

DIAMOND OFFSHORE DRILLING INC
 Form 4
 April 05, 2016

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
BOLTON JOHN R

2. Issuer Name and Ticker or Trading Symbol
DIAMOND OFFSHORE DRILLING INC [DO]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
04/01/2016

Director 10% Owner
 Officer (give title below) Other (specify below)

15415 KATY FREEWAY, SUITE 100

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

HOUSTON, TX 77094

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)		
				(A) or (D)	Code	V	Amount	(D)	Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number of Derivative	6. Date Exercisable and Expiration Date	7. Title and Amount Underlying Securities
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Security (Instr. 3)	or Exercise Price of Derivative Security	any (Month/Day/Year)	Code (Instr. 8)	Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	(Month/Day/Year)	(Instr. 3 and 4)								
							Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Appreciation Right	\$ 21.54	04/01/2016	A	1,000	04/01/2016	04/01/2026	Common Stock							1,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BOLTON JOHN R 15415 KATY FREEWAY SUITE 100 HOUSTON, TX 77094	X			

Signatures

/s/ Terence W. Waldorf Attorney-in-Fact for John R. Bolton 04/05/2016

__Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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Counsel

(1) Salary reported for 2013 represents amounts earned by the executive officers in 2013.

(2) Represents the grant date fair value of long-term equity incentive awards under the Company's long-term incentive program computed in accordance with FASB ASC 718 "Compensation – Stock Compensation", including the impact of forfeitures. The incentive awards are granted in the form of restricted common stock, which generally vest ratably over a three-year period, and contingent performance share units. The performance criteria for the contingent performance share awards is based on the Company's average RONA over a three-year period compared to the RONA averages of the Company's applicable HPPG for the same period, as described in further detail under "—Elements of the Executive Compensation Program—Long-Term Incentives—Contingent Performance Share Awards" above. The reported value of the contingent performance awards is computed based on the grant date estimate of compensation cost to be recognized over the three-year period, which was 100%, or "target". Payout for the contingent performance awards can range from 0 shares to a maximum of 200% of target. Assumptions used in the valuations are discussed in Note 5 to the Company's audited consolidated financial

statements for the year ended December 31, 2013 in the Annual Report.

The 2013 amounts in this column represent an annual cash incentive bonus for 2013 under the Company's Annual

(3) Incentive Plan that was earned in 2013. These amounts were accrued in the Company's 2013 financial statements but were not actually paid to Messrs. Blinn, Taff, Pajonas and Dailey and Ms. O'Connor until March 2014.

(4) There were no above-market or preferential earnings with respect to any deferred compensation balances.

(5) The following table shows the components of this column for the Named Executive Officers, calculated at the aggregate incremental cost to the Company:

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Name	Retirement Plan Contributions	Insurance Premiums ^(A)	Dividends		Total
			on Restricted Stock	Other	
Mark A. Blinn	\$ 11,475	\$ 24,051	\$ 52,488	\$ 14,412 ^(B)	\$ 102,426
Michael S. Taff	11,475	19,217	28,960	1,815 ^(C)	61,467
Thomas L. Pajonas	11,475	19,481	36,377	1,728 ^(D)	69,061
Mark D. Dailey	11,475	18,232	10,677	2,315 ^(E)	42,698
Carey A. O'Connor	10,302	7,317	6,536	0	24,154

(A) *Includes annual premiums for group term life insurance, the Company's portion of annual premiums for medical, dental and vision benefits and the Company's portion of disability premiums.*

(B) *Includes \$14,412 attributable to an annual physical exam.*

(C) *Includes \$495 attributable to an annual physical exam and \$1,320 attributable to spousal travel.*

(D) *Includes \$1,728 attributable to spousal travel.*

(E) *Includes \$1,950 attributable to an annual physical exam and \$365 attributable to spousal travel.*

(6) *Calculated using a price per share of \$51.73, the closing market price of the Company's common stock as reported by the NYSE on February 7, 2013, the date of grant. Includes 47,190 shares (\$2,441,139) of restricted stock and 47,190 contingent performance units (\$2,441,139), which represents the target award. The maximum potential value of the performance award, assuming the highest level of performance conditions, is 94,380 shares, or \$4,882,277 at the date of grant.*

(7) *Mr. Taff's 2011 compensation amounts are not shown, as he was not a Named Executive Officer during that year.*

(8) *Calculated using a price per share of \$52.20, the closing market price of the Company's common stock as reported by the NYSE on February 5, 2013, the date of grant. Includes 14,010 shares (\$731,322) of restricted stock and 14,010 contingent performance units (\$731,322), which represents the target award. The maximum potential value of the performance award, assuming the highest level of performance conditions, is 28,020 shares, or \$1,462,644 at the date of grant.*

(9) *Calculated using a price per share of \$52.20, the closing market price of the Company's common stock as reported by the NYSE on February 5, 2013, the date of grant. Includes 20,430 shares (\$1,066,446) of restricted stock and 20,430 contingent performance units (\$1,066,446), which represents the target award. The maximum potential value of the performance award, assuming the highest level of performance conditions, is 40,860 shares, or \$2,132,892 at the date of grant. Also includes a one-time grant of 42,000 shares (\$2,192,400), contingent on the achievement of certain operational targets for the year ended December 31, 2015. The maximum potential value of the performance award, assuming the highest level of performance conditions, is 84,000 shares, or \$4,384,800 at the date of grant.*

(10) *Mr. Dailey's 2011 compensation amounts are not shown, as he was not a Named Executive Officer during that year.*

(11) *Calculated using a price per share of \$52.20, the closing market price of the Company's common stock as reported by the NYSE on February 5, 2013, the date of grant. Includes 9,060 shares (\$472,932) of restricted*

stock and 9,060 contingent performance units (\$472,932), which represents the target award. The maximum potential value of the performance award, assuming the highest level of performance conditions, is 18,120 shares, or \$945,864 at the date of grant.

- (12) *Ms. O'Connor's 2012 and 2011 compensation amounts are not shown, as she was not a Named Executive Officer during those years.*

- Calculated using a price per share of \$52.20, the closing market price of the Company's common stock as reported by the NYSE on February 5, 2013, the date of grant. Includes 6,000 shares (\$313,200) of restricted*
(13) *stock and 6,000 contingent performance units (\$313,200), which represents the target award. The maximum potential value of the performance award, assuming the highest level of performance conditions, is 12,000 shares, or \$626,400 at the date of grant.*

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2013 Grants of Plan-Based Awards

The following table sets forth certain information with respect to 2013 plan-based awards granted to the Named Executive Officers for the year ended December 31, 2013. All Equity and Stock Awards have been updated to reflect the Company's three-for-one stock split paid on June 31, 2013.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽¹⁾			All Other Stock Awards: Number of Shares or Units (#)	Grant Date Fair Value of Stock and Stock Option Awards (\$) ⁽²⁾
		Threshold	Target	Maximum	Threshold	Target	Maximum		
Mark A. Blinn	2/7/2013 ⁽³⁾	561,000	1,122,000	2,244,000	—	—	—	—	—
	2/7/2013	—	—	—	23,595	47,190	94,380	—	2,441,139 ⁽⁴⁾
	2/7/2013	—	—	—	—	—	—	47,190 ⁽⁵⁾	2,441,139
Michael S. Taff	2/5/2013 ⁽³⁾	189,872	379,743	759,486	—	—	—	—	—
	2/5/2013	—	—	—	7,005	14,010	28,020	—	731,322 ⁽⁴⁾
	2/5/2013	—	—	—	—	—	—	14,010 ⁽⁵⁾	731,322
Thomas L. Pajonas	2/5/2013 ⁽³⁾	266,500	533,000	1,066,000	—	—	—	—	—
	2/5/2013	—	—	—	10,215	20,430	40,860	—	1,066,446 ⁽⁴⁾
	2/5/2013	—	—	—	—	—	—	42,000 ⁽⁶⁾	2,192,400
	2/5/2013	—	—	—	—	—	—	20,430 ⁽⁵⁾	1,066,446
Mark D. Dailey	2/5/2013 ⁽³⁾	131,535	263,069	526,138	—	—	—	—	—
	2/5/2013	—	—	—	4,530	9,060	18,120	—	472,932 ⁽⁴⁾
	2/5/2013	—	—	—	—	—	—	9,060 ⁽⁵⁾	472,932
Carey A. O'Connor	2/5/2013 ⁽³⁾	97,876	195,751	391,502	—	—	—	—	—
	2/5/2013	—	—	—	3,000	6,000	12,000	—	313,200 ⁽⁴⁾
	2/5/2013	—	—	—	—	—	—	6,000 ⁽⁵⁾	313,200

The number of shares listed represents long-term equity incentive awards in the form of contingent performance share units under the Company's long-term incentive program. The performance criteria for these awards is based (1) on the Company's average RONA over the three-year period ending December 31, 2015 compared to the RONA averages of the Company's HPPG for the same period, as described in further detail under "—Elements of the Executive Compensation Program—Long-Term Incentives—Contingent Performance Share Awards" above.

(2) These amounts represent the fair value, as determined under FASB ASC Topic 718, of the stock awards based on the grant date fair value estimated by the Company for financial reporting purposes.

(3) Under the Annual Incentive Plan, the primary performance measures are internally defined metrics based on operating income and cash flow. Actual amounts payable under the Annual Incentive Plan, if payable, can range

from 50% (Threshold) to 200% (Maximum) of the target amounts for the Named Executive Officers based upon the extent to which performance under the foregoing criteria meets, exceeds or is below the target and can be further increased or decreased based on achievement of individual performance objectives. Actual payout for 2013 was 93.5% of the target amount.

Represents the fair value on the date of grant, as described in footnote (2), of the “target” award. During the performance period, as described in footnote (1), earned and unearned compensation expense is adjusted based
(4) *on changes in the expected achievement of the performance targets. As of December 31, 2013, the Company estimated vesting of, and therefore expensed, this award at 125% of the “target” award based on expected achievement of performance targets.*

(5) *The amounts shown reflect the numbers of shares of restricted common stock granted to each Named Executive Officer pursuant to the Flowserve Corporation Equity and Incentive Compensation Plan.*

Represents a one-time performance grant to Mr. Pajonas pursuant to the Flowserve Corporation Equity and
(6) *Incentive Compensation Plan contingent upon the achievement of certain operational targets for the year ended December 31, 2015. The award is subject to performance achievement and a three-year cliff vest.*

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Outstanding Equity Awards at Year-End 2013

The following table sets forth certain information with respect to outstanding equity awards as of December 31, 2013 with respect to the Named Executive Officers.

Name	Option Awards			Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested ⁽¹⁾ (\$)
	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested ⁽¹⁾ (\$)		
Mark A. Blinn	10,500	10.32	07/13/15	97,320 ⁽²⁾	7,671,736	45,802	⁽³⁾ 7,221,143
	84,261	17.42	12/14/16			54,018	⁽⁴⁾ 8,516,478
Michael S. Taff	—	—	—	55,470 ⁽⁶⁾	4,372,700	47,537	⁽⁵⁾ 7,494,683
						17,517	⁽⁵⁾ 2,761,730
Thomas L. Pajonas	—	—	—	63,180 ⁽⁷⁾	4,980,479	14,113	⁽⁴⁾ 2,225,056
						11,647	⁽³⁾ 1,836,266
Mark D. Dailey	—	—	—	19,518 ⁽⁸⁾	1,538,604	27,422	⁽⁴⁾ 4,323,353
						20,580	⁽⁵⁾ 3,244,643
Carey A. O'Connor	—	—	—	12,951 ⁽⁹⁾	1,020,927	42,309	⁽¹⁰⁾ 6,670,437
						9,600	⁽³⁾ 1,513,536
						11,250	⁽⁴⁾ 1,773,675
						9,127	⁽⁵⁾ 1,438,963
						1,641	⁽³⁾ 258,720
						2,935	⁽⁴⁾ 462,732
						6,044	⁽⁵⁾ 952,897

(1) Calculated using a price per share of 78.83, the closing market price of the Company's common stock as reported by the NYSE on December 31, 2013, the end of the Company's last completed fiscal year. The contingent performance share unit amounts include regularly declared dividends accrued on the "target" award, which will vest only to the same extent as the underlying award, if at all. Concerning all contingent performance awards, the amounts of units used in calculating the payout values assumes the highest level of performance target achievement, which would result in the target unit amounts presented in the table vesting at 200%.

(2)

Explanation of Responses:

14,790 shares vested on February 11, 2014; 17,670 shares vested on February 9, 2014; and 15,730 shares vested on February 7, 2014. Mr. Blinn's remaining shares of restricted common stock vest as follows: 17,670 shares on February 9, 2015; 15,730 shares on February 7, 2015; and 15,730 shares on February 7, 2016.

(3) *These shares represent target long-term equity incentive awards in the form of contingent performance share units under the Company's long-term incentive program, plus accrued dividend equivalents. The target set for this plan is based on the Company's average RONA over the three-year period ending December 31, 2013 as a percentage of the average RONA of the Company's HPPG for the same period. Payouts can range from 0 shares to a maximum of 200% of the shares granted. In the event of death, disability or retirement, the award payout will occur at the vesting date if the participant's termination occurs during the last year of the award's performance cycle. As of December 31, 2013, the Company estimated vesting of, and therefore expensed, these awards at 175% of the target shares presented based on expected achievement of performance targets.*

(4) *These shares represent target long-term equity incentive awards in the form of contingent performance share units under the Company's long-term incentive program, plus accrued dividend equivalents. The target set for this plan is based on the Company's average RONA over the three-year period ending December 31, 2014 as a percentage of the average RONA of the Company's HPPG for the same period. Payouts can range from 0 shares to a maximum of 200% of the target. In the event of death, disability or retirement, the award payout will occur at the vesting date if the participant's termination occurs during the last year of the award's performance cycle. As of December 31, 2013, the Company estimated vesting of, and therefore expensed, these awards at 140% of the target shares presented based on expected achievement of performance targets.*

(5) *These shares represent target long-term equity incentive awards in the form of contingent performance share units under the Company's long-term incentive program, plus accrued dividend equivalents. The target set for this plan is based on the Company's average RONA over the three-year period ending December 31, 2015 as compared to the RONA averages of the Company's HPPG members for the same period. Payouts can range from 0 shares to a maximum of 200% of the target. In the event of death, disability or retirement, the award payout will occur at the vesting date if the participant's termination occurs during the last year of the award's performance cycle. As of December 31, 2013, the Company estimated vesting of, and therefore expensed, these awards at 125% of the target shares presented based on expected achievement of performance targets.*

(6) *5,730 shares vested on February 7, 2014; and 4,670 shares vested on February 5, 2014. Mr. Taff's remaining shares of restricted common stock vest as follows: 5,730 shares on February 7, 2015; 4,670 shares on February 5, 2015; 30,000 shares on January 16, 2015; and 4,670 shares on February 5, 2016.*

(7) *3,810 shares vested on February 10, 2014; 8,970 shares vested on February 7, 2014; and 6,810 shares vested on February 5, 2014. Mr. Pajonas' remaining shares of restricted common stock vest as follows: 8,970 shares on February 7, 2015; 21,000 shares on February 7, 2015; 6,810 shares on February 5, 2015; and 6,810 shares on February 5, 2016.*

(8) *3,099 shares vested on February 10, 2014; 3,680 shares vested on February 7, 2014; and 3,020 shares vested on February 5, 2014. Mr. Dailey's remaining shares of restricted common stock vest as follows: 3,679 shares on February 7, 2015; 3,020 shares on February 5, 2015; and 3,020 shares on February 5, 2016.*

(9) *531 shares vested on February 10, 2014; 1,500 shares vested on May 19, 2014; 960 shares vested on February 7, 2014; and 2,000 shares vested on February 5, 2014. Ms. O'Connor's remaining shares of restricted common stock vest as follows: 960 shares on February 7, 2015; 3,000 shares on November 15, 2015; 2,000 shares on February 5, 2015; and 2,000 shares on February 5, 2016.*

(10) *These shares represent target long-term equity incentive awards in the form of contingent performance share units under the Company's long-term incentive program, plus accrued dividend equivalents. The targets set for*

this award are based on operating margin and sales growth during a three year period ending December 31, 2015. Payouts can range from 0 shares to a maximum of 200% of the shares granted. As of December 31, 2013, the Company estimated vesting of, and therefore expensed, these awards at 100% of the target shares presented based on expected achievement of performance targets.

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2013 Option Exercises and Stock Vested

The following table sets forth certain information with respect to stock option exercises and restricted common stock vesting during the fiscal year ended December 31, 2013 with respect to the Named Executive Officers.

Name	Option Awards	Stock Awards	Value Realized on Vesting (\$)
	Number of Shares Acquired on Exercise (#)	Number of Shares Acquired on Vesting (#) ⁽¹⁾	
Mark A. Blinn	—	134,874	7,335,322
Michael S. Taff	—	5,730	296,432
Thomas L. Pajonas	—	64,008	3,443,281
Mark D. Dailey	—	31,464	1,710,342
Carey A. O'Connor	—	6,039	327,485

(1) The number of shares reported includes shares that were forfeited during the fiscal year ended December 31, 2013 to pay for taxes upon the vesting of restricted common stock.

2013 Pension Benefits

The following table sets forth certain information as of December 31, 2013 with respect to potential payments under our pension plans for each Named Executive Officer. Please refer to “—Elements of the Executive Compensation Program—Flowserve Corporation Pension Plans” above for a narrative description of the material factors necessary to an understanding of our pension plans.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Mark A. Blinn	Qualified — Cash Balance	9.1	169,575	—
	Non-Qualified — SMRP	9.1	985,454	—
	Non-Qualified — SERP	9.1	689,373	—
Michael S. Taff	Qualified — Cash Balance	2.0	33,002	—
	Non-Qualified — SMRP	2.0	72,563	—
	Non-Qualified — SERP	2.0	71,870	—
Thomas L. Pajonas	Qualified — Cash Balance	9.7	207,868	—

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	Non-Qualified — SMRP	9.7	642,237	—
	Non-Qualified — SERP	9.7	478,915	—
Mark D. Dailey	Qualified — Cash Balance ⁽¹⁾	14.3	286,951	—
	Non-Qualified — SMRP	14.3	464,246	—
	Non-Qualified — SERP	14.3	456,411	—
Carey A. O'Connor	Qualified — Cash Balance ⁽¹⁾	11	147,630	—
	Non-Qualified — SMRP	11	52,957	—
	Non-Qualified — SERP	11	48,022	—

The Company sponsors cash balance designed pension plans for eligible employees. Each executive accumulates a notional amount derived from the plan provisions; each Named Executive Officer's account balances as of (1) December 31, 2013 are presented above. We believe that this is the best estimate of the present value of accumulated benefits.

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The following table sets forth certain information concerning the non-qualified deferred compensation plans during the fiscal year (“FY”) ended December 31, 2013 with respect to the Named Executive Officers. Please refer to “—Elements of the Executive Compensation Program—Non-Qualified Deferred Compensation Plan” above for a narrative description of the material factors necessary to an understanding of the non-qualified deferred compensation plan.

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY ⁽¹⁾ (\$)	Aggregate Withdrawals/ Distribution (\$)	Aggregate Balance at Last FYE ⁽²⁾ (\$)
<i>Mark A. Blinn</i>	—	—	—	—	—
<i>Michael S. Taff</i>	—	—	—	—	—
<i>Thomas L. Pajonas</i>	—	—	—	—	—
<i>Mark D. Dailey</i>	—	—	982,763	—	2,644,378
<i>Carey A. O’Connor</i>	—	—	—	—	—

Aggregate earnings represent the change in investment value of the non-qualified plans’ balances, plus interest earned and dividends paid or accrued on the plans’ balances, during the 2013 fiscal year. There were no
⁽¹⁾*above-market or preferential earnings with respect to the deferred compensation, and therefore none of the earnings with the respect to the deferred compensation were reported in the “Summary Compensation Table.”*

⁽²⁾*Aggregate balance represents deferred amounts from prior years and any accrued interest or dividends thereon.*

Potential Payments upon Termination or Change-In-Control

The information below describes certain compensation that would have been paid under existing plans and contractual arrangements to the Named Executive Officers in the event of a termination of such executive’s employment with the Company or change-in-control of the Company, assuming such events occurred on December 31, 2013. Amounts shown thus include amounts earned through such time and are estimates of the amounts that would have been paid out to the executives upon their termination or a change-in-control (based upon the executive’s compensation and service levels as of such date and the closing price of the Company’s common stock on December 31, 2013 of \$78.83). The actual amounts to be paid out can only be determined at the time of a change-in-control or such executive’s termination of employment with the Company. Upon any termination of employment, each of the Named Executive Officers would also be entitled to the vested amounts and contributions shown in the “2013 Pension Benefits” and “2013 Non-Qualified Deferred Compensation” tables above.

The Company also sponsors the Officer Severance Plan covering the Named Executive Officers and the CIC Plan covering the Named Executive Officers. In addition, the Company sponsors several non-qualified pension plans and equity and non-equity incentive compensation plans that provide the Named Executive Officers with additional compensation in connection with a change-in-control or termination of employment under certain circumstances. The following is a description of the compensation payable to the Named Executive Officers in connection with a

termination of employment and/or change-in-control under these arrangements and a table summarizing the estimated payouts assuming that a termination of employment and/or change-in-control occurred on December 31, 2013.

Flowserve Corporation Officer Severance Plan

All of the Named Executive Officers participated in the Company's Officer Severance Plan as of December 31, 2013, as described under "—Elements of the Executive Compensation Program" above. Under the Officer Severance Plan, the Company's officers are provided the following benefits for a termination of employment as a result of a reduction in force or if the executive is terminated without cause: (i) two years of the officer's current base salary, paid on a bi-weekly basis in accordance with the Company's regular salary payments and (ii) a lump sum payment, payable at the time annual incentive awards are paid to officers still employed by the Company, substantially equivalent to the AIP payment, at target, the officer would have otherwise received under the Company's AIP if the officer had been employed at the end of the applicable performance period and was otherwise eligible for a payment under the AIP. To the extent an affected officer has outstanding contingent performance shares or time-vested restricted common stock, the officer would also be eligible to receive (i) contingent performance shares, if any, that would otherwise vest within 180 calendar days following the termination date, and (ii) a cash payment in lieu of any time vested restricted common stock that would otherwise vest within 90 calendar days following the termination date.

In addition, in order to receive such payments, the executive must execute a release and covenant not to sue and must continue to comply with a one year non-competition and non-solicitation agreement following his or her termination of employment. No benefits are payable under the Officer Severance Plan to any officer who receives benefits under the CIC Plan. The Officer Severance Plan does not provide for any additional payments or benefits upon a termination of employment by the Company for cause, upon the executive's resignation for any reason (including "good reason" or "constructive termination") or upon the executive's death or disability.

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For purposes of the Officer Severance Plan, the term “cause” means the covered executive’s (i) willful and continued failure to perform basic job duties after written demand for substantial performance is delivered to the executive by the Board, which specifically identifies the manner in which the Board believes that the executive has not substantially performed the executive’s duties, or (ii) willful engagement in conduct materially and demonstrably injurious to the Company, monetarily or otherwise.

In addition, to protect the Company’s competitive position, each executive is required to sign an agreement with the Company that requires the executive to forfeit the proceeds from some or all of the executive’s long-term incentive awards if the executive engages in conduct that is detrimental to the Company. Detrimental conduct includes working for certain competitors, soliciting customers or employees after employment ends and disclosure of confidential information in a manner that may result in competitive harm to the Company.

Flowserve Corporation Executive Officer Change-in-Control Severance Plan

All of the Named Executive Officers participated in the Company’s CIC Plan as of December 31, 2013 as described under “—Elements of the Executive Compensation Program” above. Benefits under the CIC Plan are triggered if, within two years following a change-in-control of the Company (as defined in the CIC Plan and discussed below), the employment of the Named Executive Officer is terminated involuntarily other than for cause, death or disability, or for reasons constituting a “constructive termination.” In addition, benefits are triggered when a Named Executive Officer is terminated within the 90-day period immediately prior to a change-in-control if such termination (i) occurs after the initiation of discussions leading to such change-in-control and (ii) can be demonstrated to have occurred at the request or initiation of parties to such change-in-control.

Upon the occurrence of the change-in-control and without a requirement that the Named Executive Officer’s employment be terminated, all then-outstanding unvested equity awards (including stock options, restricted common stock and contingent performance share awards) will fully vest.

The severance benefits provided upon a termination of employment covered under the CIC Plan include:

- A target bonus or target annual incentive award in effect at the time of termination (or if higher, at the time of the change-in-control), prorated based on the number of days the Named Executive Officer was employed during the performance period.
- A lump sum cash payment equal to three times the sum of the executive’s then-current annual base salary and target bonus or other annual incentive award. For purposes of this calculation, the base salary is the highest of: (i) the highest-annualized monthly base salary during the twelve months preceding the termination; (ii) the base salary in effect on the date of termination; and (iii) the base salary in effect on the

date of the change-in-control. For purposes of this calculation, the target bonus or annual incentive award is the higher of the target bonus or annual incentive award in effect on (i) the date of termination or (ii) the date of the change-in-control.

- Payment of awards granted under the long-term incentive program and any other stock option or other stock-based long-term incentive award that have been earned and not yet paid, pursuant to the terms of the applicable plan.
- Full vesting at target of each stock option or other stock-based long-term incentive award. Named Executive Officers have 90 days following the date of employment termination to exercise vested stock options.
- Continuation of participation in the life insurance, medical, health and accident benefit plans for a period of up to three years following the date of termination.
- Calculation of benefits under the Company's defined benefit pension plan including supplemental retirement plan benefits with three years added to the executive's years of service and age for retirement purposes.
- A tax "gross-up" payment sufficient to compensate the executive for the amount of any excise tax imposed by Section 4999 of the Code and for any taxes imposed on such additional payment. This potential payment is only available to individuals who were serving as executive officers prior to January 1, 2011; payments are not available to any individuals who became or may become an executive officer and eligible to participate in the CIC Plan after this date.

The potential tax gross-up payment under the CIC Plan, while it may be substantial and may result in the Company's loss of a tax deduction of compensation expense, is only applicable in the event of a change-in-control. The potential tax gross-up payment will change from time to time based on several factors, including the executive's W-2 earnings, unvested equity value and the Company's stock price.

For purposes of the CIC Plan, "change-in-control" generally means the occurrence of any of the following events:

- any person acquires more than 30% of the Company's total voting power represented by the Company's then outstanding voting securities;
- a majority of the members of Board are replaced in any 12-month period other than in specific circumstances;
- the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation in which either (i) the holders of the Company's outstanding shares of common stock and outstanding voting securities immediately prior to such merger or consolidation receive securities possessing at least 50% of the total voting power represented by the outstanding voting securities of the surviving entity (or parent thereof) immediately after such merger or consolidation, or (ii) the officers of the Company immediately prior to such merger or consolidation constitute at least three-quarters of the officers of the surviving entity (or parent thereof) immediately after such merger or consolidation, the elected members of the Board immediately prior to such merger or consolidation constitute at least three-quarters of the board of directors of the surviving entity (or parent thereof) immediately after such merger or consolidation and the positions of Chairman of the Board, CEO and President of

the corporation resulting from merger or consolidation are held by individuals with the same positions at the Company as of immediately prior to such merger or consolidation; or

- any person acquires more than 50% of the total gross fair market value of the assets of the Company.

For purposes of the CIC Plan, the term “cause” means: (i) the willful and continued failure by a covered executive to substantially perform his duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the covered executive by the Board that specifically identifies the manner in which the Board believes that he has not substantially performed his duties, or (ii) the willful engaging by the covered executive in conduct materially and demonstrably injurious to the Company, monetarily or otherwise.

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For purposes of the CIC Plan, the term “constructive termination” generally means the occurrence of any one of the following events without the express written consent of the covered executive:

- the Company’s assignment to the covered executive of any duties inconsistent with his position, duties, responsibilities and status with the Company immediately prior to a change-in-control, or a change in the covered executive’s reporting responsibilities, titles or offices as in effect immediately prior to a change-in-control, or any removal of the covered executive from or any failure to re-elect the covered executive to any of such positions;
- a material reduction by the Company of the covered executive’s base salary;
- the relocation (without the covered executive’s consent) of the covered executive’s principal place of employment by more than 35 miles from its location immediately prior to a change-in-control;
- any other material failure of the Company to honor all the terms and provisions of the CIC Plan.

A “constructive termination” shall only occur if the covered executive provides notice to the Company of the occurrence of an event that constitutes “constructive termination” within 30 days of the initial occurrence of such event, the Company fails to cure such event within the first 30 days following the receipt of such notice, and the covered executive terminates his employment in the first 30 days following the end of the Company’s opportunity to cure.

The receipt of benefits following termination under the CIC Plan is contingent upon the covered executive executing a confidentiality and non-competition agreement and release in favor of the Company.

The Company’s supplemental pension and incentive plans for senior management contain provisions that serve to implement the provisions of the CIC Plan. Our Qualified Plan also confers competitive post-employment benefits to the executives upon a change-in-control. The additional years of credited service and additional age credit for purposes of determining an individual’s benefits under the plan compensate that individual upon his early termination from the plan.

Quantification of Potential Payments

The following table sets forth the estimated value of the potential payments to each of the Named Executive Officers, assuming the executive’s employment had terminated on December 31, 2013. For the events of termination involving a change-in-control, we assumed that the change-in-control also occurred on that date. In addition to the payments set forth in the following tables, the Named Executive Officers may receive certain payments upon their termination or a change-in-control pursuant to our Deferral Plan, Qualified Plan, SERP and SMRP. Previously vested amounts and contributions made to such plans by each Named Executive Officer are disclosed in the “2013 Non-Qualified Deferred Compensation” and “2013 Pension Benefits” tables.

Triggering Event	Compensation Component	Payout(\$)				
		Mark A. Blinn	Michael S. Taff	Thomas L. Pajonas	Mark D. Dailey	Carey A. O'Connor
Death	Life insurance benefit (1.5x base salary; third party payment)	1,530,000	813,738	999,375	657,674	489,378
	Total	1,530,000	813,738	999,375	657,674	489,378
Disability	Short-term and long-term disability benefit to age 65 (third party payment)	3,434,542	3,345,171	1,829,608	2,484,717	5,562,352
	Total	3,434,542	3,345,171	1,829,608	2,484,717	5,562,352
Termination Without Cause by the Company or For Good Reason by the Employee	Termination payment (2x base salary)	2,040,000	1,084,984	1,332,500	876,898	652,504
	Target annual incentive award	1,122,000	379,744	533,000	263,069	195,751
	Total	3,162,000	1,464,728	1,865,500	1,139,967	848,255
Change-in-Control — Employment Continues	Immediate vesting of restricted stock ⁽¹⁾	19,287,888	6,866,093	13,017,829	3,901,691	1,858,102
	Total	19,287,888	6,866,093	13,017,829	3,901,691	1,858,102
Change-in-Control — Termination Without Cause by the Company or Constructive Termination	Termination payment (3x base salary)	3,060,000	1,627,476	1,998,750	1,315,347	978,756
	Termination payment (3x target annual incentive award)	3,366,000	1,139,233	1,599,000	789,208	587,254
	Prorated target annual incentive award	1,122,000	379,744	533,000	263,069	195,751
	Immediate vesting of restricted stock ⁽¹⁾	19,287,888	6,866,093	13,017,829	3,901,691	1,858,102
	Supplemental pension benefit	1,238,203	393,875	758,915	487,098	234,053
	Health & welfare benefit	72,152	57,651	58,442	54,694	21,952
	Excise Tax and gross-up payment ⁽²⁾	6,053,599	—	4,415,155	—	—
Total	34,199,841	10,464,072	22,381,090	6,811,108	3,875,867	

(1)

Explanation of Responses:

These amounts are calculated assuming that the market price per share of the Company's common stock on the date of event was equal to the closing price of the Company's common stock on December 31, 2013 (\$78.83).

For 2013, Mr. Blinn's and Mr. Pajonas' total payments were not within the "safe harbor" amount. Mr. Dailey's total (2) payments were within the "safe harbor" amount prescribed under Section 280G of the Code and, as such, no excise tax and gross-up payment would be necessary. Mr. Taff and Ms. O'Connor began serving as executive officers after January 1, 2011 and are not eligible for an excise tax gross up payment.

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PROPOSAL TWO: ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Board is providing shareholders the opportunity to cast an advisory vote on the compensation of our Named Executive Officers. This proposal, commonly known as a “Say on Pay” proposal, gives our shareholders the opportunity to endorse or not endorse our executive compensation programs and policies and the compensation paid to our Named Executive Officers.

The Board values the opinions of the Company’s shareholders as expressed through their votes and other communications. This Say on Pay vote is advisory, meaning that it is not binding on the O&C Committee or Board. This vote will not affect any compensation already paid or awarded to any Named Executive Officer, nor will it overrule any decisions the Board has made. Nonetheless, the O&C Committee and the Board will review and carefully consider the outcome of the advisory vote on executive compensation when making future decisions regarding our executive compensation programs and policies.

We design our executive compensation programs to implement our core objectives of attracting and retaining key leaders, rewarding current performance, driving future performance and aligning the long-term interests of our executives with those of our shareholders. Shareholders are encouraged to read the Compensation Discussion and Analysis (“CD&A”) section of this proxy statement, including the “Executive Summary”. In the CD&A, we have provided shareholders with a description of our compensation programs, including the philosophy and strategy underpinning the programs, the individual elements of the compensation programs and how our compensation plans are administered.

We believe shareholders should consider the following financial performance data and compensation design elements when voting on this proposal:

Financial Performance Data

Concerning our 2013 performance: bookings were \$4.9 billion, up 3.6% over 2012; sales were \$5.0 billion, up 4.3% over 2012; operating income was \$760.3 million, up 12.5% over 2012; and fully diluted earnings per share was \$3.41, up 20.1% over 2012.

Concerning our annual incentive plan, the Operating Income performance metric was 100.6% of plan, and our Operating Cash Flows performance metric was 83.2% of plan and, when combined, appropriately resulted in an annual incentive award percentage payout of 93.5% of target, with two executive officers receiving a 20.0% increase based on individual performance ratings.

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Explanation of Responses:

The Company's average return on net assets ("RONA") for the 2011-2013 performance period was 17.3%, which represented approximately 111.1% of the three year median average RONA of the HPPG.

The Company's total shareholder return for 2011-2013, which is measured by the change in our stock price from December 31, 2010 through December 31, 2013, plus dividends paid during the period, was 105.2%, while our CEO's total compensation increased 31.9% during the same period.

Compensation Design Elements

- On average, the Named Executive Officers had 74.4% (or 84.8% in the case of the CEO) of their pay "at risk," or dependent upon both the Company's and each individual's performance.

- Maximum payout levels for the annual cash incentive award are capped at 200% of target, with formulaic positive or negative adjustment for individual performance, and the contingent performance share award payouts are capped at 200% of target, which avoids excessive total compensation and reduces the incentive to engage in unnecessarily risky behavior.

- The annual cash incentive award and the contingent performance share award have threshold payout levels, ensuring that incentive compensation is reduced or eliminated altogether if minimum performance levels are not achieved.

- Our officers are subject to equity ownership guidelines, which further encourage a long-term focus on sustainable performance and align our officers' interests with those of our shareholders.

- Our officers are prohibited from engaging in transactions designed to hedge against the value of the Company's stock.

- The Company maintains a Recoupment of Incentive Compensation Policy allowing for the "clawback" of incentive compensation in the event of a financial restatement or misconduct.

- The Company does not provide perquisites.

The Board believes that the Company's executive compensation programs use appropriate structures and sound pay practices that are effective in achieving our core objectives. Accordingly, the Board recommends that you vote in favor of the following resolution:

"RESOLVED, that the Flowserve Corporation shareholders approve, on an advisory basis, the compensation of the Company's named executive officers as described in the section of this Proxy Statement entitled 'Executive Compensation'."

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Required Vote and Recommendation

Approval of this proposal will require the affirmative vote of a majority of the votes cast in person or represented by proxy. Abstentions will not count as votes cast on this proposal. Therefore, abstentions will have no effect on the proposal. Additionally, broker non-votes will not be considered to have voted on this proposal, and therefore will have no effect on the proposal. The individuals named as proxies on the enclosed proxy card will vote your proxy “FOR” this proposal unless you instruct otherwise on the proxy or you withhold authority to vote.

The advisory vote on executive compensation is non-binding, meaning that our Board will not be obligated to take any compensation actions, or to adjust our executive compensation programs or policies, as a result of the vote. Notwithstanding the advisory nature of the vote, the resolution will be considered passed with the affirmative vote of a majority of the votes cast at the Annual Meeting.

The Board recommends that you vote “FOR” the approval of this advisory vote on Executive Compensation.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has adopted a written policy for approval of transactions between the Company and its directors, director nominees, executive officers, greater-than-5% beneficial owners and their respective immediate family members, where the amount involved in the transaction exceeds or is expected to exceed \$120,000 in a single calendar year.

The policy provides that the CG&N Committee reviews transactions subject to the policy and determines whether or not to approve or ratify those transactions. In doing so, the CG&N Committee takes into account, among other factors it deems appropriate, whether the transaction is on terms that are no less favorable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person’s interest in the transaction. In addition, the Board has delegated authority to the Chairman of the CG&N Committee to pre-approve or ratify transactions where the aggregate amount involved is expected to be less than \$1 million. A summary of any new transactions pre-approved by the Chairman is provided to the full CG&N Committee for its review in connection with each regularly scheduled CG&N Committee meeting.

The CG&N Committee has considered and adopted standing pre-approvals under the policy for limited transactions with related persons. Pre-approved transactions include:

business transactions with other companies in which a related person's only relationship is as an employee, director or

- less-than-10% beneficial owner if the amount of business falls below the thresholds in the NYSE's listing standards and the Company's director independence standards; and

charitable contributions, grants or endowments to a charitable organization where a related person is an employee if

- the aggregate amount involved does not exceed the greater of \$1 million or 2% of the organization's total annual receipts.

The CG&N Committee was not requested to and did not approve any transactions required to be reported under applicable SEC rules in 2013.

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The following table sets forth as of March 14, 2013 ownership of Company common stock by members of the Board, each Named Executive Officer of the Company listed in the "Summary Compensation Table" individually and all members of the Board and all executive officers as a group. Except pursuant to applicable community property laws and except as otherwise indicated, each shareholder identified possesses sole voting and investment power with respect to his or her shares.

Name of Beneficial Owner	Amount and nature of beneficial ownership⁽¹⁾	Percent of class
Mark A. Blinn	313,989	(2) *
Mark D. Dailey	72,480	(3) *
Gayla J. Delly	22,681	(4) *
Leif E. Darner	0	*
Roger L. Fix	43,456	(5) *
John R. Friedery	31,360	(6) *
Joe E. Harlan	20,903	(7) *
Rick J. Mills	37,577	(8) *
Carey A. O'Connor	38,511	(9) *
Thomas L. Pajonas	96,743	(10) *
Charles M. Rampacek	109,395	(11) *
David E. Roberts	9,544	(12) *
James O. Rollans	134,135	(13) *
William C. Rusnack	48,306	(14) *
Dave M. Stephens	27,076	(15) *
Michael S. Taff	65,907	
All members of the Board and officers as a group (16 individuals)	1,072,064	(16) *

* Less than 1%.

Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act and, unless otherwise indicated, represents securities for which the beneficial owner has sole voting and investment power.

(1) Any securities held in the name of and under the voting and investment power of a spouse of an executive officer or director have been excluded. For each person or group, also includes any securities that person or group has the right to acquire within 60 days pursuant to stock options under certain Company stock option and incentive plans.

(2) Includes 94,761 and 87,915 shares of common stock that Mr. Blinn has the right to acquire within 60 days pursuant to stock options and contingent performance share units, respectively.

(3) Includes 18,427 shares of common stock that Mr. Dailey has the right to acquire within 60 days pursuant to contingent performance share units. Also includes 31,740 compensational shares that have been deferred under the Deferral Plan. Mr. Dailey does not possess any voting or investment power over these deferred shares.

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- (4) Represents compensational shares that have been deferred under the director stock deferral plan and/or a Company stock plan. Ms. Delly does not possess any voting or investment power over these deferred shares.
- (5) Represents compensational shares that have been deferred under the director stock deferral plan and/or a Company stock plan. Mr. Fix does not possess any voting or investment power over these deferred shares.
- (6) Represents compensational shares that have been deferred under the director stock deferral plan and/or a Company stock plan. Mr. Friedery does not possess any voting or investment power over these deferred shares.
- (7) Represents compensational shares that have been deferred under the director stock deferral plan and/or a Company stock plan. Mr. Harlan does not possess any voting or investment power over these deferred shares.
- (8) *Represents compensational shares that have been deferred under the director stock deferral plan and/or a Company stock plan. Mr. Mills does not possess any voting or investment power over these deferred shares.*
- (9) Includes 3,150 shares of common stock that Ms. O'Connor has the right to acquire within 60 days pursuant to contingent performance share units.
- (10) Includes 22,357 shares of common stock that Mr. Pajonas has the right to acquire within 60 days pursuant to contingent performance share units.
- (11) Represents compensational shares that have been deferred under the director stock deferral plan and/or a Company stock plan. Mr. Rampacek does not possess any voting or investment power over these deferred shares.
- (12) Represents compensational shares that have been deferred under the director stock deferral plan and/or a Company stock plan. Mr. Roberts does not possess any voting or investment power over these deferred shares.
- (13) Represents compensational shares that have been deferred under the director stock deferral plan and/or a Company stock plan. Mr. Rollans does not possess any voting or investment power over these deferred shares.
- (14) Includes 46,074 compensational shares that have been deferred under the director stock deferral plan and/or a Company stock plan. Mr. Rusnack does not possess any voting or investment power over these deferred shares.
- (15) Includes 5,588 shares of common stock that Mr. Stephens has the right to acquire within 60 days pursuant to contingent performance share units.
- (16) Includes 94,761 and 137,438 shares of common stock that members of this group have the right to acquire within 60 days pursuant to stock options and contingent performance share units, respectively, under certain Company stock incentive plans. Also includes 486,865 compensational shares that have been deferred under various Company plans for which no member of the group possesses voting power.

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The following shareholders reported to the SEC that they beneficially own more than 5% of the Company's common stock. The information is presented as of March 14, 2013 and is based on stock ownership reports on Schedule 13G filed with the SEC and subsequently provided to us. We know of no other shareholder holding 5% or more of the Company's common stock.

Name and Address of Beneficial Owner	Amount and nature of beneficial ownership⁽¹⁾	Percent of class
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	11,306,033	(2) 8.1 %
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	9,843,366	(3) 7.1 %
Blackrock, Inc. 40 East 52 nd Street New York, NY 10022	7,777,239	(4) 5.6 %

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act and, unless otherwise indicated, represents securities for which the beneficial owner has sole voting and investment power.

Based on a Schedule 13G/A filed with the SEC on February 12, 2014. The filing indicates sole voting power for 4,264,025 shares, shared voting power for 0 shares, sole dispositive power for 11,306,033 shares and shared dispositive power for 0 shares. These securities are owned by various individual and institutional investors which

(2) T. Rowe Price Associates, Inc. ("Price Associates") serves as an investment advisor with power to direct investments and/or sole power to vote the securities. For the purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

Based on a Schedule 13G/A filed with the SEC on February 11, 2014. The filing indicates sole voting power for (3) 230,418 shares, shared voting power for 0 shares, sole dispositive power for 9,628,648 shares and shared dispositive power for 214,718 shares.

Based on a Schedule 13G/A filed with the SEC on January 29, 2014. The filing indicates sole voting power for (4) 6,344,012 shares, shared voting power for 0 shares, sole dispositive power for 7,777,239 shares and shared dispositive power for 0 shares.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain information about our common stock that may be issued upon the exercise of options granted under the Flowserve Equity and Incentive Compensation Plan (the "2010 Plan") and the Flowserve Corporation 2004 Stock Compensation Plan (the "2004 Plan"). No options were granted under any plan in 2013.

Explanation of Responses:

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights ⁽¹⁾	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ⁽²⁾	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column) ⁽³⁾
Equity compensation plans approved by securities holders	97,962	\$16.61	6,504,431
Equity compensation plans not approved by securities holders	—	—	—
TOTAL	97,962	\$16.61	6,504,431

(1) All shares of common stock included in this column underlie stock options awarded under the 2004 Plan.

(2) These amounts represent the weighted average exercise price for the total number of outstanding options.

(3) The shares of common stock reflected in this column include 5,676,596 shares available for issuance under the 2010 Plan. The shares of common stock reflected in this column also include 827,835 shares that were available for issuance under the 2004 Plan at December 31, 2013. This column does not reflect shares that were the subject of outstanding awards under the 2010 Plan or the 2004 Plan at December 31, 2013.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and any person beneficially owning more than 10% of the Company's common stock to file reports of ownership and any changes in ownership with the SEC. Based solely on the Company's review of reports furnished to the Company and representations provided to the Company by persons required to file reports under Section 16 of the Exchange Act, the Company's directors, executive officers and greater than ten-percent beneficial owners properly and timely complied with their Section 16(a) filing requirements during the fiscal year ended December 31, 2013.

RATIFICATION OF APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP TO PROPOSAL THREE: SERVE AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014

The Audit Committee has approved PricewaterhouseCoopers LLP ("PwC") to serve as our independent registered public accounting firm for 2014.

We are asking our shareholders to ratify the appointment of PwC as our independent registered public accounting firm. Although shareholder ratification is not required by our By-laws or otherwise, the Board is submitting this proposal for ratification because we value our shareholders' views on the Company's independent registered public accounting firm and as a matter of good corporate practice. In the event that our shareholders fail to ratify the selection, it will be considered as a direction to the Audit Committee to consider the selection of a different firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

Required Vote and Recommendation

The proposal to ratify the appointment of PwC to serve as the Company's independent registered public accounting firm for 2014 requires the affirmative vote of at least a majority of the votes cast in favor of or against this proposal. Abstentions will not count as votes cast on this proposal. Therefore, abstentions will have no effect on the proposal. Additionally, broker non-votes will not be considered to have voted on this proposal, and therefore will have no effect on the proposal. The individuals named as proxies on the enclosed proxy card will vote your proxy "FOR" ratifying the appointment of PwC unless you instruct otherwise on the proxy or unless you withhold authority to vote.

The Board recommends that you vote "FOR" the ratification of appointment of Pricewaterhousecoopers LLP to serve as our independent registered public accounting firm for 2014.

PROPOSAL FOUR: SHAREHOLDER PROPOSAL ON
CONFIDENTIAL VOTING

A shareholder has stated that its representative intends to present the following proposal at the Annual Meeting. The Company will promptly provide the name and address of the shareholder and the number of shares owned upon request directed to the Corporate Secretary. The Company is not responsible for the contents of the proposal. If properly presented at the Annual Meeting, **your Board unanimously recommends a vote AGAINST the following proposal.**

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Shareholder Resolution

Proposal 4 – Confidential Voting

Shareholders request our Board of Directors to take the steps necessary to adopt a bylaw that prior to the Annual Meeting, the outcome of votes cast by proxy on uncontested matters, including a running tally of votes for and against, shall not be available to management or the Board and shall not be used to solicit votes. This enhanced confidential voting requirement should apply to 1) management-sponsored or Board-sponsored resolutions seeking approval of executive pay or for other purposes, including votes mandated under applicable stock exchange rules; 2) proposals required by law, or the Company's Bylaws, to be put before shareholders for a vote (e.g., say-on-pay votes); and 3) Rule 14a-6 shareholder resolutions included in the proxy.

This enhanced confidential voting requirement shall not apply to elections of directors, or to contested proxy solicitations, except at the Board's discretion. Nor shall this proposal impede our Company's ability to monitor the number of votes cast to achieve a quorum, or to conduct solicitations for other proper purposes.

Management is able to monitor voting results and take steps to influence the outcome on matters where they have a direct personal stake such as ratification of stock options. As a result, a Yale Law School study concluded: "Management-sponsored proposals (the vast majority of which concern stock options or other bonus plans) are overwhelmingly more likely to win a vote by a very small amount than lose by a very small amount to a degree that cannot occur by chance."

This proposal should also be more favorably evaluated due to our Company's clearly improvable corporate governance performance as reported in 2013:

GMI Ratings, an independent investment research firm, was concerned with our executive pay.

Flowservice could give long-term incentive pay to our CEO for below-median performance. In regard to our board of directors Michael Johnston, on our nomination committee, was negatively flagged by GMI because of his service on the Visteon Corporation board when it filed for bankruptcy. Four directors had more than 15-years long-tenure which detracts from director independence: Charles Rampacek, Michael Johnston, William Rusnack and our Chairman no less, James Rollans. Mr. Johnston also served on 4 company boards which can mean that he is over-committed. 60% of audit committee members had more than 15-years tenure. Plus there were 4 CEOs on our board and 2 CEOs on our executive pay committee.

GMI said there were additional limits on shareholder rights and management-controlled takeover defense mechanisms in place at Flowserve Corporation which included:

- The board's unilateral ability to mend the company's charter without shareholder approval*
- Constituency provisions that may be invoked to deter profitable tender offers regarded as hostile by management*
- Limits on the right of shareholders to convene a special or emergency shareholder meeting*
- Limits on the right of shareholders to take action by written consent*
- The absence of cumulative voting rights*

*Returning to the core topic of this proposal from the context of our clearly improvable corporate performance, please vote to protect shareholder value: **Confidential Voting - Proposal 4:***

The Company's Opposition Statement

The Board has considered this proposal and believes it is not in the best interest of the Company or its shareholders. Additionally, the Board believes that this proposal is unnecessary because shareholders currently have the ability to vote confidentially and because the proposal aims to solve a problem our shareholders do not face.

The Company's shareholders currently have the option to vote confidentially. A portion of the Company's shareholders currently hold their shares through a nominee such as a broker or a bank. Since nominee holders cannot reveal the names of beneficial owners without their permission, these shareholders have the ability to vote confidentially. Additionally, the Company's shareholders who are record holders of stock can easily obtain confidential voting by re-registering their shares in the name of a nominee. The Company also has confidentiality safeguards currently in place throughout the voting and tabulation process. The voting and tabulation process is always conducted by independent third party election inspectors and the Board has complete confidence in the accuracy and impartiality of the results.

The Company encourages open communications with shareholders and favors transparency. The Board believes that recent regulatory changes, including "say on pay votes" and required disclosures encouraging shareholders to contact officers and directors, have encouraged open and transparent communications between shareholders, management and the Board. Secret ballots would shut down a method of communication with the Company's shareholders, and in the view of the Board would be a negative step towards closed off communications. Further, the proposal is contrary to SEC rules requiring mutual funds and other registered management investment companies to publicly disclose their voting records. Rather than encourage an emerging view of transparency, the proposal seeks to advocate the view that secrecy somehow enhances voting. To the contrary, the Board believes that openness enables the Company to better understand shareholders and their concerns.

The Company does not engage in the coercive practices the proposal addresses. The proponent's proposal implies the Company engages in coercive behavior when contacting shareholders, especially when it comes to management sponsored proposals. The Board strongly disagrees and believes that the Company's shareholder communications are undertaken in a fair manner with the goal of maintaining open lines of communication between management and shareholders. In the past several years, the Company has steadily increased its interactions with shareholders and the Company's proxy solicitations are a portion of that process. From time to time, the Company reaches out to larger institutional holders to learn more about their decision-making process when voting and to ascertain any feedback or questions they have regarding the upcoming shareholder meeting and the Company's public disclosures. The proponent is simply seeking to implement a burdensome solution for a problem that does not exist.

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The Board believes the Company's current proxy solicitation procedures encourage lawful, direct and open communication with all shareholders, while permitting confidential voting for shareholders that desire it. The Board believes the determination of whether or not to vote confidentially is best left in the hands of each individual shareholder. For these reasons, the Company believes this proposal is unnecessary and is not in the best interests of shareholders.

Required Vote and Recommendation

The approval of the shareholder resolution requires the affirmative vote of at least a majority of the votes cast in favor of or against this proposal. Abstentions will not count as votes cast on this proposal. Therefore, abstentions will have no effect on the proposal. Additionally, broker non-votes will not be considered to have voted on this proposal, and therefore will have no effect on the proposal. The individuals named as proxies on the enclosed proxy card will vote your proxy "AGAINST" approving the shareholder resolution unless you instruct otherwise on the proxy or unless you withhold authority to vote.

The Board recommends that you vote "AGAINST" the approval of the shareholder resolution.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company is comprised of five independent directors, Rick J. Mills (Chairman), Leif E. Darner, Gayla J. Delly, Charles M. Rampacek and William C. Rusnack. The Audit Committee operates under a written charter adopted by the Board. The Audit Committee met eight times in 2013.

Management has primary responsibility for the Company's internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and issuing a report on this audit. The Audit Committee's responsibility is to monitor and oversee this process, including the engagement of the independent auditors, the pre-approval of their annual audit plan and the review of their annual audit report.

In this context, the Audit Committee has met and held detailed discussions with management on the Company's consolidated financial statements. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States and that these statements fairly present the financial condition and results of operations of the Company for the period described. The Audit Committee has relied upon this representation without any independent verification, except for the work of PwC, the Company's independent registered public accounting firm. The Audit Committee also discussed these statements with PwC, both with and without management present, and has relied upon their reported opinion on

these financial statements.

The Audit Committee further discussed with PwC matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board (“PCAOB”) in Rule 3200T regarding “*Communication with Audit Committees*”. In addition, the Audit Committee received from PwC the written disclosures and letter required by applicable requirements of the PCAOB regarding PwC’s communications with the Audit Committee concerning its independence, and has discussed with PwC its independence from the Company and its management.

Based on these reviews and discussions, including the Audit Committee’s specific review with management of the Company’s Annual Report and based upon the representations of management and the report of the independent auditors to the Audit Committee, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in the Company’s Annual Report filed with the SEC.

Rick J. Mills, Chairman

Leif E. Darner

Gayla J. Delly

Charles M. Rampacek

William C. Rusnack

OTHER AUDIT INFORMATION

Relationship with Independent Registered Public Accounting Firm

The Audit Committee appointed PwC to serve as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2013. In this role, PwC audits the financial statements of the Company. Representatives from PwC will be present at the Annual Meeting and will be available to respond to appropriate questions from shareholders. They will have the opportunity to make a statement if they desire to do so.

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Audit and Non-Audit Fees and Services

The following table summarizes the aggregate fees (excluding value added taxes) for professional services incurred by the Company for the audits of its 2013 and 2012 financial statements and other fees billed to the Company by PwC in 2013 and 2012. In general, the Company retains PwC for services that are logically related to or natural extensions of the Company's annual audit.

	2013	2012
Audit Fees	\$7,170,000	\$8,521,000
Audit Related Fees	340,000	265,000
Total Audit Related Fees	7,510,000	8,786,000
Tax Compliance	257,000	183,000
Tax Consulting/Advisory	436,000	197,000
Total Tax Fees	693,000	380,000
All Other Fees	70,000	83,000
TOTAL FEES	\$8,273,000	\$9,249,000

The Audit Committee pre-approved all of the audit and non-audit fees described above for the years ended December 31, 2013 and December 31, 2012 in accordance with its approval policy discussed below.

Audit Committee Approval Policy

The Audit Committee approves all proposed services and related fees to be rendered by the Company's independent registered public accounting firm prior to their engagement. Services to be provided by the Company's independent registered public accounting firm generally include audit services, audit-related services and certain tax services. All fees for the annual audit or audit-related services to be performed by the Company's independent registered public accounting firm are itemized for the purposes of approval. The Audit Committee approves the scope and timing of the external audit plan for the Company and focuses on any matters that may affect the scope of the audit or the independence of the Company's independent registered public accounting firm. In that regard, the Audit Committee receives certain representations from the Company's independent registered public accounting firm regarding their independence and permissibility under the applicable laws and regulations of any services provided to the Company outside the scope of those otherwise allowed. The Audit Committee also approves the internal audit plan for the Company.

The Audit Committee may delegate its approval authority to the Chairman of the Audit Committee to the extent allowed by law. In the case of any delegation, the Chairman must disclose all approval determinations to the full Audit Committee as soon as possible after such determinations have been made.

OTHER MATTERS

The Company knows of no other matters to be submitted to the shareholders at the Annual Meeting. If any other matters properly come before the shareholders at the Annual Meeting, it is the intention of the persons named on the enclosed proxy card to vote the shares represented thereby on such matters in accordance with their best judgment.

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Map and Driving Directions to

The Flowserve Corporation Global Technology and Training Center

Instructions from Dallas/Fort Worth International Airport (DFW):

- Take the north exit from the airport to John Carpenter Freeway (Highway 114) heading east
- Exit Esters Boulevard and turn left onto Esters Boulevard

•The Flowserve Corporation Global Technology and Training Center is on the northeast corner of Esters Boulevard and West Royal Lane

Instructions from Downtown Dallas:

- Take Interstate Highway 35E heading north
- Take the left fork onto Highway 183 toward IRVING (Highway 114)/ DFW AIRPORT

•Take the right fork onto John W. Carpenter Freeway (Highway 114) toward GRAPEVINE/DFW AIRPORT NORTH ENTRY and continue west in one of the outside lanes until you reach the Esters Boulevard exit

- Exit Esters Boulevard and turn right onto Esters Boulevard

•The Flowserve Corporation Global Technology and Training Center is on the northeast corner of Esters Boulevard and West Royal Lane

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