

UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

FLOWSERVE CORPORATION, and
C. SCOTT GREER,
222 W. Las Colinas Boulevard, Suite 1500
Irving, Texas 75039,

Defendants.

No. 1:05CV00612(JR)

AMENDED COMPLAINT

Plaintiff United States Securities and Exchange Commission (the "Commission")
alleges:

SUMMARY

1. On November 19, 2002, Flowserve's Chairman, Chief Executive Officer, and President, C. Scott Greer, along with Flowserve's Director of Investor Relations, met privately in Irving, Texas with analysts from four investment and brokerage firms. During the meeting, Greer reaffirmed the Company's previously-disclosed full 2002 earnings guidance and provided additional material nonpublic information to these analysts.

2. Late on November 20, 2002, one of the analysts released a report that highlighted Flowserve's reaffirmation of its earnings guidance and electronically distributed it to Thomson Financial subscribers of First Call. The next day, on November 21st,

Flowserve's closing stock price was approximately 6% higher than the closing price the day before. In addition, the trading volume of Flowserve's stock increased by 75%, from 379,500 shares traded on November 20th to 658,300 shares traded on November 21st.

3. After the market closed on November 21st, Flowserve filed a Form 8-K admitting that it had selectively disclosed information to analysts.

4. By reason of the conduct described herein, Flowserve violated, and Greer aided and abetted Flowserve's violations of, Section 13(a) of the Securities Exchange Act of 1934 [15 U.S.C. § 78m(a)] ("Exchange Act") and Commission Regulation FD [17 C.F.R. §§ 243.100 et seq.].

JURISDICTION

5. This Court has jurisdiction over this action pursuant to Exchange Act Sections 21(d)(3) and 27 [15 U.S.C. §§ 78u(d)(3) and 78aa].

DEFENDANTS

6. Defendant Flowserve is a New York manufacturer of precision-engineered flow control equipment, headquartered in Irving, Texas. Flowserve's common stock is registered with the Commission pursuant to Exchange Act Section 12(b) and is listed on the New York Stock Exchange.

7. Defendant C. Scott Greer, age 54, is a Texas resident. Greer has been Flowserve's President since 1999, and Flowserve's CEO and Chairman of the Board since 2000.

FACTS

8. Flowserve, a calendar-year reporting corporation, began 2002 forecasting annual earnings per share in the range of \$1.90 to \$2.30. In July of that year, the Company

revised that estimate to \$1.70 to \$1.90 per share. On September 27th, the Company lowered its earnings estimate to \$1.45 to \$1.55 per share, which the Company reaffirmed in its press release issued on October 22, 2002. The \$1.45 to \$1.55 range represented a 36% decline in earnings per share estimates since the beginning of the year.

9. On November 18th and 19th, Flowserve hosted a two-day private analyst event at its headquarters in Irving, Texas. Analysts from four investment and brokerage firms attended the event.

10. On the morning of November 19th, forty-two days before the end of Flowserve's fiscal year, the analysts met with Greer and Flowserve's head of Investor Relations; Flowserve's CFO, joined the meeting later. During the meeting, the attendees discussed various aspects of Flowserve's business, including recent acquisitions, debt covenants, and free cash flow. In response to a question regarding Flowserve's earnings guidance, Greer reaffirmed the previous guidance, which had been issued on October 22nd, and provided additional material nonpublic information.

11. The following day, on November 20th, an analyst who attended the meeting issued a report to the investment firm's subscribers stating that Flowserve reaffirmed its earnings guidance. The analyst's report lists the reaffirmation as the second of its five "Key Points" on the Company. In addition, the reaffirmation is the subject of the first substantive paragraph in the section of the report entitled "Discussion." The report was electronically distributed to subscribers of Thomson's First Call.

12. On November 21st, Flowserve's closing stock price was approximately 6% higher than the closing price the day before. In fact, the greatest differential in Flowserve's stock price was nearly 9%, from a low of \$13.33 on November 20th to a high of \$14.50 on

November 21st. In addition, the trading volume of Flowserve's stock increased by 75%, from 379,500 shares traded on November 20th to 658,300 shares traded on November 21st, after the dissemination of the analyst's report.

13. Flowserve did not publicly disclose its earnings reaffirmation until after the market closed on the 21st when it filed a Form 8-K stating:

During a conversation this week with securities analysts, Flowserve Corporation reaffirmed its full year 2002 estimated earnings per share, excluding special items, in the range of \$1.45 to \$1.55, based on average outstanding shares of approximately 52.5 million. The company also reiterated that it is not comfortable at this point projecting more than marginal earnings improvement in 2003, unless markets start to improve.

The company went on to say that it believes its markets will improve.

The Form 8-K announcing to market participants that Flowserve had reaffirmed its earnings was filed on November 21, 2002, at 5:16:43p.m. This is more than 53 hours after the actual selective disclosure and nearly 26 hours after dissemination of the analyst's report.

14. The next day, Flowserve's stock closed at \$14.30, the same closing price as the day before, and trading volume decreased by nearly 25%, from 658,300 shares traded on November 21st to 497,900 shares traded on November 22nd.

CLAIM

15. Paragraphs 1 through 14 are realleged and incorporated by reference.

16. By reason of the foregoing, Flowserve violated, and Greer aided and abetted Flowserve's violations of, Exchange Act Section 13(a) [15 U.S.C. § 78m(a)] and Regulation

FD [17 C.F.R. §§ 243.100 et seq.], in connection with the disclosure of material, nonpublic information alleged in this Amended Complaint.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment against Flowserve and Greer that:

1. orders Flowserve to pay a civil money penalty in the amount of \$350,000 pursuant to Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)]; and
2. orders Greer to pay a civil monetary penalty in the amount of \$50,000 pursuant to Exchange Act Section 21(d)(3) [15 U.S.C. § 78u(d)(3)]; and
3. grants such other and further relief as is just and proper.

Dated: April 19, 2005

Respectfully submitted,

s/

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