 2005, the Company adopted ASC 718 (formerly FASB 123(R) and 95), "Share-Based Payment: An Amendment of FASB using the modified prospective method. Under this method, compensation cost is recognized on or after the effective date for the portion of outstanding awards, for which the requisite service has not yet been rendered, based on the grant date fair value of those awards. For stock-based awards issued on or after November 1, 2005, the Company recognizes the compensation cost on a straight-line basis over the requisite service period for the entire award. Measurement and attribution of compensation cost for awards that are unvested as of the effective date of ASC 718 are based on the same estimate of the grant-date or modification-date fair value and the same attribution method used previously under ASC 718.

Development Stage Enterprise

The Company is a development state enterprise, as defined in ASC 915 (formerly FASB 7). The Company's planned principal operations have not commenced, and accordingly, only nominal revenue has been derived during this period.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

The FASB issued ASC subtopic 855-10 (formerly SFAS 165 “Subsequent Events”), incorporating guidance on subsequent events into authoritative accounting literature and clarifying the time following the balance sheet date which management reviewed for events and transactions that may require disclosure in the financial statements. The Company has adopted this standard. The standard increased our disclosure by requiring disclosure reviewing subsequent events. ASC 855-10 is included in the “Subsequent Events” accounting guidance.

In April 2009, the FASB issued ASC 820 (formerly Staff Position No. FAS 157-4, Determining Fair Value When Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly”). ASC 820 provides guidance on how to determine the fair value of assets and liabilities when the volume and level of activity for the asset/liability has significantly decreased. ASC 820 also provides guidance on identifying circumstances that indicate a transaction is not orderly. In addition, ASC 820 requires disclosure in interim and annual periods of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques. The Company determined that adoption of ASC 820 did not have a material impact on its results of operations and financial position.

In July 2006, the FASB issued ASC 740 (formerly Interpretation No. (“FIN”) 48, “Accounting for Uncertainty in Income Taxes”). ASC 740 sets forth a recognition threshold and valuation method to recognize and measure an income tax position taken, or expected to be taken, in a tax return. The evaluation is based on a two-step approach. The first step requires an entity to evaluate whether the tax position would “more likely than not,” based upon its technical merits, be sustained upon examination by the appropriate taxing authority. The second step requires the tax position to be measured at the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement. In addition, previously recognized benefits from tax positions that no longer meet the new criteria would no longer be recognized. The application of this Interpretation will be considered a change in accounting principle with the cumulative effect of the change recorded to the opening balance of retained earnings in the period of adoption. Adoption of this new standard did not have a material impact on our financial position, results of operations or cash flows.

In April 2008, the FASB issued ASC 815 (formerly Emerging Issues Task Force (“EITF”) 07-05, "Determining whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock"). ASC 815 applies to any freestanding financial instruments or embedded features that have the characteristics of a derivative, and to any freestanding financial instruments that are potentially settled in an entity's own common stock. ASC 815 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of this pronouncement did not have a material impact on its financial position, results of operations or cash flows.



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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 2009, the FASB issued ASC 105 Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles. The FASB Accounting Standards Codification TM (the "Codification") has become the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with Generally Accepted Accounting Principles ("GAAP"). All existing accounting standard documents are superseded by the Codification and any accounting literature not included in the Codification will not be authoritative. Rules and interpretive releases of the SEC issued under the authority of federal securities laws, however, will continue to be the source of authoritative generally accepted accounting principles for SEC registrants. Effective September 30, 2009, all references made to GAAP in our consolidated financial statements will include references to the new Codification. The Codification does not change or alter existing GAAP and, therefore, will not have an impact on our financial position, results of operations or cash flows.

In June 2009, the FASB issued changes to the consolidation guidance applicable to a variable interest entity (VIE). ASC 810, "Consolidation," amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. ASC 810 also requires enhanced disclosures about an enterprise's involvement with a VIE. ASC 810 is effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009. This will not have an impact on the Company's financial position, results of operations or cash flows.

In June 2009, the FASB issued Financial Accounting Standards Codification No. 860 - Transfers and Servicing. ASC 860 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. ASC 860 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The adoption of ASC 860 will not have an impact on the Company's financial statements.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In February 2007, FASB issued ASC 825 (formerly FASB 159), The Fair Value Option for Financial Assets and Financial Liabilities. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is expected to expand the use of fair value measurement objectives for accounting for financial instruments. This statement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of ASC 825 on its financial statements.

International Financial Reporting Standards

In November 2008, the Securities and Exchange Commission (“SEC”) issued for comment a proposed roadmap regarding potential use of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Under the proposed roadmap, the Company would be required to prepare financial statements in accordance with IFRS in fiscal year 2014, including comparative information also prepared under IFRS for fiscal 2013 and 2012. The Company is currently assessing the potential impact of IFRS on its financial statements and will continue to follow the proposed roadmap for future developments.

NOTE 2 GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business.

The Company’s development activities since inception have been financially sustained through stockholder contributions to the Company and issuance of common stock. The Company may raise additional funding to continue its operations through contributions from the current shareholders and stock issuance to other investors.

The ability of the Company to continue as a going concern is dependent upon its ability to raise additional capital from the sale of common stock and, ultimately, the achievement of significant operating revenues. The accompanying financial statements do not include any adjustments that might be required should the Company be unable to recover the value of its assets or satisfy its liabilities.

Management plans to eliminate the going concern situation which includes, but it not limited to obtaining investors to fund the working capital needs of the Company.

## DON MARCOS TRADING CO.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2009 AND 2008

## NOTE 3 INVENTORY

Inventory consists of the following for the years ended December 31, 2009 and 2008:

	2009	2008
Finished goods inventory	\$-	\$54
Materials	8,838	8,837
	\$8,838	\$8,891

## NOTE 4 PREFERRED STOCK

The Company has not assigned any preference rights to the preferred stock.  
There is no preferred stock issued as of December 31, 2009 or 2008.

## NOTE 5 COMMON STOCK

On April 1, 2008, the Company sold 2,400,000 shares of its common stock, no par value, with an aggregate value of \$12,000, to three officers of the company.

On August 4, 2008, the Company sold 4,800,000 shares of its common stock, no par value, for cash in the amount of \$24,000 to three officers of the company.

On April 13, 2009, the Company entered into Stock Purchase Agreements with certain of the Company's officers for the sale to those officers of the Company's common stock for cash as follows:

Name of Officer	Number of Common Stock Shares Purchased	Purchase Price Paid
Earl Shannon	1,000,000	\$5,000
Steven W. Hudson	1,000,000	\$5,000
Scott W. Bodenweber	1,000,000	\$5,000

Pursuant to the Stock Purchase Agreements described above, the Company sold an aggregate of 3,000,000 shares of its common stock at a price of \$0.005 per share to three accredited investors for gross proceeds of \$15,000. The Company relied on the exemption from registration relating to offerings that do not involve any public offering pursuant to Section 4(2) under the Act and/or Rule 506 of Regulation D promulgated pursuant thereto. The Company believes that the investors are "accredited investors" under Rule 501 under Regulation D of the Act and had adequate access to information about the Company.

On July 14, 2009, the Company entered into Stock Purchase Agreements with Mark Tupper, a Director of the Company, for the sale of 1,000,000 shares of common stock for cash for an aggregate value of \$5,000.



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NOTE 6            STOCK OPTIONS

The officers of the Company approved the Don Marcos Trading Co., Inc. 2007 Incentive and Nonstatutory Stock Option Plan which permits the officers to grant, for a ten year period, both stock purchase rights and stock options. The Company has reserved 5,000,000 shares of its common stock for issuance to the directors, employees and consultants under the Plan. The Plan is administered by the officers of the Company. The administrators have the authority and discretion, subject to the provisions of the Plan, to select persons to whom stock purchase rights or options will be granted, to designate the number of shares to be covered by each option or stock purchase right, to specify the type of consideration to be paid, and to establish all other terms and conditions of each option or stock purchase right. Options granted under the Plan will not have a term that exceeds ten years from date of grant. The stock subject to the Plan and issuable upon exercise of options granted under the Plan are shares of the Company's common stock, no par value, which may be restricted, or grants of options to purchase shares of common stock.

During the years ended December 31, 2009 and 2008, there were no options issued.

A summary of the option and warranty activity for the year ended December 31, 2008 follows:

	Shares Under Option	Weighted Average Exercise Price
Options outstanding at January 1, 2008	-	\$-
Issuances	5,000,000	0.005
Options outstanding at December 31, 2008	5,000,000	\$0.005

Information regarding stock options outstanding as of December 31, 2008 is as follows:

Price	\$0.005
Weighted average exercise price	\$0.005
Weighted average remaining contractual life	8 years, 1 month

A summary of the option and warranty activity for the year ended December 31, 2009 follows:

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DECEMBER 31, 2009 AND 2008

## NOTE 6 STOCK OPTIONS (CONTINUED)

	Shares Under Option	Weighted Average Exercise Price
Options outstanding at January 1, 2009	5,000,000	\$0.005
Cancelled, expired or new issuances	-	-
Options outstanding at December 31, 2009	5,000,000	\$0.005

Information regarding stock options outstanding as of December 31, 2009 is as follows:

Price	\$0.005
Weighted average exercise price	\$0.005
Weighted average remaining contractual life	7 years, 1 month

## NOTE 7 INCOME TAXES

## Provision (Benefit)

There was no income tax provision (benefit) for the years ended December 31, 2009 and 2008.

## Deferred Tax Components

Significant components of the Company's deferred tax assets are as follows at December 31, 2009:

	2009	2008
Net operating loss carryforwards	\$48,000	\$39,000
Less valuation allowance	( 48,000 )	( 39,000 )
Net deferred tax assets	\$-	\$-

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## NOTE 7 INCOME TAXES (CONTINUED)

Summary of valuation allowance:

	2009	2008
Balance, beginning of year	\$39,000	\$26,000
Increase for the year	9,000	13,000
Balance, end of year	\$48,000	\$39,000

In assessing the realizability of deferred assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

## Net Operating Loss Carryforwards

Year of Loss	2009	Expiration Date
December 31, 2007 \$	87,000	December 31, 2027
		December 31,
December 31, 2008	43,000	2028
December 31, 2009	31,000	December 31, 2029
	\$ 161,000	

## NOTE 8 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 14, 2010, the date which the financial statements were available for issue.

On April 9, 2010, the Company obtained a \$25,000 note payable from an officer of the Company. The note accrues interest at 1% and is due on October 9, 2010.