

FLOWSERVE CORP
Form 8-K
June 18, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 14, 2012

FLOWSERVE CORPORATION

(Exact Name of Registrant as Specified in its Charter)

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New York
(State or Other Jurisdiction

1-13179
(Commission

31-0267900
(IRS Employer

of Incorporation)

File Number)

Identification No.)

5215 N. O Connor Blvd., Suite 2300, Irving, Texas
(Address of Principal Executive Offices)

(972) 443-6500

75039
(Zip Code)

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

Accelerated Share Repurchase

On June 14, 2012, Flowserve Corporation, a New York Corporation (the *Company*) entered into an accelerated share repurchase agreement (the *ASR Agreement*) with J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch (the *Seller*), under which the *Company* will repurchase an aggregate of \$300 million of its common stock, par value \$1.25 per share (*Common Stock*).

The *ASR Agreement* requires the *Seller* to deliver to the *Company* on June 15, 2012, a number of shares of *Common Stock* equal to 80 percent of the shares that would be repurchased at a price of \$106.16, the closing price of the *Common Stock* on June 14, 2012. The final number of shares to be delivered to the *Company* by the *Seller* under the *ASR Agreement* at program maturity, net of the initial delivery, will be adjusted based on an agreed upon discount to the average of the daily volume weighted average price of the *Common Stock* during the term of the *ASR Agreement*. If the number of shares to be delivered to the *Company* at maturity is less than the initial delivery of shares by the *Seller*, the *Company* would be required to remit shares or cash, at the *Company*'s option, to the *Seller* in an amount then equivalent to such shortfall.

The *ASR Agreement* is subject to terms believed to be customary for a transaction of this type, including, but not limited to, (i) the mechanism used to determine the number of shares that will be delivered, (ii) the required timing of delivery of the shares, (iii) the circumstances under which the *Seller* is permitted to make adjustments to the transaction terms, (iv) the circumstances under which the *ASR Agreement* may be terminated early, (v) the circumstances under which the *Company* could be required to deliver cash or shares (at the *Company*'s option) to the *Seller* upon settlement of the transaction and (vi) various acknowledgements, representations and warranties made by the parties to one another.

The *Company* entered into the *ASR Agreement* as part of the *Company*'s \$1 billion share repurchase program that was authorized by its Board of Directors and previously announced on May 31, 2012. Excluding the *ASR Agreement* described above, the amount and timing of planned repurchases will be determined by the *Company* based on its evaluation of the *Company*'s financial condition, business opportunities and market conditions at the time.

Bridge Loan

Effective June 15, 2012 (the *Closing Date*), the *Company* entered into a *Loan Agreement* with JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto (together, the *Lenders*), providing for a term loan with an aggregate commitment of \$250 million for a term of 364 days (the *Bridge Loan*).

The initial interest rates per annum applicable to the *Bridge Loan* will be either LIBOR plus 2.50%, 2.25%, 2.00% or 1.75%, as applicable, depending on the consolidated leverage ratio, or, at the option of the *Company*, the *Base Rate* (defined as a rate per annum equal to the greatest of (a) the *Prime Rate* in effect on such day, (b) the *Federal Funds Rate* in effect on such day plus 1/2 of 1% and (c) the *Eurodollar Rate* for a one month *Interest Period* on such day (or if such day is not a business day, the immediately preceding business day) plus 1%). The applicable interest rate will increase by 50 basis points incrementally during the term of the *Bridge Loan* on each of the 90 day, 180 day and 270 day anniversaries of the *Closing Date*. Additionally, a duration fee will be payable on the loan amount as follows: 0.125% on the 120 day anniversary of the *Closing Date*; 0.25% on the 180 day anniversary of the *Closing Date*; and 0.5% on the 270 day anniversary of the *Closing Date*.

The *Bridge Loan* includes customary representations and warranties, affirmative and negative covenants, and events of default, including maintenance of interest coverage and consolidated leverage ratios, all of which are consistent in all material respects with the *Company*'s existing credit facility.

The *Company*'s obligations under the *Bridge Loan* are guaranteed by certain domestic subsidiaries of the *Company*. The guarantors have agreed that if any of the *Company*'s obligations are not paid in full when due, the guarantors will, jointly, and severally, promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the obligations, the same will be promptly paid in full when due.

The foregoing descriptions of the ASR Agreement and the Bridge Loan do not purport to be a complete statement of the parties' rights and obligations under the respective documents and the transactions contemplated therein, and are qualified in their entirety by reference to the ASR Agreement and Bridge Loan, a copies of which are attached as Exhibit 10.1 and Exhibit 10.2 to this Current Report on Form 8-K, respectively.

On June 14, 2012, the Company issued a press release announcing its entry into the ASR Agreement and the execution of the Bridge Loan, a copy of which is included with this Current Report on Form 8-K as Exhibit 99.1.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The disclosures required by this Item 2.03 are incorporated by reference to the disclosures relating to the Bridge Loan contained under Item 1.01 above.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit No. | Description |
|--------------------|--|
| 10.1 | Accelerated Share Repurchase Agreement, dated June 14, 2012, between Flowserve Corporation and J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association. |
| 10.2 | Bridge Loan Agreement, dated June 15, 2012, among Flowserve Corporation, JPMorgan Chase Bank, N.A., as administrative agent, and other lenders referred to therein. |
| 99.1 | Press Release, dated June 14, 2012. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FLOWSERVE CORPORATION

Dated: June 18, 2012

By: /s/ RONALD F. SHUFF
Ronald F. Shuff
Senior Vice President and General Counsel

EXHIBIT INDEX

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