

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-35504

FORUM ENERGY TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

61-1488595

(I.R.S. Employer Identification No.)

**920 Memorial City Way, Suite 1000
Houston, Texas 77024**

(Address of principal executive offices)

(281) 949-2500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 30, 2012, there were 86,621,645 common shares outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements
Forum Energy Technologies, Inc. and subsidiaries
Condensed consolidated statements of comprehensive income
 (Unaudited)

(in thousands, except per share information)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net sales	\$ 347,767	\$ 330,906	\$ 1,084,768	\$ 791,412
Cost of sales	231,273	218,315	719,029	542,832
Gross profit	116,494	112,591	365,739	248,580
Operating expenses				
Selling, general and administrative expenses	55,821	50,746	166,880	129,626
Contingent consideration expense (benefit)	(700)	200	(4,600)	6,000
Impairment of intangible assets	—	—	1,161	—
Transaction expenses	85	818	882	3,434
(Gain) loss on sale of assets	(1,616)	(100)	(1,539)	(520)
Total operating expenses	53,590	51,664	162,784	138,540
Operating income	62,904	60,927	202,955	110,040
Other expense (income)				
Interest expense	3,592	6,034	13,001	13,723
Other, net	764	510	1,130	1,261
Total other expense	4,356	6,544	14,131	14,984
Income before income taxes	58,548	54,383	188,824	95,056
Provision for income tax expense	17,605	18,793	61,232	33,176
Net income	40,943	35,590	127,592	61,880
Less: Income attributable to noncontrolling interest	20	80	66	267
Net income attributable to common stockholders	40,923	35,510	127,526	61,613
Weighted average shares outstanding				
Basic	84,993	67,655	78,041	61,843
Diluted	92,339	73,635	84,940	65,438
Earnings per share				
Basic	\$ 0.48	\$ 0.52	\$ 1.63	\$ 1.00
Diluted	\$ 0.44	\$ 0.48	\$ 1.50	\$ 0.94
Other comprehensive income, net of tax:				
Net income	40,943	35,590	127,592	61,880
Change in foreign currency translation, net of tax of \$0	10,441	(13,192)	14,198	(5,419)
Gain on derivative instruments, net of tax of \$0, \$219, \$0 and \$658	—	407	—	1,224
Comprehensive income	51,384	22,805	141,790	57,685
Comprehensive (income) loss attributable to noncontrolling interests	(11)	45	(47)	(101)
Comprehensive income attributable to common stockholders	\$ 51,373	\$ 22,850	\$ 141,743	\$ 57,584

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

Forum Energy Technologies, Inc. and subsidiaries
Condensed consolidated balance sheets
(Unaudited)

(in thousands, except share information)	September 30, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$ 17,932	\$ 20,548
Accounts receivable—trade, net	248,749	228,686
Inventories	423,567	324,638
Prepaid expenses and other current assets	17,127	14,372
Costs and estimated profits in excess of billings	6,258	11,706
Deferred income taxes, net	22,585	18,636
Total current assets	736,218	618,586
Property and equipment, net of accumulated depreciation	139,147	124,840
Deferred financing costs, net	8,554	10,131
Intangibles	226,691	241,314
Goodwill	608,388	600,827
Other long-term assets	3,986	11,617
Total assets	\$ 1,722,984	\$ 1,607,315
Liabilities and equity		
Current liabilities		
Current portion of long-term debt and capital lease obligations	\$ 18,500	\$ 5,176
Accounts payable—trade	107,172	97,642
Accrued liabilities	93,114	92,251
Contingent consideration liability	15,632	41,800
Deferred revenue	19,055	12,692
Billings in excess of costs and profits recognized	2,513	4,906
Derivative instruments	1,025	185
Total current liabilities	257,011	254,652
Long-term debt, net of current portion	299,129	660,379
Deferred income taxes, net	37,592	35,103
Derivative instruments	—	1,588
Other long-term liabilities	—	461
Total liabilities	593,732	952,183
Commitments and contingencies		
Equity		
Common stock, \$0.01 par value, 296,000,000 shares authorized, 86,600,038 and 67,944,025 shares outstanding	866	679
Additional paid-in capital	756,738	424,466
Treasury stock, at cost, 3,377,599 and 3,374,770 shares	(25,933)	(25,877)
Warrants	27,024	27,097
Retained earnings	371,671	244,145
Accumulated other comprehensive loss	(1,800)	(16,017)
Total stockholders' equity	1,128,566	654,493
Noncontrolling interest in subsidiary	686	639
Total equity	1,129,252	655,132
Total liabilities and equity	\$ 1,722,984	\$ 1,607,315

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

Forum Energy Technologies, Inc. and subsidiaries
Condensed consolidated statements of cash flows
(Unaudited)

(in thousands, except share information)	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities		
Net income	\$ 127,592	\$ 61,880
Adjustments to reconcile net income to net cash provided by operating activities		
Payment of contingent consideration included in operating expense	(7,127)	—
Change in contingent consideration	(4,600)	6,000
Share-based compensation expense	5,553	3,997
Depreciation expense	23,134	18,752
Amortization of intangible assets	14,971	9,194
Impairment of intangible assets	1,161	—
Other	(937)	5,187
Changes in operating assets and liabilities		
Accounts receivable—trade	(18,815)	(50,381)
Inventories	(95,948)	(51,924)
Prepaid expenses and other current assets	10,330	(4,503)
Accounts payable, deferred revenue and other accrued liabilities	16,180	34,544
Billings in excess of costs and estimated profits earned, net	3,164	(14,122)
Net cash provided by operating activities	<u>\$ 74,658</u>	<u>\$ 18,624</u>
Cash flows from investing activities		
Capital expenditures for property and equipment	(37,779)	(30,281)
Proceeds from sale of property and equipment and other	4,784	1,006
Acquisition of businesses, net of cash acquired	(2,839)	(505,406)
Net cash (used in) investing activities	<u>\$ (35,834)</u>	<u>\$ (534,681)</u>
Cash flows from financing activities		
Deferred financing costs	(16)	(2,280)
Borrowings due to acquisitions	2,839	505,406
Borrowings on long-term debt	75,678	—
Repayment of long-term debt	(432,789)	(27,768)
Proceeds of IPO, net of offering costs	256,381	—
Proceeds from concurrent private placement	50,000	—
Payment of contingent consideration accrued at acquisition	(11,100)	—
Repurchases of stock	(56)	(54)
Excess tax benefits from stock based compensation	6,990	418
Proceeds from stock issuance	10,128	56,225
Net cash provided by (used in) financing activities	<u>\$ (41,945)</u>	<u>\$ 531,947</u>
Effect of exchange rate changes on cash	505	690
Net increase (decrease) in cash and cash equivalents	(2,616)	16,580
Cash and cash equivalents		
Beginning of period	20,548	20,348
End of period	<u>\$ 17,932</u>	<u>\$ 36,928</u>
Noncash investing and financing activities		
Insurance policy financed through notes payable	\$ 6,348	\$ —
Payment of contingent consideration via stock	3,341	—
Acquisition via contingent consideration and stock	—	68,654

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

Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements
(Unaudited)

1. Organization and basis of presentation

Forum Energy Technologies, Inc. (the "Company" or "Forum"), a Delaware corporation, is a global oilfield products company, serving the subsea, drilling, completion, production and infrastructure sectors of the oil and natural gas industry. The Company designs and manufactures products, and engages in aftermarket services, parts supply and related services that complement the Company's product offering.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of the Company include the accounts of the Company and its subsidiaries.

All significant intercompany transactions have been eliminated in consolidation. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for the fair statement of the Company's financial position, results of operations and cash flows have been included. Operating results for the nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ended December 31, 2012 or any other interim period.

These interim financial statements are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America ("GAAP") for complete consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011 included in the Company's prospectus dated April 11, 2012 and filed with the SEC on April 13, 2012 (the "Prospectus") pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended (the "Securities Act").

Stock split

On March 28, 2012, the Company effected a 37-for-1 stock split of its outstanding shares of common stock. All applicable share and per share amounts in the condensed consolidated financial statements and related disclosures have been retroactively adjusted to reflect this stock split.

Subsequent events

The Company evaluated events subsequent to the balance sheet date and prior to the filing of this Quarterly Report on Form 10-Q for the nine months ended September 30, 2012 and determined that any events or transactions occurring during this period that would require recognition or disclosure are appropriately addressed in these financial statements.

2. Recent accounting pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB"), which are adopted by the Company as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's consolidated financial statements upon adoption.

In May 2011, the FASB expanded the fair value measurements and disclosures guidance related to items marked to fair value that are categorized within Level 3 of the fair value hierarchy to include qualitative explanations of the valuation methodology used and sensitivity analysis of the valuation inputs. The amendment also requires entities to disclose the level in the fair value hierarchy for items that are not measured at fair value, but for which the fair value is disclosed. This guidance was adopted by the Company for the fiscal year beginning on January 1, 2012 and did not have a material impact on the Company's financial statements.

In June 2011, the FASB issued an update to ASC 220, "Presentation of Comprehensive Income." This Accounting Standards Update ("ASU") provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either: (1) a single statement that presents the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income; or (2) a two-statement approach, which presents the components of net income and total net income in a first statement, immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for

Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

comprehensive income. The option in current GAAP that permits the presentation of other comprehensive income in the statement of changes in equity was eliminated. For the fiscal year beginning January 1, 2012, the Company adopted the guidance and began presenting comprehensive income in a single statement. The guidance was applied retrospectively and did not have a material impact on the Company's financial statements.

In December 2010, the FASB issued FASB ASU 2010-28, "Intangibles - Goodwill and Other," which affects entities evaluating goodwill for impairment under FASB ASC 350-20. ASU 2010-28, among other things, requires entities with a zero or negative carrying value to assess, considering qualitative factors, whether it is more likely than not that goodwill impairment exists. If an entity concludes that it is more likely than not that goodwill impairment exists, the entity must perform step 2 of the goodwill impairment test. This guidance was adopted by the Company for the fiscal year beginning on January 1, 2012 and did not have a material impact on the Company's financial statements.

3. Acquisitions

The Company completed eight acquisitions during fiscal year 2011. The following summarizes the six largest acquisitions.

Wood Flowline Products, LLC

In February 2011, the Company purchased Wood Flowline Products, LLC ("WFP"). WFP manufactures pressure control and flow equipment products that are principally used in the fracturing and well stimulation process. WFP also provides on-site recertification and refurbishment services of the associated flow equipment products. This acquisition provided the Company with new exposure to the growing well completion sector, specifically focused on the development of North American unconventional shale and tight sands resources. The results of WFP's operations were included in the Company's consolidated financial statements beginning February 1, 2011 and are included in the Company's Production & Infrastructure segment. The purchase consideration included two separate contingent consideration payments, which may be payable in cash and/or shares of the Company's common stock based upon WFP's 2011 and 2012 calendar year earnings as defined in the purchase and sale agreement. The fair value of the contingent consideration was estimated at the time of the acquisition to be \$13.4 million based on an internal valuation of the earnings level that the acquired company is expected to achieve. The fair value of the contingent consideration payment was re-measured as of December 31, 2011 at \$22.1 million and was included in "Contingent consideration liability" in the consolidated balance sheet. Upon resolution of the results of operations for WFP for the year ended December 31, 2011, the portion of the contingent consideration to be paid in shares of the Company's common stock related to the 2011 earnings was finalized and \$3.3 million of the liability was reclassified to equity. The cash portion of the contingent consideration payment based on the 2011 calendar year earnings in the amount of \$6.1 million was paid during the second quarter 2012. The fair value of the remaining contingent consideration liability relating to the 2012 calendar year was re-measured as of September 30, 2012 at \$7.8 million and is included in "Contingent consideration liability" in the condensed consolidated balance sheets. The changes in fair value during the three and nine months ended September 30, 2012 resulted in increases to operating income of \$0.8 million and \$4.8 million, respectively, and are included in "Contingent consideration expense (benefit)" in the condensed consolidated statements of comprehensive income.

Phoinix Global LLC

In April 2011, the Company purchased Phoinix Global LLC ("Phoinix"), a provider of high pressure flow control equipment and products utilized in the well stimulation and flow back processes of oil and gas well completion based in Alice, Texas. This acquisition added to the Company's breadth of flow equipment products through a product offering that includes fluid-ends for hydraulic fracturing pressure pumps, plug valves, relief valves, chokes, manifolds, manifold trailers and flow equipment transport trucks. The results of the Phoinix operations were included in the Company's consolidated financial statements beginning May 1, 2011 and are included in the Company's Production & Infrastructure segment. The purchase consideration included two separate contingent consideration payments, which may be payable in cash based upon Phoinix's 2011 and 2012 calendar year earnings as defined in the purchase and sale agreement. The fair value of the contingent consideration was estimated at the time of the acquisition to be \$16.3 million based on an internal valuation of the earnings level that Phoinix is expected to achieve. The portion of the contingent consideration based upon Phoinix's 2011 calendar earnings in the amount of \$12.1 million was paid during the second quarter 2012. The fair value of the remaining contingent consideration payment was re-measured as of September 30, 2012 and December 31, 2011 at \$7.8 million and \$19.7 million, respectively, and is included in "Contingent consideration liability" in the consolidated

Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

balance sheets. The changes in fair value during the three and nine months ended September 30, 2012 of \$0.1 million and \$0.2 million, respectively, are a decrease to operating income and are included in "Contingent consideration expense (benefit)" in the condensed consolidated statements of comprehensive income.

Cannon Services, LLC

In July 2011, the Company acquired Cannon Services, LLC ("Cannon"), based in Stafford, Texas. Cannon is a provider of standard and customized clamp and stamped metal protection systems used to shield the downhole control lines and gauges during their installation and provide protection during production enhancement operations. This acquisition, along with the acquisition of Davis-Lynch LLC ("Davis Lynch"), formed the product platform targeting niche downhole products that are consumed during the well construction, completion, intervention and production enhancement processes, as well as those associated with the growth in intelligent well construction. The results of Cannon's operations were included in the Company's consolidated financial statements beginning July 1, 2011 and are included in the Company's Drilling & Subsea segment.

AMC Global Group, Ltd.

In July 2011, the Company acquired AMC Global Group, Ltd. ("AMC"), based in Aberdeen, Scotland. AMC designs and manufactures specialized torque equipment for tubular connections, including high torque stroking units, fully rotational torque units and portable torque units for field deployment and related control systems, and provides aftermarket service. This acquisition enhanced the product offerings in our drilling products line. The results of AMC's operations were included in the Company's consolidated financial statements beginning July 1, 2011 and are included in the Company's Drilling & Subsea segment.

P-Quip, Ltd.

In July 2011, the Company acquired P-Quip, Ltd. ("P-Quip"), based in Kilbirnie, Scotland. P-Quip manufactures proprietary mud pump fluid end assemblies, mud pump rod systems, liner retention systems, valve cover retention systems and other drilling flow control products. This acquisition enhanced the product offerings in our drilling products line. The results of P-Quip's operations were included in the Company's consolidated financial statements beginning July 5, 2011 and are included in the Company's Drilling & Subsea segment.

Davis-Lynch LLC

In July 2011, the Company acquired Davis-Lynch based in Pearland, Texas. Davis-Lynch is a provider of proprietary, downhole cementing and casing products. This acquisition along with the acquisition of Cannon formed the new product platform targeting niche downhole products that are consumed during the well construction, completion, intervention and production enhancement processes, as well as those associated with the growth in intelligent well construction. The results of Davis-Lynch's operations were included in the Company's consolidated financial statements beginning August 1, 2011 and are included in the Company's Drilling & Subsea segment.

The following table provides pro forma information related to all 2011 acquisitions in the aggregate (in thousands, except per share data):

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Revenue	\$ 340,333	\$ 909,026
Net income	36,989	79,992
Basic earnings per share	0.55	1.29
Diluted earnings per share	0.50	1.22

The pro forma information for the three and nine months ended September 30, 2011 assumes that all 2011 acquisitions occurred as of January 1, 2010.

The combined results of operations of the acquired businesses have been adjusted to reflect additional depreciation of fixed assets and amortization of intangible assets subject to amortization. Pro forma interest expense was calculated on notes payable and draws on the Company's available line of credit at a rate of 4.7%, as if the businesses were acquired on January 1, 2010.

Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

Although the Company believes the accounting policies and procedures used to prepare the pro forma schedules are reasonable, these pro forma results do not purport to be indicative of the actual results which would have been achieved had the acquisition been consummated on January 1, 2010. The amounts shown are not intended to be a projection of future results.

4. Inventories

The Company's significant components of inventory at September 30, 2012 and December 31, 2011 were as follows (in thousands):

	September 30, 2012	December 31, 2011
Raw materials and parts	\$ 143,387	\$ 112,017
Work in process	78,131	52,402
Finished goods	223,090	177,659
Gross inventories	444,608	342,078
Inventory reserve	(21,041)	(17,440)
Inventories	<u>\$ 423,567</u>	<u>\$ 324,638</u>

5. Goodwill and intangible assets

Goodwill

The changes in the carrying amount of goodwill from January 1, 2012 to September 30, 2012, were as follows (in thousands):

	Drilling & Subsea	Production & Infrastructure	Total
Goodwill Balance at January 1, 2012 net	\$ 523,019	\$ 77,808	\$ 600,827
Impact of non-United States local currency translation	7,435	126	7,561
Goodwill Balance at September 30, 2012 net	<u>\$ 530,454</u>	<u>\$ 77,934</u>	<u>\$ 608,388</u>

Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

Intangible assets

At September 30, 2012 and December 31, 2011, intangible assets consisted of the following, respectively (in thousands):

	September 30, 2012			
	Gross carrying amount	Accumulated amortization	Net intangibles	Amortization period (in years)
Customer relationships	\$ 208,910	\$ (44,205)	\$ 164,705	4-15
Patents and technology	19,654	(3,931)	15,723	5-17
Non-compete agreements	5,555	(4,541)	1,014	3-6
Trade names	35,071	(7,793)	27,278	10-15
Distributor relationships	22,160	(9,710)	12,450	8-15
Trademark	5,521	—	5,521	Indefinite
Intangible Assets Total	\$ 296,871	\$ (70,180)	\$ 226,691	

	December 31, 2011			
	Gross carrying amount	Accumulated amortization	Net intangibles	Amortization period (in years)
Customer relationships	\$ 212,193	\$ (36,420)	\$ 175,773	4-15
Patents and technology	19,172	(2,676)	16,496	5-17
Non-compete agreements	5,234	(4,108)	1,126	3-6
Trade names	35,076	(6,088)	28,988	10-15
Distributor relationships	22,160	(8,750)	13,410	8-15
Trademark	5,521	—	5,521	Indefinite
Intangible Assets Total	\$ 299,356	\$ (58,042)	\$ 241,314	

During the second quarter 2012, an impairment loss of \$1.2 million was recorded on certain intangible assets resulting from a lack of business and orders related to a specific service line within the Production & Infrastructure segment. The impairment loss was measured using a discounted cash flows approach and was recorded for the amount by which the carrying value exceeded the estimated fair value of the intangible assets. The impaired intangible assets included customer relationships and trade names. No other indicators of intangible asset impairment occurred during the nine months ended September 30, 2012.

6. Debt

Notes payable and lines of credit consisted of the following at September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	December 31, 2011
Senior secured revolving credit facility	\$ 14,000	\$ 363,694
Term loan	300,000	300,000
Other debt	3,629	1,861
Total debt	317,629	665,555
Less: current maturities	(18,500)	(5,176)
Long-term debt	<u>\$ 299,129</u>	<u>\$ 660,379</u>

The Company has a senior secured credit facility (the "Credit Facility") with several financial institutions, which provides for a \$600 million revolving credit facility with up to \$75 million of letters of credit and up to \$25 million in swingline loans, and a \$300 million term loan. In addition, subject to the terms of the Credit Facility, the Company

Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

has the ability to increase the commitments under the Credit Facility by up to \$100 million. The Credit Facility matures in October 2016. Weighted average interest rates under the Credit Facility (without the effect of hedging) at September 30, 2012 and December 31, 2011 were 2.25% and 2.78%, respectively.

Availability under the Credit Facility was approximately \$578.3 million and \$230 million at September 30, 2012 and December 31, 2011, respectively. The Company was in compliance with all financial covenants at September 30, 2012 and December 31, 2011.

On April 17, 2012, the Company sold 13,889,470 shares of common stock in the Initial Public Offering (the "IPO") and 2,666,666 shares of common stock in a private placement to a private equity fund (not affiliated with the original sponsor) for aggregate net proceeds of approximately \$256.4 million and \$50 million, respectively. The Company used all of the net proceeds to repay a portion of the outstanding borrowings under the revolving portion of the Credit Facility.

Other debt

Other debt consists primarily of upfront annual insurance premiums that have been financed and capital lease obligations.

7. Income taxes

The Company's effective tax rate for the three months ended September 30, 2012 and 2011 was 30.1% and 34.6%, respectively. The Company's effective tax rate for the nine months ended September 30, 2012 and 2011 was 32.4% and 34.9%, respectively. The effective tax rate for the three and nine months ended September 30, 2012 is lower than the comparable periods in 2011 primarily due to a reduction in the tax provision from the finalization of certain prior year tax returns.

8. Fair value measurements

During the nine months ended September 30, 2011, the Company had interest rate swap agreements to convert variable interest payments related to \$34 million of floating rate debt to fixed interest payments. These swaps expired in March and November 2011. During the nine months ended September 30, 2011, the Company also had an interest rate collar arrangement to reduce the variability in interest payments related to \$20 million in floating rate debt. This interest rate collar instrument expired in November 2011. These instruments were designated as cash flow hedging instruments and changes in their fair values were recognized in accumulated other comprehensive income or loss.

Approximately \$75 million of the Company's interest rate swaps were not designated for hedge accounting at inception. These swaps have a fixed rate of 1.83% plus the applicable margin and expire in August 2013. They are also recorded at fair value, which is measured using the market approach valuation technique. These interest rate swap agreements were executed to hedge the Company's interest rate risk exposure. The realized gains and losses are included in Interest expense in the condensed consolidated statements of comprehensive income. At September 30, 2012, the fair value of the swap agreements was recorded as a current liability of \$1.0 million. At December 31, 2011, the fair value of the swap agreements was recorded as a current and long-term liability of \$0.2 million and \$1.6 million, respectively.

In connection with the acquisitions of WFP and Phoinix, the total consideration included contingent consideration payments. The fair value of the contingent consideration for these acquisitions was estimated at the time of the respective acquisitions based on internal valuations of the expected earnings levels that the acquired companies are expected to achieve and is re-measured quarterly. Refer to Note 3, Acquisitions, for further discussion.

Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

The Company's financial assets and liabilities are measured at fair value on a recurring basis. There were no outstanding financial assets as of September 30, 2012 and December 31, 2011 measured at fair value on a recurring basis. The following fair value hierarchy table presents information about the Company's financial liabilities measured at fair value on a recurring basis as of September 30, 2012 and December 31, 2011, respectively (in thousands):

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of September 30, 2012
Liabilities				
Interest rate derivatives	\$ —	\$ —	\$ 1,025	\$ 1,025
Contingent consideration	—	—	15,632	15,632
Total Liabilities	\$ —	\$ —	\$ 16,657	\$ 16,657

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance as of December 31, 2011
Liabilities				
Interest rate derivatives	\$ —	\$ —	\$ 1,773	\$ 1,773
Contingent consideration	—	—	41,800	41,800
Total Liabilities	\$ —	\$ —	\$ 43,573	\$ 43,573

Measurements of the interest rate derivative liabilities and contingent consideration are based on Level 3 inputs. The significant unobservable inputs relating to each fair value measurement is as follows:

Interest rate derivatives. The significant unobservable inputs to this fair value measurement include the projected future interest rates provided by the counterparties to the interest rate swap agreements and the fixed rates that the Company is obligated to pay under these agreements. The Company determines the value of derivative financial instruments using composite quotes obtained from market pricing services or, in certain cases, active-market quotes obtained from financial institutions.

Contingent consideration. The significant unobservable input to measure for the fair value of the contingent consideration is the earnings level that the acquired company is expected to achieve based on an internal valuation. In developing these estimates, the Company considered earnings projections, the acquired company's historical results, the general macro-economic environment and industry trends. During the nine month period ended September 30, 2012, the Company recorded a credit for the contingent consideration in the amount of \$4.6 million to reflect the expected earnings levels of the acquired companies. Since the payment of the liability that is related to 2012 earnings will occur in 2013, the Company calculated the net present value of the liability as of September 30, 2012 using an appropriate discount rate.

At September 30, 2012, the carrying value of the Company's debt, excluding capital leases, was \$317.1 million. The majority of the debt incurs interest at a variable interest rate and therefore, the carrying amount approximates fair value. The fair value of the debt is classified as a Level 2 measurement because interest rates charged are similar to other financial instruments with similar terms and maturities.

The Company did not change its valuation techniques associated with recurring fair value measurements from prior periods and there were no transfers between levels of the fair value hierarchy during the nine months ended September 30, 2012.

Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

The following table sets forth a reconciliation of changes for the nine months ended September 30, 2012 in the fair value of financial liabilities classified as Level 3 in the fair value hierarchy (in thousands):

	Contingent consideration	Interest rate derivatives
Balance at December 31, 2011	\$ 41,800	\$ 1,773
Total (Gains) or Losses (Realized or Unrealized):		
Included in Earnings	(4,600)	(748)
Included in Other Comprehensive Income	—	—
Payment of contingent consideration	(18,227)	—
Reclassified to equity	(3,341)	—
Purchases, Issuances and Settlements	—	—
Transfers In and/or Out of Level 3	—	—
Balance as of September 30, 2012	\$ 15,632	\$ 1,025

Upon resolution of the results of operations for WFP for the year ended December 31, 2011, the portion of the contingent consideration to be paid in shares of the Company's common stock related to the 2011 earnings was finalized and \$3.3 million of the liability was reclassified to equity.

9. Business segments

The Company's operations are divided into two business segments, Drilling & Subsea ("D&S") and Production & Infrastructure ("P&I"). The amounts indicated below as "Corporate" relate to costs and assets not allocated to our reportable segments. Summary financial data by segment follows (in thousands):

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Revenue:				
Drilling & Subsea	\$ 203,823	\$ 197,933	\$ 639,538	\$ 465,898
Production & Infrastructure	144,095	132,973	445,770	325,514
Intersegment eliminations	(151)	—	(540)	—
Total Revenue	\$ 347,767	\$ 330,906	\$ 1,084,768	\$ 791,412
Operating income:				
Drilling & Subsea	\$ 41,406	\$ 43,412	\$ 133,784	\$ 83,478
Production & Infrastructure	25,520	23,703	80,071	50,729
Corporate	(6,253)	(5,270)	(14,996)	(15,253)
Total segment operating income	60,673	61,845	198,859	118,954
Intangible asset impairment	—	—	1,161	—
Contingent consideration	(700)	200	(4,600)	6,000
Transaction expenses	85	818	882	3,434
(Gain)/loss on sale of assets	(1,616)	(100)	(1,539)	(520)
Income from operations	\$ 62,904	\$ 60,927	\$ 202,955	\$ 110,040

Forum Energy Technologies, Inc. and subsidiaries
Notes to condensed consolidated financial statements (continued)
(Unaudited)

	September 30, 2012	December 31, 2011
Assets		
Drilling & Subsea	\$ 1,233,831	\$ 1,193,128
Production & Infrastructure	449,445	388,570
Corporate	39,708	25,617
Total assets	\$ 1,722,984	\$ 1,607,315

10. Earnings per share

The calculation of basic and diluted earnings per share for each period presented was as follows (dollars and shares in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net Income attributable to common stockholders	\$ 40,923	\$ 35,510	\$ 127,526	\$ 61,613
Average shares outstanding (basic)	84,993	67,655	78,041	61,843
Common stock equivalents	7,346	5,980	6,899	3,595
Diluted shares	92,339	73,635	84,940	65,438
Earnings per share				
Basic earnings per share	\$ 0.48	\$ 0.52	\$ 1.63	\$ 1.00
Diluted earnings per share	\$ 0.44	\$ 0.48	\$ 1.50	\$ 0.94

The diluted earnings per share calculation excludes approximately 1.2 million and 0.3 million stock options for the three months ended September 30, 2012 and 2011, respectively, and 0.9 million and 0.4 million stock options for the nine months ended September 30, 2012 and 2011, respectively, because they were anti-dilutive as the option exercise price was greater than the average market price of the common stock.

11. Commitments and contingencies

In the ordinary course of business, the Company is, and in the future, could be involved in various pending or threatened legal actions, some of which may or may not be covered by insurance. Management has reviewed such pending judicial and legal proceedings, the reasonably anticipated costs and expenses in connection with such proceedings, and the availability and limits of insurance coverage, and has established reserves that are believed to be appropriate in light of those outcomes that are believed to be probable and can be estimated. The reserves accrued at December 31, 2011 and September 30, 2012 are immaterial. In the opinion of management, the Company's ultimate liability, if any, with respect to these actions is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

12. Related party transactions

Several of the subsidiaries of the Company have entered into lease agreements for office and warehouse space with former owners of acquired companies, stockholders or affiliates. The dollar amounts related to these related party activities are not significant to the Company's condensed consolidated financial statements.

A subsidiary of the Company purchased inventory and services from an affiliate of a shareholder in amounts totaling \$3.4 million and \$3.6 million during the nine-months ended September 30, 2012 and 2011, respectively. The Company sold \$1.1 million and \$1.9 million of equipment and services to an affiliate of a stockholder during the nine-months ended September 30, 2012 and 2011, respectively.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 2. Management's discussion and analysis of financial condition and results of operations

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control. All statements, other than statements of historical fact, included in this Quarterly Report on Form 10-Q regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "may," "continue," "predict," "potential," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements about:

- *business strategy;*
- *cash flows and liquidity;*
- *the volatility of oil and natural gas prices;*
- *our ability to successfully manage our growth, including risks and uncertainties associated with integrating and retaining key employees of the businesses we acquire;*
- *the availability of raw materials and specialized equipment;*
- *availability of skilled and qualified labor;*
- *our ability to accurately predict customer demand;*
- *competition in the oil and gas industry;*
- *governmental regulation and taxation of the oil and natural gas industry;*
- *environmental liabilities;*
- *political and social issues affecting the countries in which we do business;*
- *our ability to deliver our backlog in a timely fashion;*
- *our ability to implement new technologies and services;*
- *availability and terms of capital;*
- *general economic conditions;*
- *benefits of our acquisitions;*
- *availability of key management personnel;*
- *operating hazards inherent in our industry;*
- *the continued influence of our private equity sponsor;*
- *the ability to establish and maintain effective internal control over financial reporting;*
- *the ability to operate effectively as a publicly traded company;*
- *financial strategy, budget, projections and operating results;*
- *uncertainty regarding our future operating results; and*
- *plans, objectives, expectations and intentions contained in this report that are not historical.*

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. We disclaim any obligation to update or revise these statements unless required by law, and you should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

suggested by the forward-looking statements we make in this Quarterly Report on Form 10-Q are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Prospectus dated April 11, 2012 and filed with the Securities and Exchange Commission (the "SEC") on April 13, 2012 (the "Prospectus") and elsewhere in this Quarterly Report on Form 10-Q. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

Overview

Organization

We are a global oilfield products company, serving the subsea, drilling, completion, production and infrastructure sectors of the oil and natural gas industry. We design, manufacture and distribute products, and engage in aftermarket services, parts supply and related services that complement our product offering. Our product offering and related services include a mix of highly engineered capital products and frequently replaced items that are consumed in the exploration and development of oil and natural gas reserves. Historically, a little more than half of our revenue is derived from activity-based consumable products, while the balance is derived principally from capital products and a small amount from rentals and other services. We seek to design, manufacture and supply reliable, cost effective products that create value for our broad and diverse customer base, which includes oil and gas operators, land and offshore drilling contractors, well stimulation and intervention service providers, subsea construction and service companies, and pipeline and refinery operators, among others. We believe that we differentiate ourselves from our competitors on the basis of the quality of our products, the level of related service and support we provide and the collaborative approach we take with our customers to help them solve critical problems.

We operate in two business segments:

- *Drilling & Subsea Segment.* We design and manufacture products and provide related services to the subsea, drilling, well construction, completion and intervention markets. Through this segment, we offer drilling products, including capital equipment and a broad line of products consumed in the drilling and well intervention process; downhole products, including cementing and casing tools and a range of downhole protection solutions; and subsea products, including robotic vehicles and other capital equipment, specialty components and tooling, and applied products for subsea pipelines. We also provide a broad suite of complementary subsea technical services and rental items.
- *Production & Infrastructure Segment.* We design and manufacture products and provide related equipment and services to the well stimulation, completion, production and infrastructure markets. Through this segment, we supply production equipment, including well site production and process equipment and specialty pipeline construction equipment; valves products, which includes a broad range of industrial and process valves; and flow equipment, including well stimulation consumable products and related recertification and refurbishment services.

Market Conditions

The demand for our products and services is ultimately driven by energy prices and the expectations of exploration and production companies as to future trends in those prices. Management believes that the long-term fundamentals underlying the global demand for energy, such as long-term economic and demographic trends, remain strong. Recently, however, the outlook for commodity prices has become less strong, as evidenced by the reduced rig activity in North America. The level of demand for our products and services is directly related to the capital budgets of our customers, which in turn are influenced heavily by the outlook for energy prices.

**Management's Discussion and Analysis
of Financial Condition and Results of Operations (continued)**

The table below shows average crude oil and natural gas prices for West Texas Intermediate crude oil (WTI), United Kingdom Brent crude oil (Brent), and Henry Hub natural gas:

	Three Months Ended		
	September 30,		June 30,
	2012	2011	2012
Average oil, \$/bbl			
West Texas Intermediate	\$ 91.49	\$ 90.37	\$ 93.51
United Kingdom Brent	\$ 108.80	\$ 113.98	\$ 108.60
Average North American Natural Gas, \$/Mcf			
Henry Hub	\$ 2.85	\$ 4.28	\$ 2.43

Crude oil prices appear adequate to generally maintain the current level of global exploration and production activity, including the development of deepwater prospects, which stimulates demand for our subsea products and services. Current oil prices are also supporting a generally steady level of oil related activity, both offshore and onshore. Low North American natural gas prices have, however, negatively impacted certain areas of our business, principally those tied to products and services we provide to the drilling and pressure pumping service sectors. At the same time, abundant natural gas at low prices appears to be leading to redevelopment of U.S. petrochemical and process industry facilities, promoting increased demand for our valve products.

Corresponding to the commodity price levels, the active rig count data below, based on the weekly Baker Hughes Incorporated rig count, reflect a broad measure of industry activity and resultant demand for our drilling and production related products and services.

	Three Months Ended		
	September 30,		June 30,
	2012	2011	2012
Active Rigs by Location			
United States	1,905	1,945	1,959
Canada	325	443	261
International	1,259	1,169	1,285
Global Active Rigs	3,489	3,557	3,505
Land vs. Offshore Rigs			
Land	3,145	3,212	3,154
Offshore	344	345	351
Global Active Rigs	3,489	3,557	3,505
U.S. Commodity Target, Land			
Oil/Gas	1,419	1,048	1,421
Gas	486	897	534
Unclassified	—	—	4
Total U.S. Land Rigs	1,905	1,945	1,959
U.S. Well Path, Land			
Horizontal	1,153	1,114	1,171
Vertical	531	590	553
Directional	221	241	235
Total U.S. Active Land Rigs	1,905	1,945	1,959

Increased activity in the refurbishment and upgrade of petrochemical facilities and projects to ensure pipeline integrity have strengthened the demand for our valve products. We have also continued to see strong demand in our production equipment, subsea and downhole product lines. The decline in drilling activity levels in North America has resulted in reduced demand for products and services in our drilling technologies and flow equipment

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

product lines. Those portions of our business that supply parts and equipment relating to pressure pumping, primarily flow equipment, have experienced a decline in revenue and a compression of margins due to a shift in activity towards oil drilling, which generally places less of a demand on pressure pumping equipment. This shift and an overstocking of parts and supplies by our customers during prior periods has necessitated a destocking of that inventory beginning in the second quarter. We expect this destocking to continue through the end of the year.

Results of operations

We have grown our business both organically and through strategic acquisitions, including eight acquisitions in 2011, all of which were completed during the nine months ended September 30, 2011. For additional information about these acquisitions, see Note 3 of the notes to condensed consolidated financial statements in Item 1 of Part I of this quarterly report. For this reason, our results of operations for the 2012 periods presented may not be comparable to historical results of operations for the 2011 periods. There are factors related to the businesses we have acquired that may result in lower net profit margins on a going-forward basis, including the fact that several of these acquired businesses were organized as tax pass-through entities without federal income tax incurred or recognized at the entity level, and the fact that post-acquisition we have recorded higher depreciation and amortization expenses.

**Management's Discussion and Analysis
of Financial Condition and Results of Operations (continued)**

Three months ended September 30, 2012 compared to three months ended September 30, 2011

	Three Months Ended September 30,		Favorable / (Unfavorable)	
	2012	2011	\$	%
(in thousands of dollars, except per share information)				
Revenue:				
Drilling & Subsea	\$ 203,823	\$ 197,933	\$ 5,890	3.0 %
Production & Infrastructure	144,095	132,973	11,122	8.4 %
Eliminations	(151)	—	(151)	*
Total revenue	\$ 347,767	\$ 330,906	\$ 16,861	5.1 %
Cost of sales:				
Drilling & Subsea	\$ 129,326	\$ 124,853	\$ (4,473)	(3.6)%
Production & Infrastructure	102,098	93,462	(8,636)	(9.2)%
Eliminations	(151)	—	151	*
Total cost of sales	\$ 231,273	\$ 218,315	\$ (12,958)	(5.9)%
Gross profit:				
Drilling & Subsea	\$ 74,497	\$ 73,080	\$ 1,417	1.9 %
Production & Infrastructure	41,997	39,511	2,486	6.3 %
Total gross profit	\$ 116,494	\$ 112,591	\$ 3,903	3.5 %
Selling, general and administrative expenses:				
Drilling & Subsea	\$ 33,091	\$ 29,668	\$ (3,423)	(11.5)%
Production & Infrastructure	16,477	15,808	(669)	(4.2)%
Corporate	6,253	5,270	(983)	(18.7)%
Total selling, general and administrative expenses	\$ 55,821	\$ 50,746	\$ (5,075)	(10.0)%
Operating income:				
Drilling & Subsea	\$ 41,406	\$ 43,412	\$ (2,006)	(4.6)%
<i>Operating income margin %</i>	<i>20.3%</i>	<i>21.9%</i>		
Production & Infrastructure	25,520	23,703	1,817	7.7 %
<i>Operating income margin %</i>	<i>17.7%</i>	<i>17.8%</i>		
Corporate	(6,253)	(5,270)	(983)	(18.7)%
Total segment operating income	\$ 60,673	\$ 61,845	\$ (1,172)	(1.9)%
<i>Operating income margin %</i>	<i>17.4%</i>	<i>18.7%</i>		
Contingent consideration expense (benefit)	(700)	200	900	*
Transaction expenses	85	818	733	89.6 %
(Gain)/loss on sale of assets	(1,616)	(100)	1,516	*
Income from operations	62,904	60,927	1,977	3.2 %
Interest expense, net	3,592	6,034	2,442	40.5 %
Other, net	764	510	(254)	(49.8)%
Other (income) expense, net	4,356	6,544	2,188	33.4 %
Income before income taxes	58,548	54,383	4,165	7.7 %
Income tax expense	17,605	18,793	1,188	6.3 %
Net income	40,943	35,590	5,353	15.0 %
Less: Income attributable to non-controlling interest	20	80	(60)	(75.0)%
Income attributable to common stockholders	\$ 40,923	\$ 35,510	\$ 5,413	15.2 %
Weighted average shares outstanding				
Basic	84,993	67,655		
Diluted	92,339	73,635		
Earnings per share				
Basic	\$ 0.48	\$ 0.52		
Diluted	\$ 0.44	\$ 0.48		

* not meaningful

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Revenue

Our revenue for the three months ended September 30, 2012 increased \$16.9 million, or 5.1%, to \$347.8 million compared to the three months ended September 30, 2011. For the three months ended September 30, 2012, our Drilling & Subsea segment and our Production & Infrastructure segment comprised 58.6% and 41.4% of our total revenue, respectively, compared to 59.8% and 40.2%, respectively, for the three months ended September 30, 2011. Both of our operating segments had increased revenue in the three months ended September 30, 2012 compared to the comparable prior year period. The revenue increase by operating segment consisted of the following:

Drilling & Subsea Segment - Revenue increased \$5.9 million, or 3.0%, to \$203.8 million during the three months ended September 30, 2012 compared to the three months ended September 30, 2011. The increase is mostly attributable to our downhole product line, the majority of which was owned for only two of the three months ended September 30, 2011. Adding to the increase in revenue was higher shipments of various types of capital equipment items in our drilling product line, such as tubular handling products and coiled tubing blowout preventer equipment. These increases were offset by fewer shipments of remote operating vehicles (ROV's) in our subsea product line as our customers have delayed orders and shipments.

Production & Infrastructure Segment - Revenue increased \$11.1 million, or 8.4%, to \$144.1 million during the three months ended September 30, 2012 compared to the three months ended September 30, 2011. The growth was attributable to increased shipments in both production equipment and valve solutions products as each experienced increased orders from existing and new customers. The higher shipments were made possible for production equipment by the expansion of existing facilities and the addition of new facilities in Pennsylvania, each completed in 2011. These increases were offset by lower revenue in flow equipment products as the market decline experienced in the three months ended June 30, 2012 continued into the three months ended September 30, 2012.

Segment operating income and segment operating margin percentage

Segment operating income for the three months ended September 30, 2012 decreased \$1.2 million, or 1.9%, to \$60.7 million compared to the three months ended September 30, 2011. The segment operating margin percentage is calculated by dividing segment operating income by revenue. For the three months ended September 30, 2012, the segment operating margin percentage of 17.4% represents a decline of 130 basis points from an 18.7% operating margin percentage for the three months ended September 30, 2011. The decline in operating margin percentage in each segment was derived as follows:

Drilling & Subsea Segment - The operating margin percentage declined 160 basis points to 20.3% for the three months ended September 30, 2012, from 21.9% for the three months ended September 30, 2011. Of this decline in operating margin percentage, 120 basis points is due to increased spending on sales and engineering initiatives, while 30 basis points is attributable to pricing pressure in certain product lines.

Production & Infrastructure Segment - The operating margin percentage declined by 10 basis points to 17.7% for the three months ended September 30, 2012, from 17.8% for the three months ended September 30, 2011. We experienced margin improvement in both production equipment and valve solutions as a result of manufacturing efficiencies on higher volumes and modest price increases, offset by reduced sales of our higher margin flow equipment product line coupled with pricing pressure on some of those products.

Corporate - Selling, general and administrative expenses for Corporate increased \$1.0 million, or 18.7%, for the three months ended September 30, 2012 compared to the three months ended September 30, 2011 due to higher compensation expense and professional fees. Corporate costs included, among other items, payroll related costs for general management and management of finance and administration, legal, and human resources; professional fees for legal, accounting and related services; and marketing costs.

Other items

Several items are not included in segment operating income but are included in total operating income. These items include: Contingent consideration, impairment of intangible assets, transaction expenses and gains/losses from the sale of assets. Contingent consideration is related to two acquisitions in 2011 where part of the purchase price is payable in cash and/or shares of the Company's common stock based on the earnings of the acquired entities. The change in the amount of the accrual is recorded as part of operating income, an increase of \$0.7 million for the three months ended September 30, 2012 due to lower projected earnings of an acquired entity, and a decrease to operating income for \$0.2 million for the three months ended September 30, 2011. Transaction

**Management's Discussion and Analysis
of Financial Condition and Results of Operations (continued)**

expenses relate to costs incurred in acquiring businesses and are not considered part of on-going segment operating income. These costs were \$0.1 million and \$0.8 million for the three months ended September 30, 2012 and 2011, respectively.

Interest expense

We incurred \$3.6 million of interest expense during the three months ended September 30, 2012, a decrease of \$2.4 million from the amount incurred in the three months ended September 30, 2011. The decrease in interest expense was attributable to the decrease in debt levels as we repaid a portion of our debt from the net proceeds of the initial public offering (the "IPO") and concurrent private placement of our common shares in April 2012.

Taxes

Tax expense includes current income taxes expected to be due based on taxable income to be reported during the periods in the various jurisdictions in which we conduct business, and deferred income taxes based on changes in the tax effect of temporary differences between the bases of assets and liabilities for financial reporting and tax purposes at the beginning and end of the respective periods. The effective tax rate, calculated by dividing total tax expense by income before income taxes, was 30.1% and 34.6% for the three months ended September 30, 2012 and 2011, respectively. The effective tax rate for the three months ended September 30, 2012 is lower than the comparable period in 2011 primarily due to a reduction in the tax provision from the finalization of certain prior year tax returns.

**Management's Discussion and Analysis
of Financial Condition and Results of Operations (continued)**

Nine months ended September 30, 2012 compared to nine months ended September 30, 2011

	Nine Months Ended September 30,		Favorable / (Unfavorable)	
	2012	2011	\$	%
<i>(in thousands of dollars, except per share information)</i>				
Revenue:				
Drilling & Subsea	\$ 639,538	\$ 465,898	\$ 173,640	37.3 %
Production & Infrastructure	445,770	325,514	120,256	36.9 %
Eliminations	(540)	—	(540)	*
Total revenue	\$ 1,084,768	\$ 791,412	\$ 293,356	37.1 %
Cost of sales:				
Drilling & Subsea	\$ 405,015	\$ 310,116	\$ (94,899)	(30.6)%
Production & Infrastructure	314,554	232,716	(81,838)	(35.2)%
Eliminations	(540)	—	540	*
Total cost of sales	\$ 719,029	\$ 542,832	\$ (176,197)	(32.5)%
Gross profit:				
Drilling & Subsea	\$ 234,523	\$ 155,782	\$ 78,741	50.5 %
Production & Infrastructure	131,216	92,798	38,418	41.4 %
Total gross profit	\$ 365,739	\$ 248,580	\$ 117,159	47.1 %
Selling, general and administrative expenses:				
Drilling & Subsea	\$ 100,739	\$ 72,304	\$ (28,435)	(39.3)%
Production & Infrastructure	51,145	42,069	(9,076)	(21.6)%
Corporate	14,996	15,253	257	1.7 %
Total selling, general and administrative expenses	\$ 166,880	\$ 129,626	\$ (37,254)	(28.7)%
Operating income:				
Drilling & Subsea	\$ 133,784	\$ 83,478	\$ 50,306	60.3 %
<i>Operating income margin %</i>	<i>20.9%</i>	<i>17.9%</i>		
Production & Infrastructure	80,071	50,729	29,342	57.8 %
<i>Operating income margin %</i>	<i>18.0%</i>	<i>15.6%</i>		
Corporate	(14,996)	(15,253)	257	1.7 %
Total segment operating income	\$ 198,859	\$ 118,954	\$ 79,905	67.2 %
<i>Operating income margin %</i>	<i>18.3%</i>	<i>15.0%</i>		
Contingent consideration expense (benefit)	(4,600)	6,000	10,600	*
Impairment of intangible assets	1,161	—	(1,161)	*
Transaction expenses	882	3,434	2,552	74.3 %
(Gain)/loss on sale of assets	(1,539)	(520)	1,019	196.0 %
Income from operations	202,955	110,040	92,915	84.4 %
Interest expense, net	13,001	13,723	722	5.3 %
Other, net	1,130	1,261	131	10.4 %
Other (income) expense, net	14,131	14,984	853	5.7 %
Income before income taxes	188,824	95,056	93,768	98.6 %
Income tax expense	61,232	33,176	(28,056)	(84.6)%
Net income	127,592	61,880	65,712	*
Less: Income attributable to non-controlling interest	66	267	(201)	(75.3)%
Income attributable to common stockholders	\$ 127,526	\$ 61,613	\$ 65,913	*
Weighted average shares outstanding				
Basic	78,041	61,843		
Diluted	84,940	65,438		
Earnings per share				
Basic	\$ 1.63	\$ 1.00		
Diluted	\$ 1.50	\$ 0.94		

* not meaningful

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Revenue

Our revenue for the nine months ended September 30, 2012 increased \$293.4 million, or 37.1%, to \$1,084.8 million compared to the nine months ended September 30, 2011. For the nine months ended September 30, 2012, our Drilling & Subsea Segment and our Production & Infrastructure Segment comprised 59.0% and 41.0% of our total revenue, respectively, compared to 58.9% and 41.1%, respectively, for the nine months ended September 30, 2011. All of our product lines had increased revenue in the nine months ended September 30, 2012 compared to the comparable prior year period. The revenue increase by operating segment consisted of the following:

Drilling & Subsea Segment - Revenue increased \$173.6 million, or 37.3%, to \$639.5 million during the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. Of the \$173.6 million increase, approximately 40% was attributable to organic initiatives and approximately 60% to operations acquired in 2011 that were not owned for the full nine months of 2011. The contributions to the organic growth were primarily increased shipments in drilling technologies of hydraulic catwalk units and blowout preventers and in subsea technologies increased sales of workclass remote operating vehicles. The 2011 acquisitions added new drilling products from AMC and P-Quip, subsea products from one of the acquisitions, and downhole products from Davis-Lynch and Cannon.

Production & Infrastructure Segment - Revenue increased \$120.3 million, or 36.9%, to \$445.8 million during the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. The increase in revenue was approximately 49% from organic growth and 51% from acquired operations in 2011 that were not owned for the full first nine months of last year. The organic growth was attributable to increased shipments in both production equipment and valve solution products to meet higher market demand and orders from new customers. The higher shipments were made possible for production equipment by the expansion of existing facilities and the addition of new facilities in Pennsylvania, each completed throughout 2011. The 2011 acquisitions were entirely related to our flow equipment product line and included WFP and Phoinix.

Segment operating income and segment operating margin percentage

Segment operating income for the nine months ended September 30, 2012 increased \$79.9 million, or 67.2%, to \$198.9 million compared to the nine months ended September 30, 2011. The segment operating margin percentage is calculated by dividing segment operating income by revenue. For the nine months ended September 30, 2012, the segment operating margin percentage of 18.3% represents an improvement of 330 basis points over a 15.0% operating margin for the nine months ended September 30, 2011. The improvement in operating margin percentage achieved in each segment was derived as follows:

Drilling & Subsea Segment - The operating margin percentage improved 300 basis points to 20.9% for the nine months ended September 30, 2012, up from 17.9% for the nine months ended September 30, 2011. The margin improvement is primarily due to manufacturing efficiencies on the higher revenue in the subsea technologies and drilling technologies product lines offset by higher selling, general and administrative costs as a percentage of revenue due to additional costs in the current year related to the amortization of intangible assets of the businesses acquired in 2011.

Production & Infrastructure Segment - The operating margin percentage improved 240 basis points to 18.0% for the nine months ended September 30, 2012, up from 15.6% for the nine months ended September 30, 2011 primarily from lower manufacturing costs in production equipment and modest price increases in valves solutions. These increases were offset by higher selling, general and administrative costs as a percent of revenue in the current year related to the amortization of intangible assets of the flow equipment businesses acquired in 2011.

Corporate - Selling, general and administrative expenses for Corporate remained consistent between the nine months ended September 30, 2012 and the nine months ended September 30, 2011. Corporate costs included, among other items, payroll related costs for general management and management of finance and administration, legal and human resources; professional fees for legal, accounting and related services; and marketing costs.

Other items

Several items are not included in segment operating income but are included in total operating income. These items include: Contingent consideration, impairment of intangible assets, transaction expenses and gains/losses from the sale of assets. Contingent consideration is related to two acquisitions in 2011 where part of the purchase consideration is payable in cash and/or shares of the Company's common stock based on the earnings of the acquired entities. The change in the amount of the accrual is recorded as part of operating income. The impact to

Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

earnings was an increase to operating income of \$4.6 million and a decrease to operating income of \$6.0 million for the nine months ended September 30, 2012 and 2011, respectively. During the nine months ended September 30, 2012, an impairment loss of \$1.2 million was recorded on certain intangible assets resulting from a lack of orders related to a specific service line within the Production & Infrastructure segment. Transaction expenses relate to costs incurred in acquiring businesses and are not included in segment operating income. These costs were \$0.9 million and \$3.4 million for the nine months ended September 30, 2012 and 2011, respectively.

Interest expense

We incurred \$13.0 million of interest expense during the nine months ended September 30, 2012, a decrease of \$0.7 million from the nine months ended September 30, 2011. The decrease in interest expense was attributable to lower interest expense as debt was paid back with the net proceeds of the IPO and concurrent private placement during second quarter 2012, partially offset by the increase in debt levels incurred to finance the cash portion of the consideration paid in connection with our eight acquisitions in 2011.

Taxes

Tax expense includes current income taxes expected to be due based on taxable income to be reported during the periods in the various jurisdictions in which we conduct business, and deferred income taxes based on changes in the tax effect of temporary differences between the bases of assets and liabilities for financial reporting and tax purposes at the beginning and end of the respective periods. The effective tax rate, calculated by dividing total tax expense by income before income taxes, was 32.4% and 34.9% for the nine months ended September 30, 2012 and 2011, respectively. The effective tax rate for the nine months ended September 30, 2012 is lower than the comparable period in 2011 primarily due to a reduction in the tax provision from the finalization of certain prior year tax returns.

Liquidity and capital resources

Sources and uses of liquidity

At September 30, 2012, we had cash and cash equivalents of \$17.9 million and total debt of \$317.6 million. During the nine months ended September 30, 2012, we used the net proceeds from the IPO and concurrent private placement to repay a portion of the outstanding borrowings under our Credit Facility.

We believe that cash on hand, cash generated from operations and amounts available under the Credit Facility will be sufficient to fund operations, working capital needs, capital expenditure requirements, and financing obligations for the foreseeable future.

Our total 2012 capital expenditure budget is now approximately \$50 million, which consists of, among other items, investments in expanding our rental fleet of subsea equipment, expanding certain manufacturing facilities and purchasing of machinery and equipment, as well as maintenance capital expenditures of approximately \$25 million. This budget does not include expenditures for potential business acquisitions.

Although we do not budget for acquisitions, pursuing growth through acquisitions is a significant part of our business strategy. We expanded and diversified our product portfolio with the acquisition of eight businesses in 2011 for total consideration (net of cash acquired) of approximately \$578 million. We used cash on hand and borrowings under the Credit Facility to finance these acquisitions. We continue to actively review acquisition opportunities on an ongoing basis. Our ability to make significant acquisitions in the future for cash will require us to obtain additional equity or debt financing, which we may not be able to obtain on terms acceptable to us or at all.

Subsequent to September 30, 2012, we made two acquisitions, each of which were financed with cash on hand and borrowings under the Credit Facility.

**Management's Discussion and Analysis
of Financial Condition and Results of Operations (continued)**

Our cash flows for the nine months ended September 30, 2012 and 2011 are presented below (in millions):

	Nine Months Ended September 30,	
	2012	2011
Net cash provided by operating activities	\$ 74.7	\$ 18.6
Net cash used in investing activities	(35.8)	(534.7)
Net cash provided by/(used in) financing activities	(41.9)	531.9
Net increase (decrease) in cash and cash equivalents	\$ (2.6)	\$ 16.6

Cash flows provided by operating activities

Net cash provided by operating activities was \$74.7 million and \$18.6 million for the nine months ended September 30, 2012 and 2011, respectively. This \$56.1 million increase in operating cash flow is primarily due to increased net income of \$65.7 million. During the nine months ended September 30, 2012, we continued to make investments in working capital that decreased operating cash flows. This increase in working capital primarily resulted from increased revenue and is reflected in the \$95.9 million increase in inventory, although the rate of increase was much lower in the three months ended September 30, 2012.

Cash flows used in investing activities

Net cash used in investing activities was \$35.8 million and \$534.7 million for the nine months ended September 30, 2012 and 2011, respectively, a \$498.9 million decrease period over period. Of this decrease, only \$2.8 million was used to fund an acquisition during the nine months ended September 30, 2012 compared with \$505.4 million used for acquisitions in the nine months ended September 30, 2011. This decrease was partially offset by a higher investment in property and equipment of \$37.8 million during the nine months ended September 30, 2012 compared to an investment of \$30.3 million during the nine months ended September 30, 2011.

Cash flows provided by (used in) financing activities

Net cash used in financing activities was \$41.9 million for the nine months ended September 30, 2012 and consisted primarily of (1) net proceeds from our recent IPO and concurrent private placement of \$306.4 million which were used to pay down a portion of the outstanding borrowings under the revolving portion of the Credit Facility, and (2) payment of \$11.1 million of contingent consideration with respect to acquisitions. Net cash provided by financing activities was \$531.9 million for the nine months ended September 30, 2011, which was primarily attributable to draws on the Credit Facility and a \$50 million issuance of common stock to our original sponsor.

Credit Facility

Our Credit Facility with several financial institutions provides for a \$600 million revolving credit facility with up to \$75 million of letters of credit and up to \$25 million in swingline loans, and a \$300 million term loan. In addition, subject to terms of the Credit Facility, we have the ability to increase the commitments under this facility by up to \$100 million. The Credit Facility matures in October 2016. Weighted average interest rates under the Credit Facility, without the effect of hedging, at September 30, 2012 and December 31, 2011 were 2.25% and 2.78%, respectively.

It is anticipated that future borrowings under the Credit Facility will be available for working capital and general corporate purposes and for permitted acquisitions. It is anticipated that the Credit Facility will be available to be drawn on and repaid during the term thereof so long as we are in compliance with the terms of the credit agreement, including certain financial covenants.

Availability under the Credit Facility was approximately \$578.3 million and \$230 million at September 30, 2012 and December 31, 2011, respectively. We were in compliance with all financial covenants at September 30, 2012 and December 31, 2011.

On April 17, 2012, we sold 13,889,470 shares of common stock in the IPO and 2,666,666 shares of common stock in a private placement to a private equity fund (not affiliated with our original sponsor) for aggregate net proceeds of approximately \$257.9 million and \$50 million, respectively. All of the net proceeds were used to repay a portion of the outstanding borrowings under the revolving portion of the Credit Facility.

**Management's Discussion and Analysis
of Financial Condition and Results of Operations (continued)**

Off-balance sheet arrangements

As of September 30, 2012, we had no off-balance sheet instruments or financial arrangements.

Contractual obligations

Except for the repayment of a portion of the outstanding borrowings under the revolving portion of the Credit Facility discussed above, there have been no material changes in our contractual obligations and commitments disclosed in the Prospectus.

Critical Accounting Policies

There have been no material changes in our critical accounting policies and procedures during the nine months ended September 30, 2012. For a detailed discussion of our critical accounting policies and estimates, refer to the Prospectus.

Recent Accounting Pronouncements

In May 2011, the FASB expanded the fair value measurements and disclosures guidance related to items marked to fair value that are categorized within Level 3 of the fair value hierarchy to include qualitative explanations of the valuation methodology used and sensitivity analysis of the valuation inputs. The amendment also requires entities to disclose the level in the fair value hierarchy for items that are not measured at fair value, but for which the fair value is disclosed. This guidance was adopted by the Company for the fiscal year beginning on January 1, 2012 and did not have a material impact on the Company's financial statements.

In June 2011, the FASB issued an update to ASC 220, "Presentation of Comprehensive Income." This ASU provides that an entity that reports items of other comprehensive income has the option to present comprehensive income in either (1) a single statement that presents the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income; or (2) a two-statement approach, which presents the components of net income and total net income in a first statement, immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income. The option in current GAAP that permits the presentation of other comprehensive income in the statement of changes in equity was eliminated. For the fiscal year beginning January 1, 2012, the Company adopted the guidance and began presenting comprehensive income in a single statement. The guidance was applied retrospectively and did not have a material impact on the Company's financial statements.

In December 2010, the FASB issued FASB ASU 2010-28, "Intangibles - Goodwill and Other," which affects entities evaluating goodwill for impairment under FASB ASC 350-20. ASU 2010-28, among other things, requires entities with a zero or negative carrying value to assess, considering qualitative factors, whether it is more likely than not that goodwill impairment exists. If an entity concludes that it is more likely than not that goodwill impairment exists, the entity must perform step 2 of the goodwill impairment test. This guidance was adopted by the Company for the fiscal year beginning on January 1, 2012 and did not have a material impact on the Company's financial statements.

Item 3. Quantitative and qualitative disclosures about market risk

We are currently exposed to market risk from changes in foreign currency and changes in interest rates. From time to time, we may enter into derivative financial instrument transactions to manage or reduce our market risk, but we do not enter into derivative transactions for speculative purposes.

Since December 31, 2011, there have been no significant changes to our discussion of our exposure to market risk under "Management's discussion and analysis of financial condition and results of operations" included in the Prospectus.

Item 4. Controls and procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of September 30, 2012. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2012 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Refer to Note 11, Commitments and Contingencies, in Part I, Item 1, *Financial Statements*, for a discussion of our legal proceedings, which is incorporated into this Item 1 of Part II by reference.

Item 1A. Risk Factors

For additional information about our risk factors, see "Risk Factors" in the Prospectus.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Shares of common stock purchased and placed in treasury during the three months ended September 30, 2012 were as follows:

Period	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of publicly announced plan or programs	Maximum number of shares that may yet be purchased under the plan or program (b)
July 1, 2012 - July 31, 2012	2,829	\$ 19.69	—	—
August 1, 2012 - August 31, 2012	—	\$ —	—	—
September 1, 2012 - September 30, 2012	—	\$ —	—	—
Total	2,829	\$ 19.69	—	—

(a) All of the 2,829 shares purchased during the three months ended September 30, 2012 were acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from the vesting of restricted stock grants. These shares were not part of a publicly announced program to purchase common shares.

(b) Forum does not have any publicly announced equity securities repurchase plans or programs.

Item 6. Exhibits

Exhibit Number	DESCRIPTION
10.1**	— Amendment No. 2 to Amended and Restated Credit Agreement, dated as of July 27, 2012, among Forum Energy Technologies, Inc., as Borrower, Wells Fargo Bank, National Association, as Administrative Agent and Swing Line Lender and Wells Fargo Bank, National Association, JPMorgan Chase Bank, N.A. and Bank of America, N.A and such other lenders designated from time to time as issuing lenders.
10.2**	— Forum Energy Technologies, Inc. 2010 Stock Incentive Plan (as amended and restated effective August 15, 2012).
10.3**	— First Amendment to Secondment Agreement among L.E. Simmons & Associates, Incorporated, Forum Energy Technologies, Inc. and Patrick Connelly, dated as of August 2, 2010.
10.4**	— Form of Restricted Stock Unit Agreement (Directors).
10.5**	— Form of Restricted Stock Agreement (Directors).
10.6**	— Form of Restricted Stock Agreement (Employees and Consultants).
10.7**	— Form of Nonstatutory Stock Option Agreement (Employees and Consultants).
31.1**	— Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	— Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1***	— Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2***	— Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS***†	— XBRL Instance Document.
101.SCH***†	— XBRL Taxonomy Extension Schema Document.
101.CAL***†	— XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB***†	— XBRL Taxonomy Extension Label Linkbase Document.
101.PRE***†	— XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF***†	— XBRL Taxonomy Extension Definition Linkbase Document.

* Previously filed.

** Filed herewith.

*** Furnished herewith.

†Pursuant to Rule 406T of Regulation S-T, the Interactive data Files in the Exhibit 101 hereto are not deemed filed or part of a registrations statement of prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are not deemed filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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 thereunto duly authorized.

FORUM ENERGY TECHNOLOGIES, INC.

Date: November 6, 2012

By: /s/ James W. Harris

James W. Harris
Senior Vice President and Chief Financial Officer
(As Duly Authorized Officer and Principal Financial Officer)

By: /s/ Tylar K. Schmitt

Tylar K. Schmitt
Controller
(Principal Accounting Officer)

**AGREEMENT AND AMENDMENT NO. 2 TO
AMENDED AND RESTATED CREDIT AGREEMENT**

This Agreement and Amendment No. 2 to Amended and Restated Credit Agreement (this “Agreement”) dated as of July 27, 2012 (the “Effective Date”) is among Forum Energy Technologies, Inc. (the “Borrower”), the Guarantors, the Lenders (as defined below), the Issuing Lenders (as defined below), and Wells Fargo Bank, National Association, as administrative agent (in such capacity, the “Administrative Agent”).

RECITALS

A. The Borrower, the Administrative Agent, the issuing lenders party thereto from time to time (the “Issuing Lenders”), the lenders party thereto from time to time (the “Lenders”) and Wells Fargo Bank, National Association, as the swing line lender, are parties to that certain Amended and Restated Credit Agreement dated as of October 4, 2011, as amended by that certain Amendment No. 1 to Amended and Restated Credit Agreement dated as of March 27, 2012 (as so amended, the “Credit Agreement”; the defined terms of which are used herein unless otherwise defined herein).

B. In order to reduce administrative and statutory audit costs and achieve structural and operational efficiency, the Credit Parties intend to take certain restructuring actions and make certain intercompany investments, including the following: (i) TGH (UK) Ltd, a wholly owned Foreign Subsidiary, will change its name to FET Global Holdings Limited and become a holding company for certain Foreign Subsidiaries (“Foreign Holdco”), (ii) Forum International Holdings, Inc., a Delaware corporation and a wholly owned Domestic Subsidiary, will be converted into a Delaware limited liability company (after such conversion, “FIHI”) and subsequent to such conversion FET Holdings, LLC will contribute 100% of the Equity Interests issued by FIHI to Foreign Holdco (the “FIHI Contribution”), (iii) FIHI, as a limited liability company, will be a pass-through entity for tax purposes and therefore, subsequent to the FIHI Contribution, FIHI will become a Foreign Subsidiary notwithstanding its formation under Delaware law, and (iv) a Foreign Subsidiary formed under the laws of Luxemburg (“Foreign Finance Sub”) will act as intercompany creditor to other Foreign Subsidiaries for cash management purposes and the Borrower will indirectly contribute that certain Amended and Restated Intercompany Note dated as of October 4, 2011 made by certain Foreign Subsidiaries in favor of the Borrower (the “Intercompany Note”) to the Foreign Finance Sub (the “Note Contribution”).

C. In order to effect the transactions described above and to efficiently manage its foreign operations, the Borrower has requested that the Credit Agreement be amended to (i) permit the FIHI Contribution, (ii) permit the Note Contribution, (iii) increase the unsecured Debt basket under Section 6.1(q), and (iv) permit Investments and Debt solely among Foreign Restricted Subsidiaries, each as set forth below.

D. The Borrower has also requested that the Administrative Agent and the Lenders (i) release FIHI as Guarantor under the Guaranty, (ii) release all assets of FIHI from the Liens granted to the Administrative Agent under the Security Documents, (iii) release all Equity Interests issued by FIHI from the Liens granted to the Administrative Agent under the Security Documents, (iv) release the Intercompany Note from the Liens granted to the Administrative Agent under the Security Documents, and (v) make certain other amendments to the Credit Agreement, each as set forth below.

THEREFORE, the Borrower, the Guarantors, the Administrative Agent, the Issuing Lenders, and the Lenders hereby agree as follows:

Section 1. Defined Terms; Other Definitional Provisions. As used in this Agreement, each of the terms defined in the opening paragraph and the Recitals above shall have the meanings assigned to such terms therein. Each term defined in the Credit Agreement and used herein without definition shall have the meaning assigned to such term in the Credit Agreement, unless expressly provided to the contrary. Article, Section, Schedule, and Exhibit references are to Articles and Sections of and Schedules and Exhibits to this Agreement, unless otherwise specified. The words “hereof”, “herein”, and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The term “including” means “including, without limitation.” Paragraph headings have been inserted in this Agreement as a matter of convenience for reference only and it is agreed that such paragraph headings are not a part of this Agreement and shall not be used in the interpretation of any provision of this Agreement.

Section 2. Amendments to Credit Agreement.

(a) Section 1.1 of the Credit Agreement is hereby amended by deleting the definition of “Investment” in its entirety and replacing it with the following:

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, or purchase or other acquisition of any Debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

(b) Section 1.1 of the Credit Agreement is hereby further amended by adding the following new defined term to appear in alphabetical order therein:

“Amendment No. 2” means that certain Agreement and Amendment No. 2 dated as of July 27, 2012 among the Borrower, the Guarantors, and the other parties hereto which amends this Agreement.

(c) Section 6.1 of the Credit Agreement is hereby amended by replacing clause (d) found therein in its entirety with the following:

(d) intercompany Debt incurred by any First Tier Foreign Restricted Subsidiary and owing to the Borrower or to any Wholly-Owned Domestic Restricted Subsidiary; provided that, (A) such Debt is evidenced by a note and (B) the Administrative Agent shall have an Acceptable Security Interest in such note and the receivable evidenced thereby; and (ii) intercompany Debt incurred by any Foreign Restricted Subsidiary and owing to any other Foreign Restricted Subsidiary;

(d) Section 6.1 of the Credit Agreement is hereby amended by replacing clause (i) found therein in its entirety with the following:

(i) a guaranty of Debt so long as such underlying Debt is otherwise permitted under this Section 6.1;

(e) Section 6.1 of the Credit Agreement is hereby further amended by replacing the amount “\$35,000,000” found in clause (q) thereof with the amount “\$50,000,000”.

(f) Section 6.3 of the Credit Agreement is hereby amended by replacing clause (j) found therein in its entirety with the following:

(j) (i) the FIHI Contribution (as defined in Amendment No. 2), (ii) the Note Contribution (as defined in Amendment No. 2) and (iii) Investments made by any Foreign Restricted Subsidiary in or to any other Foreign Restricted Subsidiary;

Section 3. **Representations and Warranties.** Each Credit Party represents and warrants that: (a) the representations and warranties contained in the Credit Agreement, as amended hereby, and the representations and warranties contained in the other Credit Documents are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the Effective Date as if made on as and as of such date except to the extent that any such representation or warranty which by its terms is made as of a specified date, in which case such representation or warranty is true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) as of such specified date; (b) no Default has occurred and is continuing; (c) the execution, delivery and performance of this Agreement are within the corporate, partnership, or limited liability company power, as applicable, and authority of such Credit Party and have been duly authorized by appropriate governing action and proceedings; (d) this Agreement constitutes the legal, valid, and binding obligation of such Credit Party enforceable in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the rights of creditors generally and general principles of equity; (e) there are no governmental or other third party consents, licenses and approvals required in connection with the execution, delivery, performance, validity and enforceability of this Agreement; and (f) except as released pursuant to Section 7 below, the Liens under the Security Documents are valid and subsisting and secure the Secured Obligations.

Section 4. **Conditions to Effectiveness.** This Agreement shall become effective on the Effective Date and enforceable against the parties hereto upon the receipt by the Administrative Agent of this Agreement duly executed by the Borrower, the Guarantors, the Administrative Agent and the Majority Lenders.

Section 5. Acknowledgments and Agreements.

(a) Borrower acknowledges that on the date hereof all outstanding Obligations are payable in accordance with their terms and Borrower waives any defense, offset, counterclaim or recoupment with respect thereto.

(b) Borrower, Administrative Agent, each Issuing Lender and each Lender does hereby adopt, ratify, and confirm the Credit Agreement, as amended hereby, and acknowledges and agrees that the Credit Agreement, as amended hereby, is and remains in full force and effect, and, except as set forth in Section 7 below with regard to FIHI, the Borrower and the Guarantors acknowledge and agree that their respective liabilities and obligations under the Credit Agreement, as amended hereby, and the Guaranty, are not impaired in any respect by this Agreement.

(c) From and after the Effective Date, all references to the Credit Agreement and the Credit Documents shall mean the Credit Agreement and such Credit Documents as amended by this Agreement.

(d) This Agreement is a Credit Document for the purposes of the provisions of the other Credit Documents. Without limiting the foregoing, any breach of representations, warranties, and covenants under this Agreement shall be a Default or Event of Default, as applicable, under the Credit Agreement.

Section 6. **Reaffirmation of the Guaranty.** Except as set forth in Section 7 below with regard to FIHI, each Guarantor hereby ratifies, confirms, acknowledges and agrees that its obligations under the Guaranty are in full force and effect and that such Guarantor continues to unconditionally and irrevocably guarantee the full and punctual payment, when due, whether at stated maturity or earlier by acceleration or otherwise, of all of the Guaranteed Obligations (as defined in the Guaranty), as such Guaranteed Obligations may have been amended by this Agreement, and its execution and delivery of this Agreement does not indicate or establish an approval or consent requirement by such Guarantor under the Guaranty in connection with the execution and delivery of amendments, consents or waivers to the Credit Agreement, the Notes or any of the other Credit Documents.

Section 7. **Guaranty and Lien Releases.** Effective as of date the FIHI Contribution is made (a) the obligations of FIHI under the Guaranty and under each other Credit Document are hereby released, terminated and no longer of any force and effect (except for those obligations that expressly survive the termination of the applicable Credit Document and release of any Lien created thereby) and FIHI shall no longer be a "Guarantor" or a "Grantor" thereunder (except as to those obligations that expressly survive the termination of the applicable Credit Document and release of any Lien created thereby), and (b) all assets of FIHI which constitute Collateral and all Equity Interests issued by FIHI which constitute Collateral are hereby released from the Liens created under the Security Documents. Effective as of the date the Note Contribution is made, the Intercompany Note is released from the Liens created under the Security Documents. The Administrative Agent shall, upon the reasonable request of the Borrower and at the sole cost and expense of the Borrower, return the original Intercompany Note and execute and deliver such UCC-3 termination statements, releases of security interests and other instruments, in each case in proper form of recording, as the Borrower shall reasonably request to evidence the release expressly contemplated herein. It is understood and agreed that the releases provided in this Section 7 (i) are expressly made conditioned upon the occurrence of the FIHI Contribution and the Note Contribution (as applicable), (ii) shall not release any Guarantor other than FIHI as expressly provided above, and (iii) as to the Liens created under the Security Documents, are partial releases only which are expressly limited to the assets described above in this Section 7 and shall not release any other assets of any other Credit Party from the Liens created under the Credit Documents.

Section 8. **Counterparts.** This Agreement may be signed in any number of counterparts, each of which shall be an original and all of which, taken together, constitute a single instrument. This Agreement may be executed by facsimile signature and all such signatures shall be effective as originals.

Section 9. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted pursuant to the Credit Agreement.

Section 10. **Invalidity.** In the event that any one or more of the provisions contained in this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement.

Section 11. **Governing Law.** This Agreement shall be deemed a contract under, and shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, applicable to contracts made and to be performed entirely within such state, including without regard to conflicts of laws principles (other than Section 5-1401 and Section 5-1402 of the General Obligations Law of the State of New York).

Section 12. **Entire Agreement.** THIS AGREEMENT, THE CREDIT AGREEMENT AS AMENDED BY THIS AGREEMENT, THE NOTES, AND THE OTHER CREDIT DOCUMENTS CONSTITUTE THE ENTIRE UNDERSTANDING AMONG THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SUPERSEDE ANY PRIOR AGREEMENTS, WRITTEN OR ORAL, WITH RESPECT THERETO.

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EXECUTED to be effective as of the date first above written.

BORROWER:

FORUM ENERGY TECHNOLOGIES, INC.

By: /s/ James W. Harris

Name: James W. Harris

Title: Senior Vice President and Chief Financial Officer

GUARANTORS:

**AMC TORQUE SOLUTIONS, INC.
CANNON SERVICES, LLC
DAVIS-LYNCH, LLC
FET HOLDINGS, LLC
FORUM ENERGY SERVICES, INC.
FORUM INTERNATIONAL HOLDINGS, INC.
FORUM US, INC.
PHOINIX GLOBAL, LLC
SUBSEA SERVICES INTERNATIONAL, INC.
SVP PRODUCTS, INC.
TGH (US) INC.**

By: /s/ James W. Harris

James W. Harris

Vice President

**GLOBAL FLOW TECHNOLOGIES, INC.
Z EXPLORATIONS, INC.
Z RESOURCES, INC.
ZY-TECH GLOBAL INDUSTRIES, INC.**

By: /s/ Harry Hernandez

Name: Harry Hernandez

Title: Secretary

ADMINISTRATIVE AGENT/LENDERS:

WELLS FARGO BANK,

NATIONAL ASSOCIATION

as Administrative Agent, Swing Line Lender, Issuing Lender, and Lender

By: /s/ Robert Corder _____

Name: Robert Corder

Title: Director

Signature Page to Agreement and Amendment No. 2 to Amended and Restated Credit Agreement
(Forum Energy Technologies, Inc.)

#4130479

JPMORGAN CHASE BANK, N.A.
as an Issuing Lender, a Revolving Lender and a Term Lender

By: /s/ Thomas Okamoto
Name: Thomas Okamoto
Title: Authorized Officer

Signature Page to Agreement and Amendment No. 2 to Amended and Restated Credit Agreement
(Forum Energy Technologies, Inc.)

#4130479

BANK OF AMERICA, N.A.
as an Issuing Lender, a Revolving Lender and a Term Lender

By: /s/ Julie Castano
Name: Julie Castano
Title: Vice President

Signature Page to Agreement and Amendment No. 2 to Amended and Restated Credit Agreement
(Forum Energy Technologies, Inc.)

#4130479

CITIBANK, N.A.
as a Revolving Lender and a Term Lender

By: /s/ John F. Miller
Name: John F. Miller
Title: Attorney-in-Fact

Signature Page to Agreement and Amendment No. 2 to Amended and Restated Credit Agreement
(Forum Energy Technologies, Inc.)

#4130479

**DEUTSCHE BANK TRUST COMPANY
AMERICAS**, as a Revolving Lender and
a Term Lender

By: /s/ Michael Getz
Name: Michael Getz
Title: Vice President

By: /s/ Erin Morrissey
Name: Erin Morrissey
Title: Director

Signature Page to Agreement and Amendment No. 2 to Amended and Restated Credit Agreement
(Forum Energy Technologies, Inc.)

#4130479

AMEGY BANK NATIONAL ASSOCIATION
as a Revolving Lender and a Term Lender

By: /s/ Brad Ellis
Name: Brad Ellis
Title: Senior Vice President

Signature Page to Agreement and Amendment No. 2 to Amended and Restated Credit Agreement
(Forum Energy Technologies, Inc.)

#4130479

HSBC BANK USA, N.A.
as a Revolving Lender and a Term Lender

By: /s/ Bruce Robinson
Name: Bruce Robinson
Title: Vice President

Signature Page to Agreement and Amendment No. 2 to Amended and Restated Credit Agreement
(Forum Energy Technologies, Inc.)

#4130479

CREDIT SUISSE AG, CAYMAN
ISLANDS BRANCH, as a Revolving Lender and a Term Lender

By: /s/ Mikhail Feybusovich
Name: Mikhail Feybusovich
Title: Director

By: /s/ Vipul Dhadha
Name: Vipul Dhadha
Title: Associate

Signature Page to Agreement and Amendment No. 2 to Amended and Restated Credit Agreement
(Forum Energy Technologies, Inc.)

#4130479

COMERICA BANK,
as a Revolving Lender and a Term Lender

By: /s/ David Balderach
Name: David Balderach
Title: Senior Vice President

Signature Page to Agreement and Amendment No. 2 to Amended and Restated Credit Agreement
(Forum Energy Technologies, Inc.)

#4130479

FORUM ENERGY TECHNOLOGIES, INC.
2010 STOCK INCENTIVE PLAN
(As Amended and Restated Effective August 15, 2012)

I. PURPOSE OF THE PLAN

The purpose of the **FORUM ENERGY TECHNOLOGIES, INC. 2010 STOCK INCENTIVE PLAN** (the “**Plan**”) is to provide a means through which FORUM ENERGY TECHNOLOGIES, INC., a Delaware corporation (the “**Company**”), and its Affiliates may attract able persons to serve as Directors or Consultants or to enter the employ of the Company and its Affiliates and to provide a means whereby those individuals upon whom the responsibilities of the successful administration and management of the Company and its Affiliates rest, and whose present and potential contributions to the Company and its Affiliates are of importance, can acquire and maintain stock ownership, thereby strengthening their concern for the welfare of the Company and its Affiliates. A further purpose of the Plan is to provide such individuals with additional incentive and reward opportunities designed to enhance the profitable growth of the Company and its Affiliates. Accordingly, the Plan provides for granting Incentive Stock Options, Options that do not constitute Incentive Stock Options, Restricted Stock Awards, Performance Awards, Phantom Stock Awards, Bonus Stock Awards, or any combination of the foregoing, as is best suited to the circumstances of the particular employee, Consultant, or Director as provided herein.

The Plan as set forth herein constitutes an amendment and restatement of the Prior Plan. Except as provided in the following sentence, the Plan shall supersede and replace in its entirety the Prior Plan. Notwithstanding any provisions herein to the contrary, each award granted under the Prior Plan prior to the effective date of this amendment and restatement shall be subject to the terms and provisions applicable to such award under the Prior Plan, as in effect immediately prior to this amendment and restatement.

II. DEFINITIONS

The following definitions shall be applicable throughout the Plan unless specifically modified by any paragraph:

(a) “**Affiliate**” means any corporation, partnership, limited liability company or partnership, association, trust, or other organization which, directly or indirectly, controls, is controlled by, or is under common control with, the Company. For purposes of the preceding sentence, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any entity or organization, shall mean the possession, directly or indirectly, of the power (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of the controlled entity or organization or (ii) to direct or cause the direction of the management and policies of the controlled entity or organization, whether through the ownership of voting securities or by contract or otherwise.

(b) “**Award**” means, individually or collectively, any Option, Restricted Stock Award,

Performance Award, Phantom Stock Award, or Bonus Stock Award.

(c) **“Board”** means the Board of Directors of the Company.

(d) **“Bonus Stock Award”** means an Award granted under Paragraph XI of the Plan.

(e) **“Change in Control”** shall have the meaning assigned to such term in Exhibit A to the Plan.

(f) **“Code”** means the Internal Revenue Code of 1986, as amended from time to time, together with rules, regulations and interpretations promulgated thereunder. Reference in the Plan to any Section of the Code shall be deemed to include any amendments or successor provisions to such Section and any regulations under such Section.

(g) **“Committee”** means a committee of the Board that is selected by the Board as provided in Paragraph IV(a).

(h) **“Common Stock”** means the common stock, par value \$.01 per share, of the Company, or any security into which such common stock may be changed by reason of any transaction or event of the type described in Paragraph XII.

(i) **“Company”** means Forum Energy Technologies, Inc., a Delaware corporation.

(j) **“Consultant”** means any person who is not an employee or a Director and who is providing advisory or consulting services to the Company or any Affiliate.

(k) **“Corporate Change”** shall have the meaning assigned to such term in Paragraph XII(c) of the Plan.

(l) **“Director”** means an individual who is a member of the Board.

(m) An **“employee”** means any person (including a Director) in an employment relationship with the Company or any Affiliate.

(n) **“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

(o) **“Fair Market Value”** means, as of any specified date, the closing price of the Common Stock, if the Common Stock is listed on a national stock exchange registered under Section 6(a) of the Exchange Act, reported on the stock exchange composite tape on that date (or such other reporting service approved by the Committee); or, if no closing price is reported on that date, on the last preceding date on which such closing price of the Common Stock is so reported. If the Common Stock is traded over the counter at the time a determination of its fair market value is required to be made hereunder, its fair market value shall be deemed to be equal to the average between the reported high and low or closing bid and asked prices of Common Stock on the most recent date on which Common Stock was publicly traded. In the event Common Stock is not publicly traded at the time a determination of its value is required to be made hereunder, the determination of its fair market value shall be made by the Committee in such manner as it deems

appropriate and as is consistent with the requirements of Section 409A of the Code.

(p) **“Incentive Stock Option”** means an incentive stock option within the meaning of Section 422 of the Code.

(q) **“Option”** means an Award granted under Paragraph VII of the Plan and includes both Incentive Stock Options to purchase Common Stock and Options that do not constitute Incentive Stock Options to purchase Common Stock.

(r) **“Option Agreement”** means a written agreement between the Company and a Participant with respect to an Option.

(s) **“Participant”** means an employee, Consultant, or Director who has been granted an Award.

(t) **“Performance Award”** means an Award granted under Paragraph IX of the Plan.

(u) **“Performance Award Agreement”** means a written agreement between the Company and a Participant with respect to a Performance Award.

(v) **“Performance Measure”** means one or more performance measures established by the Committee that are based on (i) the price of a share of Common Stock, (ii) the Company’s earnings per share, (iii) the Company’s market share or the market share of a business unit of the Company designated by the Committee, (iv) the Company’s sales or the sales of a business unit of the Company designated by the Committee, (v) operating income or operating income margin of the Company or a business unit of the Company, (vi) the net income or net income margin (before or after taxes) of the Company or any business unit of the Company designated by the Committee, (vii) the cash flow or return on investment of the Company or any business unit of the Company designated by the Committee, (viii) the earnings or earnings margin before or after interest, taxes, depreciation, and/or amortization of the Company or any business unit of the Company designated by the Committee, (ix) the economic value added, (x) the return on capital, assets, or stockholders’ equity achieved by the Company, (xi) the total stockholders’ return achieved by the Company, or (xii) any combination of the foregoing. The performance measures described in the preceding sentence may be absolute, relative to one or more other companies, relative to one or more indexes, or measured by reference to the Company alone or the Company together with one or more of its Affiliates. In addition, performance measures may be subject to adjustment by the Committee for changes in accounting principles, to satisfy regulatory requirements and other specified significant extraordinary items or events.

(w) **“Phantom Stock Award”** means an Award granted under Paragraph X of the Plan.

(x) **“Phantom Stock Award Agreement”** means a written agreement between the Company and a Participant with respect to a Phantom Stock Award, including an Award of Restricted Stock Units under Paragraph X of the Plan.

(y) **“Plan”** means the Forum Energy Technologies, Inc. 2010 Stock Incentive Plan, as

amended and restated effective August 15, 2012.

(z) **“Prior Plan”** means the Forum Energy Technologies, Inc. 2010 Stock Incentive Plan (formerly known as the Forum Oilfield Technologies, Inc. 2005 Stock Incentive Plan) as amended and in effect immediately prior to the effective date of the Plan.

(aa) **“Restricted Stock Agreement”** means a written agreement between the Company and a Participant with respect to a Restricted Stock Award.

(bb) **“Restricted Stock Award”** means an Award granted under Paragraph VIII of the Plan.

(cc) **“Restricted Stock Unit”** means a unit evidencing the right to receive in specified circumstances one share of Common Stock or in the sole discretion of the Committee, an equivalent value in cash that is restricted or subject to forfeiture provisions.

(dd) **“Rule 16b-3”** means Securities Exchange Commission Rule 16b-3 promulgated under the Exchange Act, as such may be amended from time to time, and any successor rule, regulation, or statute fulfilling the same or a similar function.

(ee) **“Stock Appreciation Right”** means a right to acquire, upon exercise of the right, Common Stock and/or, in the sole discretion of the Committee, cash having an aggregate value equal to the then excess of the Fair Market Value of the shares with respect to which the right is exercised over the exercise price therefor. The Committee shall retain final authority to determine whether a Participant shall be permitted, and to approve an election by a Participant, to receive cash in full or partial settlement of a Stock Appreciation Right.

III. EFFECTIVE DATE AND DURATION OF THE PLAN

The Plan was originally approved by the Board on July 15, 2010. The Prior Plan was approved by the stockholders of the Company and was effective upon the Company’s initial public offering. Notwithstanding any provision in the Plan to the contrary, no Option shall be exercisable, no Restricted Stock Award or Bonus Stock Award shall be granted, and no Performance Award or Phantom Stock Award shall vest or become satisfiable prior to such stockholder approval. The Plan is hereby amended and restated effective as of August 15, 2012. No further Awards may be granted under the Plan after July 15, 2020. The Plan shall remain in effect until all Options granted under the Plan have been satisfied or expired, all Restricted Stock Awards granted under the Plan have vested or been forfeited, and all Performance Awards, Phantom Stock Awards, and Bonus Stock Awards have been satisfied or expired.

IV. ADMINISTRATION

(a) **Composition of Committee.** The Plan shall be administered by a committee of, and appointed by, the Board. In the absence of the Board’s appointment of a committee to administer the Plan, the Board shall serve as the Committee.

(b) **Powers.** Subject to the express provisions of the Plan, the Committee shall have authority, in its discretion, to determine which employees, Consultants, or Directors shall receive

an Award, the time or times when such Award shall be made, the type of Award that shall be made, the number of shares to be subject to each Option, Restricted Stock Award, or Bonus Stock Award, and the number of shares to be subject to or the value of each Performance Award or Phantom Stock Award. In making such determinations, the Committee shall take into account the nature of the services rendered by the respective employees, Consultants, or Directors, their present and potential contribution to the Company's success, and such other factors as the Committee in its sole discretion shall deem relevant.

(c) **Additional Powers.** The Committee shall have such additional powers as are delegated to it by the other provisions of the Plan. Subject to the express provisions of the Plan, this shall include the power to construe the Plan and the respective agreements executed hereunder, to prescribe rules and regulations relating to the Plan, to determine the terms, restrictions, and provisions of the agreement relating to each Award, including such terms, restrictions, and provisions as shall be requisite in the judgment of the Committee to cause designated Options to qualify as Incentive Stock Options, and to make all other determinations necessary or advisable for administering the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any agreement relating to an Award in the manner and to the extent the Committee shall deem expedient to carry the Plan or any such agreement into effect. All determinations and decisions made by the Committee on the matters referred to in this Paragraph IV and in construing the provisions of the Plan shall be conclusive.

(d) **Delegation of Authority by the Committee.** Notwithstanding the preceding provisions of this Paragraph IV or any other provision of the Plan to the contrary, subject to the constraints of applicable law, the Committee may from time to time, in its sole discretion, delegate to the Chief Executive Officer of the Company the administration (or interpretation of any provision) of the Plan, and the right to grant Awards under the Plan, insofar as such administration (and interpretation) and power to grant Awards relates to any person who is not subject to Section 16 of the Exchange Act (including any successor Section to the same or similar effect). Any such delegation may be effective only so long as the Chief Executive Officer of the Company is a Director, and the Committee may revoke such delegation at any time. The Committee may put any conditions and restrictions on the powers that may be exercised by the Chief Executive Officer of the Company upon such delegation as the Committee determines in its sole discretion. In the event of any conflict in a determination or interpretation under the Plan as between the Committee and the Chief Executive Officer of the Company, the determination or interpretation, as applicable, of the Committee shall be conclusive.

V. SHARES SUBJECT TO THE PLAN; AWARD LIMITS; GRANT OF AWARDS

(a) **Shares Subject to the Plan and Award Limits.** Subject to adjustment in the same manner as provided in Paragraph XII with respect to shares of Common Stock subject to Options then outstanding, the aggregate maximum number of shares of Common Stock that may be issued under the Plan, and the aggregate maximum number of shares of Common Stock that may be issued under the Plan through Incentive Stock Options, shall not exceed 18,500,000 shares (inclusive of the shares subject to outstanding awards granted under the Prior Plan and the shares that remain available for issuance under the Prior Plan immediately prior to the effective date of this amendment)

and restatement). Shares shall be deemed to have been issued under the Plan only to the extent actually issued and delivered pursuant to an Award. To the extent that an Award lapses or the rights of its holder terminate, any shares of Common Stock subject to such Award shall again be available for the grant of an Award under the Plan. In addition, shares issued under the Plan and forfeited back to the Plan, shares surrendered in payment of the exercise price or purchase price of an Award, and shares withheld for payment of applicable employment taxes and/or withholding obligations associated with an Award shall again be available for the grant of an Award under the Plan. Notwithstanding any provision in the Plan to the contrary, (i) the maximum number of shares of Common Stock that may be subject to Awards denominated in shares of Common Stock granted to any one individual during the term of the Plan may not exceed 50% of the aggregate maximum number of shares of Common Stock that may be issued under the Plan (as adjusted from time to time in accordance with the provisions of the Plan) and (ii) the maximum amount of compensation that may be paid under all Performance Awards denominated in cash (including the Fair Market Value of any shares of Common Stock paid in satisfaction of such Performance Awards) granted to any one individual during any calendar year may not exceed \$20,000,000, and any payment due with respect to a Performance Award shall be paid no later than 10 years after the date of grant of such Performance Award. The limitations set forth in clauses (i) and (ii) of the preceding sentence shall be applied in a manner that will permit Awards that are intended to provide “performance-based” compensation for purposes of Section 162(m) of the Code to satisfy the requirements of such section, including, without limitation, counting against such maximum number of shares, to the extent required under Section 162(m) of the Code and applicable interpretive authority thereunder, any shares subject to Awards granted to employees that are canceled or repriced.

(b) **Grant of Awards.** The Committee may from time to time grant Awards to one or more employees, Consultants, or Directors determined by it to be eligible for participation in the Plan in accordance with the terms of the Plan.

(c) **Stock Offered.** Subject to the limitations set forth in Paragraph V(a), the stock to be offered pursuant to the grant of an Award may be authorized but unissued Common Stock or Common Stock previously issued and outstanding and reacquired by the Company. Any of such shares which remain unissued and which are not subject to outstanding Awards at the termination of the Plan shall cease to be subject to the Plan but, until termination of the Plan, the Company shall at all times make available a sufficient number of shares to meet the requirements of the Plan. The shares of the Company’s stock to be issued pursuant to any Award may be represented by physical stock certificates or may be uncertificated. Notwithstanding references in the Plan to certificates, the Company may deliver uncertificated shares of Common Stock in connection with any Award.

VI. ELIGIBILITY

Awards may be granted only to persons who, at the time of grant, are employees, Consultants, or Directors. An Award may be granted on more than one occasion to the same person, and, subject to the limitations set forth in the Plan, such Award may include an Incentive Stock Option, an Option that is not an Incentive Stock Option, a Restricted Stock Award, a Performance Award, a Phantom Stock Award, a Bonus Stock Award, or any combination thereof.

VII. STOCK OPTIONS

(a) **Option Period.** The term of each Option shall be as specified by the Committee at the date of grant, but in no event shall an Option be exercisable after the expiration of 10 years from the date of grant.

(b) **Limitations on Exercise of Option.** An Option shall be exercisable in whole or in such installments and at such times as determined by the Committee.

(c) **Special Limitations on Incentive Stock Options.** An Incentive Stock Option may be granted only to an individual who is employed by the Company or any parent or subsidiary corporation (as defined in Section 424 of the Code) of the Company at the time the Option is granted. To the extent that the aggregate fair market value (determined at the time the respective Incentive Stock Option is granted) of stock with respect to which Incentive Stock Options are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of the Company and its parent and subsidiary corporations exceeds \$100,000, such Incentive Stock Options shall be treated as Options which do not constitute Incentive Stock Options. The Committee shall determine, in accordance with applicable provisions of the Code, Treasury regulations, and other administrative pronouncements, which of a Participant's Incentive Stock Options will not constitute Incentive Stock Options because of such limitation and shall notify the Participant of such determination as soon as practicable after such determination. No Incentive Stock Option shall be granted to an individual if, at the time the Option is granted, such individual owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its parent or subsidiary corporation, within the meaning of Section 422(b)(6) of the Code, unless (i) at the time such Option is granted, the option price is at least 110% of the Fair Market Value of the Common Stock subject to the Option and (ii) such Option by its terms is not exercisable after the expiration of five years from the date of grant. Except as otherwise provided in Sections 421 or 422 of the Code, an Incentive Stock Option shall not be transferable otherwise than by will or the laws of descent and distribution and shall be exercisable during the Participant's lifetime only by such Participant or the Participant's guardian or legal representative.

(d) **Option Agreement.** Each Option shall be evidenced by an Option Agreement in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve, including, without limitation, provisions to qualify an Option as an Incentive Stock Option under Section 422 of the Code. Each Option Agreement shall specify the effect of termination of (i) employment, (ii) the consulting or advisory relationship or (iii) membership on the Board, as applicable, or a Change in Control on the exercisability of the Option. An Option Agreement may provide for the payment of the option price, in whole or in part, by the delivery of a number of shares of Common Stock (plus cash if necessary) having a Fair Market Value equal to such option price. Moreover, an Option Agreement may provide for a "cashless exercise" of the Option by establishing procedures satisfactory to the Committee with respect thereto. Further, an Option Agreement may provide, on such terms and conditions as the Committee in its sole discretion may prescribe, for the grant of a Stock Appreciation Right in connection with the grant of an Option and, in such case, the exercise of the Stock Appreciation Right shall result in the surrender of the right to purchase a number of shares under the Option equal

to the number of shares with respect to which the Stock Appreciation Right is exercised (and vice versa). In the case of any Stock Appreciation Right that is granted in connection with an Incentive Stock Option, such right shall be exercisable only when the Fair Market Value of the Common Stock exceeds the exercise price specified therefor in the Option or the portion thereof to be surrendered. The terms and conditions of the respective Option Agreements need not be identical. Subject to the consent of the Participant, the Committee may, in its sole discretion, amend an outstanding Option Agreement from time to time in any manner that is not inconsistent with the provisions of the Plan (including, without limitation, an amendment that accelerates the time at which the Option, or a portion thereof, may be exercisable).

(e) **Option Price and Payment.** The price at which a share of Common Stock may be purchased upon exercise of an Option shall be determined by the Committee but, subject to adjustment as provided in Paragraph XII, such purchase price shall not be less than the Fair Market Value of a share of Common Stock on the date such Option is granted. The Option or portion thereof may be exercised by delivery of an irrevocable notice of exercise to the Company, as specified by the Committee. The purchase price of the Option or portion thereof shall be paid in full in the manner prescribed by the Committee. Separate stock certificates shall be issued by the Company for those shares acquired pursuant to the exercise of an Incentive Stock Option and for those shares acquired pursuant to the exercise of any Option that does not constitute an Incentive Stock Option.

(f) **Restrictions on Repricing of Options.** Except as provided in Paragraph XII, the Committee may not, without approval of the stockholders of the Company, amend any outstanding Option Agreement to lower the option price (or cancel and replace any outstanding Option Agreement with Option Agreements having a lower option price).

(g) **Stockholder Rights and Privileges.** The Participant shall be entitled to all the privileges and rights of a stockholder only with respect to such shares of Common Stock as have been purchased under the Option and for which certificates of stock have been registered in the Participant's name.

(h) **Options and Rights in Substitution for Options Granted by Other Employers.** Options and Stock Appreciation Rights may be granted under the Plan from time to time in substitution for options and such rights held by individuals providing services to corporations or other entities who become employees, Consultants, or Directors as a result of a merger or consolidation or other business transaction with the Company or any Affiliate.

VIII. RESTRICTED STOCK AWARDS

(a) **Forfeiture Restrictions to be Established by the Committee.** Shares of Common Stock that are the subject of a Restricted Stock Award shall be subject to restrictions on disposition by the Participant and an obligation of the Participant to forfeit and surrender the shares to the Company under certain circumstances (the "***Forfeiture Restrictions***"). The Forfeiture Restrictions shall be determined by the Committee in its sole discretion, and the Committee may provide that the Forfeiture Restrictions shall lapse upon (i) the attainment of one or more Performance Measures, (ii) the Participant's continued employment with the Company or its Affiliate or continued service as a Consultant or Director for a specified period of time, (iii) the occurrence of any event or the

satisfaction of any other condition specified by the Committee in its sole discretion (including, without limitation, a Change in Control), or (iv) a combination of any of the foregoing. Each Restricted Stock Award may have different Forfeiture Restrictions, in the discretion of the Committee.

(b) **Other Terms and Conditions.** Unless provided otherwise in a Restricted Stock Agreement, the Participant shall have the right to receive dividends with respect to Common Stock subject to a Restricted Stock Award, to vote Common Stock subject thereto, and to enjoy all other stockholder rights, except that (i) the Participant shall not be entitled to delivery of the stock certificate until the Forfeiture Restrictions have expired, (ii) the Company shall retain custody of the stock until the Forfeiture Restrictions have expired, (iii) the Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of the stock until the Forfeiture Restrictions have expired, (iv) a breach of the terms and conditions established by the Committee pursuant to the Restricted Stock Agreement shall cause a forfeiture of the Restricted Stock Award, and (v) with respect to the payment of any dividend with respect to shares of Common Stock subject to a Restricted Stock Award directly to the Participant, each such dividend shall be paid no later than the end of the calendar year in which the dividends are paid to stockholders of such class of shares or, if later, the fifteenth day of the third month following the date the dividends are paid to stockholders of such class of shares. At the time of such Award, the Committee may, in its sole discretion, prescribe additional terms, conditions, or restrictions relating to Restricted Stock Awards, including, but not limited to, rules pertaining to the termination of employment or service as a Consultant or Director (by retirement, disability, death, or otherwise) of a Participant prior to expiration of the Forfeitures Restrictions. Such additional terms, conditions, or restrictions shall be set forth in a Restricted Stock Agreement made in conjunction with the Award.

(c) **Payment for Restricted Stock.** The Committee shall determine the amount and form of any payment for Common Stock received pursuant to a Restricted Stock Award, provided that in the absence of such a determination, a Participant shall not be required to make any payment for Common Stock received pursuant to a Restricted Stock Award, except to the extent otherwise required by law.

(d) **Committee's Discretion to Accelerate Vesting of Restricted Stock Awards.** The Committee may, in its discretion and as of a date determined by the Committee, fully vest any or all Common Stock awarded to a Participant pursuant to a Restricted Stock Award and, upon such vesting, all Forfeiture Restrictions applicable to such Restricted Stock Award shall terminate as of such date. Any action by the Committee pursuant to this Subparagraph may vary among individual Participants and may vary among the Restricted Stock Awards held by any individual Participant. Notwithstanding the preceding provisions of this Subparagraph, except in connection with a Corporate Change or Change in Control, the Committee may not take any action described in this Subparagraph with respect to a Restricted Stock Award that has been granted to a "covered employee" (within the meaning of Treasury regulation Section 1.162-27(c)(2)) if such Award has been designed to meet the exception for performance-based compensation under Section 162(m) of the Code.

(e) **Restricted Stock Agreements.** At the time any Award is made under this

Paragraph VIII, the Company and the Participant shall enter into a Restricted Stock Agreement setting forth each of the matters contemplated hereby and such other matters as the Committee may determine to be appropriate. The terms and provisions of the respective Restricted Stock Agreements need not be identical. Subject to the consent of the Participant, the Committee may, in its sole discretion, amend an outstanding Restricted Stock Agreement from time to time in any manner that is not inconsistent with the provisions of the Plan.

IX. PERFORMANCE AWARDS

(a) **Performance Period.** The Committee shall establish, with respect to and at the time of each Performance Award, the number of shares of Common Stock subject to, or the maximum value of, the Performance Award and the performance period over which the performance applicable to the Performance Award shall be measured.

(b) **Performance Measures.** Any Performance Award awarded to a Participant shall be contingent upon future performance of the Company or any Affiliate, division, or department thereof under a Performance Measure during the performance period. The Committee shall establish the Performance Measures applicable to such performance either (i) prior to the beginning of the performance period or (ii) within 90 days after the beginning of the performance period if the outcome of the performance targets is substantially uncertain at the time such targets are established, but not later than the date that 25% of the performance period has elapsed. The Committee, in its sole discretion, may provide for an adjustable Performance Award value based upon the level of achievement of Performance Measures.

(c) **Awards Criteria.** In determining the value of Performance Awards, the Committee shall take into account a Participant's responsibility level, performance, potential, other Awards, and such other considerations as it deems appropriate. The Committee, in its sole discretion, may provide for a reduction in the value of a Participant's Performance Award during the performance period.

(d) **Payment.** Following the end of the performance period, the holder of a Performance Award shall be entitled to receive payment of an amount not exceeding the number of shares of Common Stock subject to, or the maximum value of, the Performance Award, based on the achievement of the Performance Measures for such performance period, as determined and certified in writing by the Committee. Payment of a Performance Award may be made in cash, Common Stock, or a combination thereof, as determined by the Committee. Payment shall be made in a lump sum or in installments as prescribed by the Committee. If a Performance Award covering shares of Common Stock is to be paid in cash, such payment shall be based on the Fair Market Value of the Common Stock on the payment date or such other date as may be specified by the Committee in the Performance Award Agreement. A Participant shall not be entitled to the privileges and rights of a stockholder with respect to a Performance Award covering shares of Common Stock until payment has been determined by the Committee and such shares have been delivered to the Participant.

(e) **Termination of Award.** A Performance Award shall terminate if the Participant does not remain continuously in the employ of the Company and its Affiliates or does not continue

to perform services as a Consultant or a Director for the Company and its Affiliates at all times during the applicable performance period through the payment date, except as may be determined by the Committee (including, without limitation, a termination of employment or services on or after a Change in Control).

(f) **Performance Award Agreements.** At the time any Award is made under this Paragraph IX, the Company and the Participant shall enter into a Performance Award Agreement setting forth each of the matters contemplated hereby and such additional matters as the Committee may determine to be appropriate. The terms and provisions of the respective Performance Award Agreements need not be identical.

X. PHANTOM STOCK AWARDS

(a) **Phantom Stock Awards.** Phantom Stock Awards are rights to receive shares of Common Stock (or the Fair Market Value thereof), or rights to receive an amount equal to any appreciation or increase in the Fair Market Value of Common Stock over a specified period of time, which vest over a period of time as established by the Committee, without satisfaction of any performance criteria or objectives. The Committee may, in its discretion, require payment or other conditions of the Participant respecting any Phantom Stock Award. A Phantom Stock Award may include, without limitation, (i) a Restricted Stock Unit or (ii) a Stock Appreciation Right that is granted independently of an Option; provided, however, that the exercise price per share of Common Stock subject to the Stock Appreciation Right shall be (i) determined by the Committee but, subject to adjustment as provided in Paragraph XII, such exercise price shall not be less than the Fair Market Value of a share of Common Stock on the date such Stock Appreciation Right is granted, and (ii) subject to the restrictions on repricings described in Paragraph VII(f) in the same manner as applies to Options.

(b) **Award Period.** The Committee shall establish, with respect to and at the time of each Phantom Stock Award, a period over which the Award shall vest with respect to the Participant.

(c) **Awards Criteria.** In determining the value of Phantom Stock Awards, the Committee shall take into account a Participant's responsibility level, performance, potential, other Awards, and such other considerations as it deems appropriate.

(d) **Payment.** Following the end of the vesting period for a Phantom Stock Award (or at such other time as the applicable Phantom Stock Award Agreement may provide), the holder of a Phantom Stock Award shall be entitled to receive payment of an amount, not exceeding the maximum value of the Phantom Stock Award, based on the then vested value of the Award. Payment of a Phantom Stock Award may be made in cash, Common Stock, or a combination thereof as determined by the Committee. Payment shall be made in a lump sum or in installments as prescribed by the Committee. Any payment to be made in cash shall be based on the Fair Market Value of the Common Stock on the payment date or such other date as may be specified by the Committee in the Phantom Stock Award Agreement. Cash dividend equivalents may be paid during or after the vesting period with respect to a Phantom Stock Award, as determined by the Committee. A Participant shall not be entitled to the privileges and rights of a stockholder with respect to a Phantom Stock Award until the shares of Common Stock have been delivered to the Participant.

(e) **Termination of Award.** A Phantom Stock Award shall terminate if the Participant does not remain continuously in the employ of the Company and its Affiliates or does not continue to perform services as a Consultant or a Director for the Company and its Affiliates at all times during the applicable vesting period, except as may be otherwise determined by the Committee (including, without limitation, a termination of employment or services on or after a Change in Control).

(f) **Phantom Stock Award Agreements.** At the time any Award is made under this Paragraph X, the Company and the Participant shall enter into a Phantom Stock Award Agreement setting forth each of the matters contemplated hereby and such additional matters as the Committee may determine to be appropriate. The terms and provisions of the respective Phantom Stock Award Agreements need not be identical.

XI. BONUS STOCK AWARDS

Each Bonus Stock Award granted to a Participant shall constitute a transfer of unrestricted shares of Common Stock on such terms and conditions as the Committee shall determine. Bonus Stock Awards shall be made in shares of Common Stock and need not be subject to performance criteria or objectives or to forfeiture. The purchase price, if any, for shares of Common Stock issued in connection with a Bonus Stock Award shall be determined by the Committee in its sole discretion.

XII. RECAPITALIZATION OR REORGANIZATION

(a) **No Effect on Right or Power.** The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization, or other change in the Company's or any Affiliate's capital structure or its business, any merger or consolidation of the Company or any Affiliate, any issue of debt or equity securities ahead of or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any Affiliate, any sale, lease, exchange, or other disposition of all or any part of its assets or business, or any other corporate act or proceeding.

(b) **Subdivision or Consolidation of Shares; Stock Dividends.** The shares with respect to which Awards may be granted are shares of Common Stock as presently constituted, but if, and whenever, prior to the expiration of an Award theretofore granted, the Company shall effect a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend on Common Stock without receipt of consideration by the Company, the number of shares of Common Stock with respect to which such Award may thereafter be exercised or satisfied, as applicable, (i) in the event of an increase in the number of outstanding shares, shall be proportionately increased, and the purchase price per share shall be proportionately reduced, and (ii) in the event of a reduction in the number of outstanding shares, shall be proportionately reduced, and the purchase price per share shall be proportionately increased. Any fractional share resulting from such adjustment shall be rounded up to the next whole share.

(c) **Recapitalizations and Corporate Changes.** If the Company recapitalizes,

reclassifies its capital stock, or otherwise changes its capital structure (a “**recapitalization**”), the number and class of shares of Common Stock or other property covered by an Award theretofore granted and the purchase price of Common Stock or other consideration subject to such Award shall be adjusted so that such Award shall thereafter cover the number and class of shares of stock and securities to which the Participant would have been entitled pursuant to the terms of the recapitalization if, immediately prior to the recapitalization, the Participant had been the holder of record of the number of shares of Common Stock then covered by such Award. If (i) the Company shall not be the surviving entity in any merger, consolidation or reorganization (or survives only as a subsidiary of an entity), (ii) the Company sells, leases, or exchanges or agrees to sell, lease, or exchange all or substantially all of its assets to any other person or entity, (iii) the Company is to be dissolved and liquidated, (iv) any person or entity, including a “group” as contemplated by Section 13(d)(3) of the Exchange Act, acquires or gains ownership or control (including, without limitation, the power to vote) of more than 50% of the outstanding shares of the Company’s voting stock (based upon voting power), or (v) as a result of or in connection with a contested election of Directors, the persons who were Directors of the Company before such election shall cease to constitute a majority of the Board (each such event is referred to herein as a “**Corporate Change**”), no later than (x) 10 days after the approval by the stockholders of the Company of such merger, consolidation, reorganization, sale, lease, or exchange of assets or dissolution and liquidation or such election of Directors or (y) 30 days after a Corporate Change of the type described in clause (iv), the Committee, acting in its sole discretion without the consent or approval of any Participant, shall effect one or more of the following alternatives in an equitable and appropriate manner to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, which alternatives may vary among individual Participants and which may vary among Options or Stock Appreciation Rights held by any individual Participant: (1) accelerate the time at which Options or Stock Appreciation Rights then outstanding may be exercised so that such Awards may be exercised in full for a limited period of time on or before a specified date (before or after such Corporate Change) fixed by the Committee, after which specified date all such unexercised Awards and all rights of Participants thereunder shall terminate, (2) require the mandatory surrender to the Company by all or selected Participants of some or all of the outstanding Options or Stock Appreciation Rights held by such Participants (irrespective of whether such Awards are then exercisable under the provisions of the Plan) as of a date, before or after such Corporate Change, specified by the Committee, in which event the Committee shall thereupon cancel such Awards and the Company shall pay (or cause to be paid) to each Participant an amount of cash per share equal to the excess, if any, of the amount calculated in Subparagraph (d) below (the “**Change of Control Value**”) of the shares subject to such Awards over the exercise price(s) under such Awards for such shares, or (3) make such adjustments to Options or Stock Appreciation Rights then outstanding as the Committee deems appropriate to reflect such Corporate Change and to prevent the dilution or enlargement of rights (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to such Awards then outstanding), including, without limitation, adjusting such an Award to provide that the number and class of shares of Common Stock covered by such Award shall be adjusted so that such Award shall thereafter cover securities of the surviving or acquiring corporation or other property (including, without limitation, cash) as determined by the Committee in its sole discretion.

(d) **Change of Control Value**. For the purposes of clause (2) in Subparagraph (c) above,

the “**Change of Control Value**” shall equal the amount determined in the following clause (i), (ii) or (iii), whichever is applicable: (i) the per share price offered to stockholders of the Company in any such merger, consolidation, reorganization, sale of assets or dissolution and liquidation transaction, (ii) the price per share offered to stockholders of the Company in any tender offer or exchange offer whereby a Corporate Change takes place, or (iii) if such Corporate Change occurs other than pursuant to a tender or exchange offer, the fair market value per share of the shares into which such Options or Stock Appreciation Rights being surrendered are exercisable, as determined by the Committee as of the date determined by the Committee to be the date of cancellation and surrender of such Awards. In the event that the consideration offered to stockholders of the Company in any transaction described in this Subparagraph (d) or Subparagraph (c) above consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered which is other than cash.

(e) **Other Changes in the Common Stock.** In the event of changes in the outstanding Common Stock by reason of recapitalizations, reorganizations, mergers, consolidations, combinations, split-ups, split-offs, spin-offs, exchanges, or other relevant changes in capitalization or distributions (other than ordinary dividends) to the holders of Common Stock occurring after the date of the grant of any Award and not otherwise provided for by this Paragraph XII, such Award and any agreement evidencing such Award shall be subject to adjustment by the Committee at its sole discretion as to the number and price of shares of Common Stock or other consideration subject to such Award in an equitable and appropriate manner to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under such Award. In the event of any such change in the outstanding Common Stock or distribution to the holders of Common Stock, or upon the occurrence of any other event described in this Paragraph XII, the aggregate maximum number of shares available under the Plan, the aggregate maximum number of shares that may be issued under the Plan through Incentive Stock Options, and the maximum number of shares that may be subject to Awards granted to any one individual shall be appropriately adjusted to the extent, if any, determined by the Committee, whose determination shall be conclusive.

(f) **Stockholder Action.** Any adjustment provided for in the above Subparagraphs shall be subject to any required stockholder action.

(g) **No Adjustments Unless Otherwise Provided.** Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Common Stock subject to Awards theretofore granted or the purchase price per share, if applicable.

(h) **Adjustments in Compliance with Section 409A of the Code.** No adjustment pursuant to this Paragraph XII shall be made in a manner that results in noncompliance with the requirements of Section 409A of the Code, to the extent applicable.

XIII. AMENDMENT AND TERMINATION OF THE PLAN

The Board in its discretion may terminate the Plan at any time with respect to any shares of Common Stock for which Awards have not theretofore been granted. The Board shall have the right to alter or amend the Plan or any part thereof from time to time; provided that no change in the Plan may be made that would materially impair the rights of a Participant with respect to an Award theretofore granted without the consent of the Participant, and provided, further, that the Board may not, without approval of the stockholders of the Company, (a) amend the Plan to increase the aggregate maximum number of shares that may be issued under the Plan, increase the aggregate maximum number of shares that may be issued under the Plan through Incentive Stock Options, or change the class of individuals eligible to receive Awards under the Plan, or (b) amend or delete Paragraph VII(f).

XIV. SPECIAL PROVISIONS RELATED TO SECTION 409A OF THE CODE

(a) It is intended that the payments and benefits provided under the Plan and any Award shall either be exempt from the application of, or comply with, the requirements of Section 409A of the Code. The Plan and all Award agreements shall be construed in a manner that effects such intent. Nevertheless, the tax treatment of the benefits provided under the Plan or any Award is not warranted or guaranteed. Neither the Company, its Affiliates nor their respective directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant or other taxpayer as a result of the Plan or any Award.

(b) Notwithstanding anything in the Plan or in any Award agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt “deferred compensation” for purposes of Section 409A of the Code would otherwise be payable or distributable, or a different form of payment (e.g., lump sum or installment) would be effected, under the Plan or any Award agreement by reason of the occurrence of a Corporate Change or Change in Control or the Participant’s separation from service, such amount or benefit will not be payable or distributable to the Participant, and/or such different form of payment will not be effected, by reason of such circumstance unless the circumstances giving rise to such Corporate Change or Change in Control or separation from service meet any description or definition of “change in control event” or “separation from service”, as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition). This provision does not prohibit the vesting of any Award upon a corporate change or change in control or separation from service, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Award agreement that is permissible under Section 409A of the Code. If this provision prevents the application of a different form of payment of any amount or benefit, such payment shall be made in the same form as would have applied absent such designated event or circumstance.

(c) Notwithstanding anything in the Plan or in any Award agreement to the contrary, if any amount or benefit that would constitute non-exempt “deferred compensation” for purposes of Section 409A of the Code would otherwise be payable or distributable under the Plan or any Award agreement by reason of a Participant’s separation from service during a period in which the Participant is a Specified Employee (as defined below), then, subject to any permissible acceleration

of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes): (i) the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Participant's separation from service will be accumulated through and paid or provided on the earlier of (a) the date of the Participant's death or (b) the date that is six months after the date of the Participant's separation from service with the Company (in either case, the "Required Delay Period"); and (ii) the normal payment or distribution schedule for any remaining payments or distributions will resume at the end of the Required Delay Period.

(d) For purposes of the Plan, the term "Specified Employee" has the meaning given such term in Section 409A of the Code and the final regulations thereunder, provided, however, that, as permitted in such final regulations, the Company's Specified Employees and its application of the six-month delay rule of Section 409A(a)(2)(B)(i) of the Code shall be determined in accordance with rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including the Plan.

XV. MISCELLANEOUS

(a) **No Right To An Award.** Neither the adoption of the Plan nor any action of the Board or of the Committee shall be deemed to give any individual any right to be granted an Award, or any other rights hereunder except as may be evidenced by an Award agreement duly executed on behalf of the Company, and then only to the extent and on the terms and conditions expressly set forth therein. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to assure the performance of its obligations under any Award.

(b) **No Employment/Membership Rights Conferred.** Nothing contained in the Plan shall (i) confer upon any employee or Consultant any right with respect to continuation of employment or of a consulting or advisory relationship with the Company or any Affiliate or (ii) interfere in any way with the right of the Company or any Affiliate to terminate his or her employment or consulting or advisory relationship at any time. Nothing contained in the Plan shall confer upon any Director any right with respect to continuation of membership on the Board.

(c) **Other Laws; Withholding.** The Company shall not be obligated to issue any Common Stock pursuant to any Award granted under the Plan at any time when the shares covered by such Award have not been registered under the Securities Act of 1933, as amended, and such other state and federal laws, rules, and regulations as the Company or the Committee deems applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration requirements of such laws, rules, and regulations available for the issuance and sale of such shares. No fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid. The Company shall have the right to deduct in connection with all Awards any taxes required by law to be withheld and to require any payments required to enable it to satisfy its withholding obligations.

(d) **No Restriction on Corporate Action.** Nothing contained in the Plan shall be

construed to prevent the Company or any Affiliate from taking any action which is deemed by the Company or such Affiliate to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any Award made under the Plan. No Participant, beneficiary or other person shall have any claim against the Company or any Affiliate as a result of any such action.

(e) **Restrictions on Transfer.** An Award (other than an Incentive Stock Option, which shall be subject to the transfer restrictions set forth in Paragraph VII(c)) shall not be transferable otherwise than (i) by will or the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder, or (iii) with the consent of the Committee.

(f) **Governing Law.** The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to conflicts of laws principles thereof.

EXHIBIT A
FORUM ENERGY TECHNOLOGIES, INC.
2010 STOCK INCENTIVE PLAN

Except as otherwise provided in an Award agreement, the definitions set forth in this Exhibit A shall also apply in the case of any provision of the Plan or any Award agreement that includes the term “**Change in Control:**”

Acquiring Person means any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) other than the Initial Stockholders.

Change in Control means:

(a) The acquisition by any Acquiring Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of fifty percent (50%) or more of either (1) the then outstanding shares of common stock of the Company (the “**Outstanding Company Common Stock**”) or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); *provided, however*, that for purposes of this subsection (a) any acquisition by any Acquiring Person pursuant to a transaction which complies with clause (ii)(c)(1) of this definition shall not constitute a Change in Control; or

(b) Individuals, who, immediately following the time when the common stock of the Company becomes Public Stock, constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the time when the common stock of the Company becomes Public Stock whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered for purposes of this definition as though such individual was a member of the Incumbent Board, but excluding, for these purposes, any such individual whose initial assumption of office as a director occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an Acquiring Person other than the Board; or

(c) The consummation of a Corporate Transaction unless, following such Corporate Transaction, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the Company (if it be the ultimate parent entity following such Corporate Transaction) or the corporation

resulting from such Corporate Transaction (or the ultimate parent entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), and (2) at least a majority of the members of the board of directors of the ultimate parent entity resulting from such Corporate Transaction were members of the Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Corporate Transaction. For purposes of the foregoing sentence, only (A) shares of common stock and voting securities of the Company, assuming the Company is the ultimate parent entity following such Corporate Transaction, held by a beneficial owner immediately prior to such Corporate Transaction and any additional shares of common stock and voting securities of the Company issuable to such beneficial owner in connection with such Corporate Transaction in respect of the shares of common stock and voting securities of the Company held by such beneficial owner immediately prior to such Corporate Transaction, or (B) shares of common stock and voting securities of the ultimate parent entity following such Corporate Transaction, assuming the Company is not the ultimate parent entity following such Corporate Transaction, issuable to a beneficial owner in respect of the shares of common stock and voting securities of the Company held by such beneficial owner immediately prior to such Corporate Transaction, in either case shall be included in determining whether or not the fifty percent (50%) ownership test in this subsection (c) has been satisfied.

Corporate Transaction means a reorganization, merger or consolidation of the Company, any of its subsidiaries or sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole (other than to an entity wholly owned, directly or indirectly, by the Company) or the liquidation or dissolution of the Company.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Initial Stockholders means the stockholders of the Company as of the date of the Stockholders Agreement and their respective affiliates and Persons who are permitted transferees in accordance with Section 2.2 of the Stockholders Agreement.

Person means any natural person, limited liability company, corporation, limited partnership, general partnership, joint stock company, joint venture, association, company, trust, bank trust company, land trust, business trust, or other organization, whether or not a legal entity, and any government or agency or political subdivision thereof.

Public Stock means shares of capital stock (including depositary receipts or depositary shares related to common stock or similar ordinary shares) of any Person that are registered under Section 12 of the Exchange Act and listed for trading on a national securities exchange registered under Section 6(a) of the Exchange Act.

Stockholders Agreement means that certain Stockholders' Agreement dated as of August 2, 2010, among the Company and certain of its stockholders, as the same may be amended or restated from time to time.

FIRST AMENDMENT TO SECONDMENT AGREEMENT

This First Amendment to Secondment Agreement (this "**Amendment**") is entered into effective as of August 2, 2012 (the "**Effective Date**"), among L.E. Simmons & Associates, Incorporated ("**SCF**"), Forum Energy Technologies, Inc., a Delaware corporation (the "**Company**") and Patrick Connelly ("**Mr. Connelly**"). SCF, the Company and Mr. Connelly are referred to individually herein as a "**Party**" and collectively as the "**Parties**";

WHEREAS, effective as of August 2, 2010, SCF, the Company and Mr. Connelly entered into a Secondment Agreement whereby the Parties agreed to the provision of, among other things, strategic development services to the Company by Mr. Connelly (the "**Agreement**"); and

WHEREAS, the Parties desire to amend the Agreement to extend the term and provide for the proration of payment under certain circumstances.

NOW, THEREFORE, in consideration of the foregoing, the Parties agree as follows:

Section 1. The term of the Agreement is hereby extended to a date to be mutually agreed by the Parties in writing, expected to be about October 2, 2012.

Section 2. The Company shall continue to pay to SCF a fee at the monthly rate of \$25,000 (the "**Payment**"); *provided, however* that should this Agreement be terminated on a date other than the second day of the month, then the fee shall be prorated accordingly.

Section 3. All other provisions of the Agreement shall remain in full force and effect. This Amendment may be signed in any number of counterparts, which taken together shall constitute one and the same instrument, and each of which shall be considered an original for all purposes.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment as of the Effective Date.

L.E. SIMMONS & ASSOCIATES, INCORPORATED

By: /s/ Anthony F. Deluca
 Name: Anthony F. Deluca
 Title: Managing Director

PATRICK CONNELLY

By: /s/ Patrick Connelly

FORUM ENERGY TECHNOLOGIES, INC.

By: /s/ C. Christopher Gaut
 Name: C. Christopher Gaut
 Title: Chairman and CEO

**FORUM ENERGY TECHNOLOGIES, INC.
2010 STOCK INCENTIVE PLAN**

2012 NON-EMPLOYEE DIRECTOR RESTRICTED STOCK UNIT AGREEMENT

This Restricted Stock Unit Agreement (this "Agreement") is made as of the ___ day of _____, 2012 (the "Date of Grant"), between Forum Energy Technologies, Inc., a Delaware corporation (the "Company"), and _____ (the "Director").

1. **Award.** Pursuant to the Forum Energy Technologies, Inc. 2010 Stock Incentive Plan (the "Plan"), the Director is hereby awarded _____ units (the "RSUs") evidencing the right to receive an equivalent number of shares of the Company's common stock, par value \$.01 per share (the "Common Stock"), subject to certain restrictions thereon. The Director acknowledges receipt of a copy of the Plan, and agrees that this award of RSUs shall be subject to all of the terms and provisions of the Plan, including future amendments thereto, if any, pursuant to the terms thereof. Capitalized terms used in this Agreement that are not defined herein shall have the meanings given to them in the Plan.

2. **Forfeiture Restrictions and Assignment.**

(a) **Restrictions.** The RSUs may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of, and in the event of termination of the Director's service on the Board for any reason whatsoever, the Director shall, for no consideration, forfeit all unvested RSUs. The obligation to forfeit RSUs upon termination of service as provided in the preceding sentence is herein referred to as the "Forfeiture Restrictions."

(b) **Lapse of Forfeiture Restrictions.** Provided that the Director has served continuously on the Board from the Date of Grant through [insert date---13 months following the Date of Grant], the Forfeiture Restrictions shall lapse. Notwithstanding the foregoing, if a Change in Control occurs and the Director has served continuously on the Board from the Date of Grant to the date upon which such Change in Control occurs, then the Forfeiture Restrictions shall lapse with respect to the RSUs on the date upon which such Change in Control occurs.

3. **Settlement and Delivery of Stock.** Settlement of RSUs shall be made no later than 15 days after the lapse of Forfeiture Restrictions, or, if the RSUs have been deferred, in accordance with the terms of the 2012 Restricted Stock Unit Deferral and Distribution Election Form (distributed separately from this Agreement). Settlement will be made by issuance of shares of Common Stock. Notwithstanding the foregoing, the Company shall not be obligated to issue any shares of Common Stock if counsel to the Company determines that such sale or delivery would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Common Stock is listed or quoted. The Company shall in no event be obligated to take any affirmative action in order to cause the issuance of shares of Common Stock to comply with any such law, rule, regulation or agreement.

4. **Shareholder Rights.** The Director shall have no rights to dividends or other rights of a shareholder with respect to shares of Common Stock subject to this award of RSUs unless and until such time as the award has been settled by the issuance of shares of Common Stock to the Director. The Director shall have the right to receive a cash dividend equivalent payment with respect to the RSUs for the period beginning on the Date of Grant and ending on the date the shares of Common Stock are issued to the Director in settlement of the RSUs, which shall be payable at the same time as cash dividends on Common Stock are paid to Company stockholders.

5. **Corporate Acts.** The existence of the RSUs shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding. The prohibitions of Section 2(a) hereof shall not apply to the transfer of RSUs pursuant to a plan of reorganization of the Company, but the stock, securities or other property received in exchange therefor shall also become subject to the Forfeiture Restrictions.

6. **Binding Effect; Survival.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under the Director.

7. **Amendment.** Any modification of this Agreement shall be effective only if it is in writing and signed by both the Director and an authorized officer of the Company.

8. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to conflicts of law principles thereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and the Director has executed this Agreement, all as of the date first above written.

FORUM ENERGY TECHNOLOGIES, INC.

By: _____

Name: _____

Title: _____

DIRECTOR

**FORUM ENERGY TECHNOLOGIES, INC.
2010 STOCK INCENTIVE PLAN**

2012 NON-EMPLOYEE DIRECTOR RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement (this "Agreement") is made as of the ___th day of August, 2012 (the "Date of Grant"), between Forum Energy Technologies, Inc., a Delaware corporation (the "Company"), and [Name of Director] (the "Director").

1. **Award.** Pursuant to the Forum Energy Technologies, Inc. 2010 Stock Incentive Plan (the "Plan"), as of the Date of Grant, [Amount of shares] shares (the "Restricted Shares") of the Company's common stock, par value \$.01 per share, shall be issued as hereinafter provided in the Director's name subject to certain restrictions thereon. The Director acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Shares shall be subject to all of the terms and provisions of the Plan, including future amendments thereto, if any, pursuant to the terms thereof.
2. **Definitions.** Capitalized terms used in this Agreement that are not defined below or in the body of this Agreement shall have the meanings given to them in the Plan. In addition to the terms defined in the body of this Agreement, the following capitalized words and terms shall have the meanings indicated below:
 - (a) "Earned Shares" means the Restricted Shares after the lapse of the Forfeiture Restrictions without forfeiture.
 - (b) "Forfeiture Restrictions" shall have the meaning specified in Section 3(a) hereof.
 - (c) "Securities Act" means the Securities Act of 1933, as amended.

3. **Restricted Shares.** The Director hereby accepts the Restricted Shares when issued and agrees with respect thereto as follows:

(a) **Forfeiture Restrictions.** The Restricted Shares may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of and in the event of termination of the Director's service on the Board for any reason whatsoever, the Director shall, for no consideration, forfeit all unvested Restricted Shares. The obligation to forfeit and surrender Restricted Shares to the Company upon termination of service as provided in the preceding sentence is herein referred to as the "Forfeiture Restrictions." The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of Restricted Shares.

(b) **Lapse of Forfeiture Restrictions.** Provided that the Director served continuously on the Board from the Date of Grant through [insert date---13 months following the Date of Grant], the Forfeiture Restrictions shall lapse. Notwithstanding the foregoing, if a Change in Control occurs and the Director has served continuously on the Board from the Date of Grant to

the date upon which such Change in Control occurs, then the Forfeiture Restrictions shall lapse with respect to the Restricted Shares on the date upon which such Change in Control occurs.

(c) **Certificates.** A certificate evidencing the Restricted Shares shall be issued by the Company in the Director's name, pursuant to which the Director shall have all of the rights of a stockholder of the Company with respect to the Restricted Shares, including, without limitation, voting rights and the right to receive dividends (provided, however, that dividends paid in shares of the Company's stock shall be subject to the Forfeiture Restrictions and further provided that dividends that are paid other than in shares of the Company's stock shall be paid no later than the end of the calendar year in which the dividend for such class of stock is paid to stockholders of such class or, if later, the 15th day of the third month following the date the dividend is paid to stockholders of such class of stock). Notwithstanding the foregoing, the Company may, in its discretion, elect to complete the delivery of the Restricted Shares by means of electronic, book-entry statement, rather than issuing physical share certificates. The Director may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the stock until the Forfeiture Restrictions have expired, and a breach of the terms of this Agreement shall cause a forfeiture of the Restricted Shares. The certificate, if any, shall be delivered upon issuance to the Secretary of the Company or to such other depository as may be designated by the Committee as a depository for safekeeping until the forfeiture of such Restricted Shares occurs or the Forfeiture Restrictions lapse pursuant to the terms of the Plan and this Agreement. At the Company's request, the Director shall deliver to the Company a stock power, endorsed in blank, relating to the Restricted Shares. Upon the lapse of the Forfeiture Restrictions without forfeiture, the Company shall cause a new certificate or certificates to be issued without legend (except for any legend required pursuant to applicable securities laws or any agreement to which the Director is a party) in the name of the Director in exchange for the certificate evidencing the Restricted Shares or, as may be the case, the Company shall issue appropriate instructions to the transfer agent if the electronic, book-entry method is utilized.

(d) **Corporate Acts.** The existence of the Restricted Shares shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding. The prohibitions of Section 3(a) hereof shall not apply to the transfer of Restricted Shares pursuant to a plan of reorganization of the Company, but the stock, securities or other property received in exchange therefor shall also become subject to the Forfeiture Restrictions and provisions governing the lapsing of such Forfeiture Restrictions applicable to the original Restricted Shares for all purposes of this Agreement, and the certificates, if any, representing such stock, securities or other property shall be legended to show such restrictions.

4. **Status of Stock.** The Director understands that at the time of the execution of this Agreement the sale of the Restricted Shares has not been registered under the Securities Act or any state securities law and that the Company does not currently intend to effect any such registration.

The Director agrees that the Restricted Shares and the Earned Shares when issued under this Agreement are being acquired for investment without a view to distribution, within the meaning of the Securities Act, and shall not be sold, transferred, assigned, pledged or hypothecated in the absence of (a) an effective registration statement for the sale of such shares under the Securities Act and applicable state securities laws or (b) if requested by the Company, the delivery by the Director to the Company of a written opinion of legal counsel, who shall be satisfactory to the Company, addressed to the Company and satisfactory in form and substance to the Company's counsel, to the effect that an applicable exemption from the registration requirements of the Securities Act and any applicable state securities laws is available. The Director also agrees that the Restricted Shares and Earned Shares issued under this Agreement will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable federal or state securities laws.

In addition, the Director agrees that (a) the certificates, if any, representing the Restricted Shares and Earned Shares may bear such legend or legends as the Committee deems appropriate in order to reflect the Forfeiture Restrictions and to assure compliance with applicable securities laws, (b) the Company may refuse to register the transfer of the Restricted Shares or Earned Shares on the stock transfer records of the Company if such proposed transfer would constitute a violation of the Forfeiture Restrictions or, in the opinion of counsel satisfactory to the Company, of any applicable securities law, and (c) the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Restricted Shares.

5. **Notices.** Any notices or other communications provided for in this Agreement shall be sufficient if in writing. In the case of the Director, such notices or communications shall be effectively delivered if hand delivered to the Director at the Director's principal place of service or if sent by registered or certified mail to the Director at the last address the Director has filed with the Company. In the case of the Company, such notices or communications shall be effectively delivered if sent by registered or certified mail to the Company at its principal executive offices.

6. **Binding Effect; Survival.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under the Director. The provisions of Section 4 shall survive the lapse of the Forfeiture Restrictions without forfeiture.

7. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the Restricted Shares granted hereby. Without limiting the scope of the preceding sentence, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. Any modification of this Agreement shall be effective only if it is in writing and signed by both the Director and an authorized officer of the Company.

8. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to conflicts of law principles thereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and the Director has executed this Agreement, all as of the date first above written.

FORUM ENERGY TECHNOLOGIES, INC.

By: _____

C. Christopher Gaut
Chairman & Chief Executive Officer

DIRECTOR

[Name of Director]

**FORUM ENERGY TECHNOLOGIES, INC.
2010 STOCK INCENTIVE PLAN**

RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement (this "Agreement") is made as of the day of _____, 20____(the "Date of Grant"), between Forum Energy Technologies, Inc., a Delaware corporation (the "Company"), and (the "Employee").

1. **Award.** Pursuant to the Forum Energy Technologies, Inc. 2010 Stock Incentive Plan (the "Plan"), as of the Date of Grant, shares (the "Restricted Shares") of the Company's common stock, par value \$.01 per share, shall be issued as hereinafter provided in the Employee's name subject to certain restrictions thereon. The Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Shares shall be subject to all of the terms and provisions of the Plan, including future amendments thereto, if any, pursuant to the terms thereof.

2. **Definitions.** Capitalized terms used in this Agreement that are not defined below or in the body of this Agreement shall have the meanings given to them in the Plan. In addition to the terms defined in the body of this Agreement, the following capitalized words and terms shall have the meanings indicated below:

- (a) "**Earned Shares**" means the Restricted Shares after the lapse of the Forfeiture Restrictions without forfeiture.
- (b) "**Forfeiture Restrictions**" shall have the meaning specified in Section 3(a) hereof.
- (c) "**Securities Act**" means the Securities Act of 1933, as amended.

3. **Restricted Shares.** The Employee hereby accepts the Restricted Shares when issued and agrees with respect thereto as follows:

(a) **Forfeiture Restrictions.** The Restricted Shares may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of, and in the event of termination of the Employee's employment with the Company for any reason whatsoever, the Employee shall, for no consideration, forfeit all unvested Restricted Shares. The prohibition against transfer and the obligation to forfeit and surrender Restricted Shares to the Company upon termination of employment as provided in the preceding sentence are herein referred to as the "Forfeiture Restrictions." The Forfeiture Restrictions shall be binding upon and enforceable against any transferee of Restricted Shares.

(b) **Lapse of Forfeiture Restrictions.** Provided that the Employee has been continuously employed by the Company from the Date of Grant through the lapse date set forth in the following schedule, the Forfeiture Restrictions shall lapse with respect to a percentage of the Restricted Shares determined in accordance with the following schedule:

Lapse Date Percentage of Total Number of Restricted Shares as to Which Forfeiture Restrictions Lapse

First Anniversary of Date of Grant	25%
Second Anniversary of Date of Grant	25%
Third Anniversary of Date of Grant	25%
Fourth Anniversary of Date of Grant	25%

Notwithstanding the schedule set forth above, if a Change in Control occurs and the Employee has remained continuously employed by the Company from the Date of Grant to the date upon which such Change in Control occurs, then the Forfeiture Restrictions shall lapse with respect to 100% of the Restricted Shares on the date upon which such Change in Control occurs. Any shares with respect to which the Forfeiture Restrictions do not lapse in accordance with the preceding provisions of this Section 3(b) shall be forfeited to the Company for no consideration as of the date of the termination of the Employee's employment with the Company.

(c) **Certificates.** A certificate evidencing the Restricted Shares shall be issued by the Company in the Employee's name, pursuant to which the Employee shall have all of the rights of a stockholder of the Company with respect to the Restricted Shares, including, without limitation, voting rights and the right to receive dividends (provided, however, that dividends paid in shares of the Company's stock shall be subject to the Forfeiture Restrictions and further provided that dividends that are paid other than in shares of the Company's stock shall be paid no later than the end of the calendar year in which the dividend for such class of stock is paid to stockholders of such class or, if later, the 15th day of the third month following the date the dividend is paid to stockholders of such class of stock). Notwithstanding the foregoing, the Company may, in its discretion, elect to complete the delivery of the Restricted Shares by means of electronic, book-entry statement, rather than issuing physical share certificates. The Employee may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the stock until the Forfeiture Restrictions have expired, and a breach of the terms of this Agreement shall cause a forfeiture of the Restricted Shares. The certificate, if any, shall be delivered upon issuance to the Secretary of the Company or to such other depository as may be designated by the Committee as a depository for safekeeping until the forfeiture of such Restricted Shares occurs or the Forfeiture Restrictions lapse pursuant to the terms of the Plan and this Agreement. At the Company's request, the Employee shall deliver to the Company a stock power, endorsed in blank, relating to the Restricted Shares. Upon the lapse of the Forfeiture Restrictions without forfeiture, the Company shall cause a new certificate or certificates to be issued without legend (except for any legend required pursuant to applicable securities laws or any agreement to which the Employee is a party) in the name of the Employee in exchange for the certificate evidencing the Restricted Shares or, as may be the case, the Company shall issue appropriate instructions to the transfer agent if the electronic, book-entry method is utilized.

(d) **Corporate Acts.** The existence of the Restricted Shares shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of

all or any part of its assets or business or any other corporate act or proceeding. The prohibitions of Section 3(a) hereof shall not apply to the transfer of Restricted Shares pursuant to a plan of reorganization of the Company, but the stock, securities or other property received in exchange therefor shall also become subject to the Forfeiture Restrictions and provisions governing the lapsing of such Forfeiture Restrictions applicable to the original Restricted Shares for all purposes of this Agreement, and the certificates, if any, representing such stock, securities or other property shall be legended to show such restrictions.

(e) **Tax Election**. If the Employee is subject to taxation in the United Kingdom, then, unless waived by the Company, the Employee shall enter into an election under Section 431(1) of the Income Tax (Earnings & Pensions) Act 2003 with respect to the Restricted Shares within the time period and in the form prescribed by the Company.

4. **Withholding of Tax**. To the extent that the receipt of the Restricted Shares or the lapse of any Forfeiture Restrictions results in compensation income or wages to the Employee for federal, state, local or foreign tax purposes, the Employee shall deliver to the Company or to any Affiliate nominated by the Company at the time of such receipt or lapse, as the case may be, such amount of money or, if permitted by the Committee in its sole discretion, shares of Common Stock as the Company or any Affiliate nominated by the Company may require to meet its minimum obligation under applicable tax or social security laws or regulations, and if the Employee fails to do so, the Company and its Affiliates are authorized to withhold from any cash or stock remuneration (including withholding any Restricted Shares or Earned Shares distributable to the Employee under this Agreement) then or thereafter payable to the Employee any tax or social security required to be withheld by reason of such resulting compensation income or wages. The Employee acknowledges and agrees that the Company is making no representation or warranty as to the tax consequences to the Employee as a result of the receipt of the Restricted Shares, the lapse of any Forfeiture Restrictions or the forfeiture of any Restricted Shares pursuant to the Forfeiture Restrictions.

5. **Status of Stock**. The Employee understands that at the time of the execution of this Agreement the sale of the Restricted Shares has not been registered under the Securities Act or any state securities law and that the Company does not currently intend to effect any such registration.

The Employee agrees that the Restricted Shares and the Earned Shares when issued under this Agreement are being acquired for investment without a view to distribution, within the meaning of the Securities Act, and shall not be sold, transferred, assigned, pledged or hypothecated in the absence of (a) an effective registration statement for the sale of such shares under the Securities Act and applicable state securities laws or (b) if requested by the Company, the delivery by the Employee to the Company of a written opinion of legal counsel, who shall be satisfactory to the Company, addressed to the Company and satisfactory in form and substance to the Company's counsel, to the effect that an applicable exemption from the registration requirements of the Securities Act and any applicable state securities laws is available. The Employee also agrees that the Restricted Shares and Earned Shares issued under this Agreement will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable federal or state securities laws.

In addition, the Employee agrees that (a) the certificates, if any, representing the Restricted Shares and Earned Shares may bear such legend or legends as the Committee deems appropriate in order to reflect the Forfeiture Restrictions and to assure compliance with the terms and provisions of this Agreement and applicable securities laws, (b) the Company may refuse to register the transfer of the Restricted Shares or Earned Shares on the stock transfer records of the Company if such proposed transfer would constitute a violation of the Forfeiture Restrictions or, in the opinion of counsel satisfactory to the Company, of any applicable securities law, and (c) the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Restricted Shares.

6. **Employment Relationship.** For purposes of this Agreement, the Employee shall be considered to be in the employment of the Company as long as the Employee remains an employee of either the Company or an Affiliate. Without limiting the scope of the preceding sentence, it is specifically provided that the Employee shall be considered to have terminated employment with the Company at the time of the termination of the "Affiliate" status of the entity or other organization that employs the Employee. Nothing in the adoption of the Plan, nor the award of the Restricted Shares thereunder pursuant to this Agreement, shall confer upon the Employee the right to continued employment by the Company or affect in any way the right of the Company to terminate such employment at any time. Unless otherwise provided in a written employment agreement or by applicable law, the Employee's employment by the Company shall be on an at-will basis, and the employment relationship may be terminated at any time by either the Employee or the Company for any reason whatsoever, with or without cause or notice. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee or its delegate, and its determination shall be final.

7. **Notices.** Any notices or other communications provided for in this Agreement shall be sufficient if in writing. In the case of the Employee, such notices or communications shall be effectively delivered if hand delivered to the Employee at the Employee's principal place of employment or if sent by registered or certified mail to the Employee at the last address the Employee has filed with the Company. In the case of the Company, such notices or communications shall be effectively delivered if sent by registered or certified mail to the Company at its principal executive offices.

8. **Binding Effect; Survival.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under the Employee. The provisions of Section 5 shall survive the lapse of the Forfeiture Restrictions without forfeiture.

9. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the Restricted Shares granted hereby. Without limiting the scope of the preceding sentence, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. Any modification of this Agreement shall be effective only if it is in writing and signed by both the Employee and an authorized officer of the Company.

10. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to conflicts of law principles thereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and the Employee has executed this Agreement, all as of the date first above written.

FORUM ENERGY TECHNOLOGIES, INC.

By: _____

Name: _____

Title: _____

EMPLOYEE

[Name of Employee]

**FORUM ENERGY TECHNOLOGIES, INC.
2010 STOCK INCENTIVE PLAN**

**NONSTATUTORY
STOCK OPTION AGREEMENT**

This Nonstatutory Stock Option Agreement (this “Agreement”) is made as of [__]th day of [____], 2012 the “Date of Grant”), between Forum Energy Technologies, Inc., a Delaware corporation (the “Company”), and [_____] (“Employee”).

To carry out the purposes of the Forum Energy Technologies, Inc. 2010 Stock Incentive Plan (the “Plan”), by affording Employee the opportunity to purchase shares of the common stock of the Company, par value \$.01 per share (“Common Stock”), and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Employee hereby agree as follows:

1. **Grant of Option.** The Company hereby irrevocably grants to Employee the right and option (“Option”) to purchase all or any part of an aggregate of [Amount of Options], shares Common Stock on the terms and conditions set forth herein and in the Plan, which Plan is incorporated herein by reference as a part of this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the Plan shall control. Capitalized terms used but not defined in this Agreement shall have the meaning attributed to such terms under the Plan, unless the context requires otherwise. This Option shall not be treated as an incentive stock option within the meaning of section 422(b) of the Code.
2. **Purchase Price.** The purchase price of Common Stock purchased pursuant to the exercise of this Option shall be \$[Exercise Price] per share, which has been determined to be not less than the Fair Market Value of a share of Common Stock at the Date of Grant. For all purposes of this Agreement, Fair Market Value of Common Stock shall be determined in accordance with the provisions of the Plan.
3. **Exercise of Option.** Subject to the earlier expiration of this Option as herein provided, this Option may be exercised, by written notice to the Company at its principal executive office addressed to the attention of its Corporate Secretary (or such other officer or employee of the Company as the Company may designate from time to time), at any time and from time to time after the Date of Grant, but this Option shall not be exercisable for more than a percentage of the aggregate number of shares offered by this Option determined by the number of full years from to the date of [] such exercise, in accordance with the following schedule:

<u>Number of Full Years</u>	<u>Percentage of Shares That May Be Purchased</u>
Less than 1 year	0%
Less than 2 years	25%
Less than 3 years	50%
Less than 4 years	75%
4 years or more	100%

Notwithstanding the schedule set forth above, if a Change in Control occurs and Employee has remained continuously employed by the Company from the Date of Grant to the date upon which such Change in Control occurs, then this Option shall be exercisable with respect to 100% of the shares offered by this Option from and after the date upon which such Change in Control occurs.

This Option may be exercised only while Employee remains an employee of the Company and will terminate and cease to be exercisable upon Employee's termination of employment with the Company, except that:

(a) If Employee's employment with the Company terminates by reason of disability (within the meaning of section 22(e)(3) of the Code), this Option may be exercised by Employee (or Employee's estate or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee) at any time during the period of one year following such termination, but only as to the number of shares Employee was entitled to purchase hereunder as of the date Employee's employment so terminates.

(b) If Employee dies while in the employ of the Company, Employee's estate, or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee, may exercise this Option at any time during the period of one year following the date of Employee's death, but only as to the number of shares Employee was entitled to purchase hereunder as of the date of Employee's death.

(c) If Employee's employment with the Company terminates for any reason other than as described in (a) or (b) above, this Option may be exercised by Employee at any time during the period of 30 days following such termination, or by Employee's estate (or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee) during a period of 30 days following Employee's death if Employee dies during such 30-day period, but in each case only as to the number of shares Employee was entitled to purchase hereunder as of the date Employee's employment so terminates.

(d) If Employee has remained continuously employed by the Company from the Date of Grant to the date upon which a Change in Control occurs, and if Employee's employment with the Company terminates for any reason on or after the date upon which such Change in Control occurs, then, notwithstanding the provisions of (a), (b) or (c) above, this Option may be exercised in full by Employee (or Employee's estate or the person who

acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee) at any time on or before the expiration of 10 years from the Date of Grant.

Notwithstanding the preceding provisions of this Section 3, this Option shall not be exercisable in any event after the expiration of 10 years from the Date of Grant.

The purchase price of shares as to which this Option is exercised shall be paid in full at the time of exercise (a) in cash (including check, bank draft or money order payable to the order of the Company), (b) if permitted by the Committee in its sole discretion, by delivering or constructively tendering to the Company shares of Common Stock having a Fair Market Value equal to the purchase price (provided such shares used for this purpose must have been held by Employee for such minimum period of time as may be established from time to time by the Committee), (c) if the Common Stock is readily tradable on a national securities market, through a "cashless exercise" in accordance with a Company established policy or program for the same or (d) any combination of the foregoing. No fraction of a share of Common Stock shall be issued by the Company upon exercise of an Option or accepted by the Company in payment of the exercise price thereof; rather, Employee shall provide a cash payment for such amount as is necessary to effect the issuance and acceptance of only whole shares of Common Stock. Unless and until a certificate or certificates representing such shares shall have been issued by the Company to Employee, Employee (or the person permitted to exercise this Option in the event of Employee's death) shall not be or have any of the rights or privileges of a stockholder of the Company with respect to shares acquirable upon an exercise of this Option.

If Employee is subject to taxation in the United Kingdom, then the exercise of this Option will be effective only if accompanied by an election under Section 431(1) of the Income Tax (Earnings & Pensions) Act 2003 in the form attached as Appendix A completed as far as possible by Employee.

4. **Withholding of Tax.** To the extent that the grant or exercise of this Option or the disposition of shares of Common Stock acquired by exercise of this Option results in compensation income or wages to Employee for federal, state, local or foreign tax purposes, Employee shall deliver to the Company or to any Affiliate nominated by the Company at the time of such grant, exercise or disposition such amount of money or, if permitted by the Committee in its sole discretion, shares of Common Stock as the Company or any Affiliate nominated by the Company may require to meet its minimum obligation under applicable tax or social security laws or regulations. No exercise of this option shall be effective until Employee (or the person entitled to exercise this Option, as applicable) has made arrangements approved by the Company to satisfy all applicable minimum tax withholding requirements of the Company or, if applicable, any Affiliate of the Company.
5. **Status of Common Stock.** Employee understands that at the time of the execution of this Agreement the shares of Common Stock to be issued upon exercise of this Option have not been registered under the Securities Act, or any state securities law, and that the Company does not currently intend to effect any such registration. Until the shares of Common Stock acquirable upon the exercise of the Option have been registered for issuance under the Securities Act, the Company will not issue such shares unless, if requested by the Company,

the holder of the Option provides the Company with a written opinion of legal counsel, who shall be satisfactory to the Company, addressed to the Company and satisfactory in form and substance to the Company's counsel, to the effect that the proposed issuance of such shares to such Option holder may be made without registration under the Securities Act. In the event exemption from registration under the Securities Act is available upon an exercise of this Option, Employee (or the person permitted to exercise this Option in the event of Employee's death or incapacity), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to assure compliance with applicable securities laws.

Employee agrees that the shares of Common Stock which Employee may acquire by exercising this Option shall be acquired for investment without a view to distribution, within the meaning of the Securities Act, and shall not be sold, transferred, assigned, pledged or hypothecated in the absence of an effective registration statement for the sale of such shares under the Securities Act and applicable state securities laws or an applicable exemption from the registration requirements of the Securities Act and any applicable state securities laws. Employee also agrees that the shares of Common Stock which Employee may acquire by exercising this Option will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable federal or state securities laws.

In addition, Employee agrees that (i) the certificates representing the shares of Common Stock purchased under this Option may bear such legend or legends as the Committee deems appropriate in order to assure compliance with the terms and provisions of the Stockholders Agreement and applicable securities laws, (ii) the Company may refuse to register the transfer of the shares of Common Stock purchased under this Option on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of the terms and provisions of the Stockholders Agreement or any applicable securities law, and (iii) the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the shares of Common Stock purchased under this Option.

6. **Employment Relationship.** For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of either the Company, an Affiliate, or a corporation or a parent or subsidiary of such corporation assuming or substituting a new option for this Option. Without limiting the scope of the preceding sentence, it is expressly provided that Employee shall be considered to have terminated employment with the Company at the time of the termination of the "Affiliate" status under the Plan of the entity or other organization that employs Employee. Nothing in the adoption of the Plan, nor the award of this Option thereunder pursuant to this Agreement, shall affect in any way the right of Employee or the Company to terminate such employment at any time. Unless otherwise provided in a written employment agreement or by applicable law, Employee's employment by the Company shall be on an at-will basis, and the employment relationship may be terminated at any time by either Employee or the Company for any reason whatsoever, with or without cause or notice. Any question as to whether and when there has been a termination of Employee's employment with the Company, and the cause of such termination, shall be determined by the Committee, and its determination shall be final.

7. **Acknowledgements Regarding Section 409A of the Code.** Employee understands that if the purchase price of the Common Stock under this Option is less than the fair market value of such Common Stock on the date of grant of this Option, then Employee may incur adverse tax consequences under section 409A of the Code. Employee acknowledges and agrees that (a) he is not relying upon any determination by the Company, its affiliates, or any of their respective employees, directors, officers, attorneys or agents (collectively, the "Company Parties") of the fair market value of the Common Stock on the date of grant of this Option, (b) he is not relying upon any written or oral statement or representation of the Company Parties regarding the tax effects associated with Employee's execution of this Agreement and his receipt, holding and exercise of this Option, and (c) in deciding to enter into this Agreement, Employee is relying on his own judgment and the judgment of the professionals of his choice with whom he has consulted. Employee hereby releases, acquits and forever discharges the Company Parties from all actions, causes of actions, suits, debts, obligations, liabilities, claims, damages, losses, costs and expenses of any nature whatsoever, known or unknown, on account of, arising out of, or in any way related to the tax effects associated with Employee's execution of this Agreement and his receipt, holding and exercise of this Option.
8. **Notices.** Any notices or other communications provided for in this Option shall be sufficient if in writing. In the case of Employee, such notices or communications shall be effectively delivered if hand delivered to Employee at Employee's principal place of employment or if sent by certified mail, return receipt requested, to Employee at the last address Employee has filed with the Company. In the case of the Company, such notices or communications shall be effectively delivered if sent by certified mail, return receipt requested, to the Company at its principal executive offices.
9. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.
10. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the Option granted hereby; provided, however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any employment and/or severance agreement between the Company (or an Affiliate) and the Employee in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. Any modification of this Agreement shall be effective only if it is in writing and signed by both Employee and an authorized officer of the Company.
11. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to conflicts of laws principles thereof.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officer thereunto duly authorized, and Employee has executed this Agreement, all as of the date first above written.

FORUM ENERGY TECHNOLOGIES, INC.

By: _____

[Name]

[Title]

EMPLOYEE

[Name]

**Forum Energy Technologies, Inc.
Certification**

I, C. Christopher Gaut, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forum Energy Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2012

By: /s/ C. Christopher Gaut
C. Christopher Gaut
Chief Executive Officer

**Forum Energy Technologies, Inc.
Certification**

I, James W. Harris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forum Energy Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2012

By: /s/ James W. Harris
James W. Harris
Chief Financial Officer

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q of Forum Energy Technologies, Inc. (the "Company") for the quarter ending September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), C. Christopher Gaut, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2012

By: /s/ C. Christopher Gaut
C. Christopher Gaut
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification shall not be deemed filed by the Company for purposes of § 18 of the Exchange Act.

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q of Forum Energy Technologies, Inc. (the "Company") for the quarter ending September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), James W. Harris, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2012

By: /s/ James W. Harris
James W. Harris
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification shall not be deemed filed by the Company for purposes of § 18 of the Exchange Act.