

PLEASE BE FURTHER ADVISED that pursuant to an Order of the United States District Court for the Southern District of New York entered on November 28, 2016, a hearing will be held on February 9, 2017, before The Honorable Katherine Polk Failla at 1:00 p.m. at the Thurgood Marshall United States Courthouse, 40 Foley Square, New York, NY 10007 (or such other date and time as the Court may direct) (the "Settlement Hearing"), for the purpose of finally determining: (a) whether a Stipulation of Settlement dated October 28, 2016 (the "Stipulation"), and the terms and conditions of the settlement set forth in the Stipulation (the "Settlement") are fair, reasonable and adequate to Flowserve and its shareholders, and should be finally approved by the Court; (b) whether a final judgment should be entered dismissing the Action with prejudice, releasing claims as described in the Stipulation and Settlement (the "Released Claims"), and enjoining Flowserve and its shareholders from pursuing the Released Claims; and (c) whether to approve the application of Plaintiff's counsel for an award of attorneys' fees, and for reimbursement of costs and expenses. At the Settlement Hearing the Court may hear such other matters relating to the foregoing as the Court may deem necessary and appropriate. Unless otherwise defined herein, all capitalized terms have the same meanings as set forth in the Stipulation.

The Action and Settlement involve derivative claims alleging that: (1) statements made in Flowserve's proxy statement for the May 21, 2015 Annual Meeting of Shareholders (the "2015 Proxy Statement") regarding Flowserve's cash-based and equity-based incentive compensation plans were materially false or omitted material information in violation of § 14(a) of the Securities Exchange Act, 15 U.S.C. § 78n(a) and the applicable rules and regulations promulgated thereunder; and (2) that Flowserve's directors breached their fiduciary duties and/or violated § 14(a) by granting awards to directors and certain executive officers in 2015 and 2016 under Flowserve's equity-based compensation plans and its Annual Incentive Plan because those plans had expired or were never effective.

Flowserve denies each and all claims and contentions of wrongdoing asserted directly against it in this Action. The Individual Defendants each deny each and all claims and contentions of wrongdoing with respect to the specific claims asserted against him or her in this Action.

Pursuant to the Settlement, the Defendants have agreed to take the following steps: (1) the Individual Defendants, acting as Flowserve's board of directors, will pass resolutions regarding the Flowserve 2007 Annual Incentive Plan (the "AIP"), the Flowserve 2007 Long-Term Incentive Plan (the "LTIP"), and the Flowserve Equity and Incentive Compensation Plan (the "EICP") to approve, clarify, confirm, and ratify that the AIP and the LTIP are two compensation plans that are adopted under, and have the same expiration date as, the EICP, but which are maintained separate from the EICP and pursuant to which Annual Incentive Awards and Long-Term Incentive Awards (as each

such term is defined in the EICP) may be made under and pursuant to the terms of the EICP; (2) include in Flowserve's 2017, 2018, and 2019 annual meeting proxy statements the compensation discussion and analysis will contain certain disclosures within the "Elements of the Executive Compensation Program – Overview" subsection of the CD&A and within the "Tax and Accounting Implications of Executive Compensation" subsection of the CD&A; and (3) that all proxy statements – whether annual or special – issued prior to December 31, 2019 proposing to reapprove or amend the EICP or approve a substantially similar substitute plan, the proposal shall make certain disclosures, to the extent such disclosures, in the reasonable view of management, remain relevant to such plan.

At least 28 days before the Settlement Hearing, Plaintiff's counsel will file with the Court a brief in support of the Settlement and an application for an award of attorneys' fees, and for reimbursement of costs and expenses, which amount shall not exceed \$560,000 in total (the "Fee and Expense Petition"). Any amounts awarded on the Fee and Expense Petition will be paid by Flowserve or by its insurers.

If the Court approves the Stipulation and the Settlement, it will enter a Judgment that, among other things, will provide for dismissal of the Action with prejudice, provide for a release of claims by Plaintiff, Flowserve, and its shareholders (including you if you are a Flowserve shareholder) as against Defendants for all Released Claims, as that term is defined in the Stipulation, enter an injunction barring Plaintiff, Flowserve, and its shareholders from pursuing any of the Released Claims, and direct Flowserve to pay Plaintiff's counsel the amount the Court awards on the Fee and Expense Petition.

If you own Flowserve stock, your rights will be affected by the Settlement. Full details about the Settlement are provided in a Notice of Pendency of Derivative Action, proposed Settlement of Derivative Action, and Settlement Hearing (the "Notice") that can be accessed and read on, and downloaded from, Flowserve's website at <http://www.flowserve.com>. Flowserve's website also has a copy of the Stipulation. If you have questions, you may contact Plaintiff's counsel as follows:

A. Arnold Gershon
Barrack, Rodos & Bacine
Eleven Times Square
640 Eighth Avenue
10th Floor
New York, NY 10036
(212) 688-0782

You are encouraged to review the Notice and the Stipulation.

If you are a Flowserve shareholder, you can comment on and/or object to all or any part of the Settlement or the Fee and Expense Petition. In order for the Court to consider your objections and/or comments, you need to file a notice and papers with the Court, and to submit them to counsel for the parties, on or before January 20, 2017. The Notice describes in further detail when, and to whom, your notice and papers must be submitted.

PLEASE DO NOT CONTACT THE COURT.

ENTERED BY ORDER OF THE COURT

DATED: November 30, 2016
New York, NY

HON. KATHERINE POLK FAILLA
UNITED STATES DISTRICT JUDGE

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/flowserve-posts-stein-litigation-settlement-notice-and-documentation-300375806.html>

SOURCE Flowserve