

As confidentially submitted to the Securities and Exchange Commission on February 7, 2018.

File No.

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

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**Amendment No. 2  
to  
FORM 10**

**GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(b) OR 12(g) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

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**Apergy Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**2445 Technology Forest Blvd**  
**Building 4, 9th Floor**  
**The Woodlands, Texas**  
(Address of principal executive offices)

**82-3066826**  
(I.R.S. Employer  
Identification No.)

**77381**

(Zip Code)

**Registrant's telephone number, including area code: (281) 403-5772**

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*With copies to:*

**Ivonne M. Cabrera, Esq.**  
**Dover Corporation**  
**3005 Highland Parkway**  
**Downers Grove, IL 60515**  
**(630) 541-1540**

**Joshua Ford Bonnie**  
**William R. Golden III**  
**Simpson Thacher & Bartlett LLP**  
**900 G Street, N.W.**  
**Washington, D.C. 20001**  
**(202) 636-5500**

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**Securities to be registered pursuant to Section 12(b) of the Act:**

Title of each class  
to be so registered  
**Common Stock, par value \$0.01 per share**

Name of each exchange on which  
each class is to be registered  
**New York Stock Exchange**

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**Securities to be registered pursuant to Section 12(g) of the Act: None**

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

|                         |  |                           |                                     |
|-------------------------|--|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/>   | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company | <input type="checkbox"/>            |
|                         |  | Emerging growth company   | <input checked="" type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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**APERGY CORPORATION**

**INFORMATION REQUIRED IN REGISTRATION STATEMENT**

**CROSS-REFERENCE SHEET BETWEEN INFORMATION STATEMENT AND ITEMS OF FORM 10**

Certain information required to be included in this Form 10 is incorporated by reference to specifically-identified portions of the body of the information statement filed herewith as Exhibit 99.1. None of the information contained in the information statement shall be incorporated by reference herein or deemed to be a part hereof unless such information is specifically incorporated by reference.

**Item 1. Business.**

The information required by this item is contained under the sections of the information statement entitled “Summary,” “Risk Factors,” “Cautionary Statement Concerning Forward Looking Statements,” “Management Discussion and Analysis of Financing Condition and Results of Operations,” “Business,” “Apergy’s Relationship with Dover Following the Distribution” and “Where You Can Find More Information.” Those sections are incorporated herein by reference.

**Item 1A. Risk Factors.**

The information required by this item is contained under the section of the information statement entitled “Risk Factors” and “Cautionary Statement Concerning Forward Looking Statements.” Those sections are incorporated herein by reference.

**Item 2. Financial Information.**

The information required by this item is contained under the sections of the information statement entitled “Selected Historical Combined Financial Data,” “Unaudited Pro Forma Combined Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Those sections are incorporated herein by reference.

**Item 3. Properties.**

The information required by this item is contained under the section of the information statement entitled “Business—Properties.” That section is incorporated herein by reference.

**Item 4. Security Ownership of Certain Beneficial Owners and Management.**

The information required by this item is contained under the section of the information statement entitled “Security Ownership of Certain Beneficial Owners and Management.” That section is incorporated herein by reference.

**Item 5. Directors and Executive Officers.**

The information required by this item is contained under the section of the information statement entitled “Management.” That section is incorporated herein by reference.

**Item 6. Executive Compensation.**

The information required by this item is contained under the section of the information statement entitled “Management—Executive Compensation.” That section is incorporated herein by reference.

**Item 7. *Certain Relationships and Related Transactions, and Director Independence.***

The information required by this item is contained under the sections of the information statement entitled “Management,” “Certain Relationships and Related Person Transactions” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Those sections are incorporated herein by reference.

**Item 8. *Legal Proceedings.***

The information required by this item is contained under the section of the information statement entitled “Business—Legal Proceedings.” That section is incorporated herein by reference.

**Item 9. *Market Price of, and Dividends on, the Registrant’s Common Equity and Related Stockholder Matters.***

The information required by this item is contained under the sections of the information statement entitled “Dividend Policy,” “Capitalization,” “The Separation and Distribution” and “Description of Apergy Capital Stock.” Those sections are incorporated herein by reference.

**Item 10. *Recent Sales of Unregistered Securities.***

The information required by this item is contained under the section of the information statement entitled “Description of Apergy Capital Stock—Sale of Unregistered Securities.” That section is incorporated herein by reference.

**Item 11. *Description of Registrant’s Securities to be Registered.***

The information required by this item is contained under the sections of the information statement entitled “Dividend Policy,” “Capitalization,” “The Separation and Distribution” and “Description of Apergy Capital Stock.” Those sections are incorporated herein by reference.

**Item 12. *Indemnification of Directors and Officers.***

The information required by this item is contained under the section of the information statement entitled “Description of Apergy Capital Stock—Limitations on Liability and Indemnification of Officers and Directors and Insurance.” That section is incorporated herein by reference.

**Item 13. *Financial Statements and Supplementary Data.***

The information required by this item is contained under the sections of the information statement entitled “Index to Financial Statements” (and the financial statements referenced therein). That section is incorporated herein by reference.

**Item 14. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

**Item 15. Financial Statements and Exhibits.**

**(a) Financial Statements**

The information required by this item is contained under the section of the information statement entitled “Index to Financial Statements” (and the financial statements referenced therein). That section is incorporated herein by reference.

**(b) Exhibits**

See below.

The following documents are filed as exhibits hereto:

| <u>Exhibit Number</u> | <u>Exhibit Description</u>  |
|-----------------------|---|
| 2.1                   | <a href="#">Form of Separation and Distribution Agreement by and between Dover Corporation and Apergy Corporation.</a>      |
| 3.1                   | Form of Amended and Restated Certificate of Incorporation of Apergy Corporation.*   |
| 3.2                   | Form of Amended and Restated By-Laws of Apergy Corporation.*  |
| 10.1                  | <a href="#">Form of Transition Services Agreement by and between Dover Corporation and Apergy Corporation.</a>              |
| 10.2                  | <a href="#">Form of Tax Matters Agreement by and between Dover Corporation and Apergy Corporation.</a>                      |
| 10.3                  | <a href="#">Form of Employee Matters Agreement by and between Dover Corporation and Apergy Corporation.</a>                 |
| 10.4                  | Form of 2018 Equity and Cash Incentive Plan*  |
| 10.5                  | Form of Executive Deferred Compensation Plan*   |
| 10.6                  | Form of Senior Executive Change-in-Control Severance Plan*  |
| 10.7                  | Form of Executive Severance Plan*   |
| 10.8                  | Form of Executive Officer Annual Incentive Plan*  |
| 20.1                  | Subsidiaries of Apergy Corporation.*  |
| 99.1                  | <a href="#">Information Statement of Apergy Corporation, preliminary and subject to completion, dated February 7, 2018.</a> |
| 99.2                  | Form of Notice of Internet Availability of Information Statement Materials.*  |

\* To be filed by amendment.

**SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Apergy Corporation

By: \_\_\_\_\_

Name: Sivasankaran Somasundaram

Title: President and Chief Executive Officer

Date: \_\_\_\_\_, 2018

**SEPARATION AND DISTRIBUTION AGREEMENT**

by and between

**DOVER CORPORATION**

and

**APERGY CORPORATION**

Dated as of [●]

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#### EXHIBITS

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## SEPARATION AND DISTRIBUTION AGREEMENT

THIS SEPARATION AND DISTRIBUTION AGREEMENT (this "Agreement") is entered into as of [•], by and between Dover Corporation, a Delaware corporation ("Dover"), and Apergy Corporation, a Delaware corporation ("Apergy") (each a "Party" and together, the "Parties"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in Section 1.1 hereof.

### R E C I T A L S:

WHEREAS, Dover, acting through its direct and indirect Subsidiaries, currently conducts a number of businesses, including the Apergy Business;

WHEREAS, the Board of Directors of Dover has determined that it is appropriate, desirable and in the best interests of Dover and its stockholders to separate Dover into two separate companies: (i) one comprising the Apergy Business, which shall be owned and conducted, directly or indirectly, by Apergy, all of the common stock of which is intended to be distributed to Dover stockholders; and (ii) one comprising the Dover Business, which shall continue to be owned and conducted, directly or indirectly, by Dover;

WHEREAS, in order to effect such separation, the Board of Directors of Dover has determined that it is appropriate, desirable and in the best interests of Dover and its stockholders: (i) for Dover and its Subsidiaries to enter into a series of transactions whereby Dover and its Subsidiaries will be reorganized such that (A) Dover and/or one or more other members of the Dover Group will own all of the Dover Assets and assume (or retain) all of the Dover Liabilities and (B) Apergy and/or one or more other members of the Apergy Group will own all of the Apergy Assets and assume (or retain) all of the Apergy Liabilities (the transactions referred to in clauses (A) and (B) being referred to herein as the "Reorganization"); and thereafter (ii) for Dover to cause the Agent to distribute to the holders of Dover Common Stock as of the Record Date on a pro rata basis all of the issued and outstanding shares of common stock, par value \$0.01 per share, of Apergy (the "Apergy Common Stock") (such transactions described in clauses (i) and (ii), as may be amended or modified from time to time in accordance with the terms and subject to the conditions of this Agreement, the "Separation");

WHEREAS, Apergy has been incorporated for this purpose and has not engaged in activities prior to the date hereof except in preparation for its corporate reorganization (including activities with respect to the Apergy Financing Arrangements) and the distribution of its stock;

WHEREAS, Dover and Apergy have determined that it is necessary and desirable, at or prior to the Effective Time, to allocate, transfer or assign the Apergy Assets and Apergy Liabilities to the Apergy Group, and to allocate, transfer or assign the Dover Assets and Dover Liabilities to the Dover Group;

WHEREAS, the Parties intend that the Distribution, together with certain related transactions, generally will qualify as tax-free for U.S. federal income tax purposes under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code of 1986, as amended (the "Code"), that other transactions connected with the Separation will also qualify as tax-free for U.S. federal income tax purposes under applicable provisions of the Code and that this Agreement is intended to be, and is hereby adopted as, a plan of reorganization under Section 368 of the Code to the extent relevant for these transactions; and

WHEREAS, the Parties intend in this Agreement to set forth the principal arrangements between them with respect to the Separation and Distribution and that certain other agreements will govern certain other matters following the Effective Time.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements, provisions and covenants contained in this Agreement, the Parties, intending to be legally bound, hereby agree as follows:

## ARTICLE I

### DEFINITIONS AND INTERPRETATION

Section 1.1 General. As used in this Agreement, the following capitalized terms shall have the following meanings:

(1) “AAA” shall have the meaning set forth in Section 8.2.

(2) “Action” shall mean any demand, action, claim, charge, suit, countersuit, arbitration, inquiry, subpoena, proceeding or investigation of any kind by or before any Governmental Entity or any arbitration or mediation tribunal.

(3) “Affiliate” shall mean, when used with respect to a specified Person, a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For the purposes of this definition and the definition of “Subsidiary”, “control” (including the correlative meanings “controlled by” and “under common control with”), when used with respect to any specified Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by Contract or otherwise. From and after the Effective Time, and for purposes of this Agreement and the Ancillary Agreements, no Party or member of its Group shall be deemed to be an Affiliate of the other Party or such other Party’s Group solely by reason of having one or more directors in common or by reason of having been under common control of Dover or Dover’s stockholders prior to, or in the case of Dover’s stockholders, after, the Effective Time.

(4) “Agent” shall mean the distribution agent to be appointed by Dover to distribute to the stockholders of Dover all of the outstanding shares of Apergy Common Stock pursuant to the Distribution.

(5) “Agreement” shall have the meaning set forth in the preamble hereof.

(6) “Agreement Disputes” shall have the meaning set forth in Section 8.1(a).

(7) “Amended Financial Reports” shall have the meaning set forth in Section 5.3(b).

(8) “Apergy” shall have the meaning set forth in the preamble hereto.

(9) “Apergy Accounts” shall have the meaning set forth in Section 2.5(a).

(10) “Apergy Assets” shall mean only the following Assets (without duplication):

(i) the ownership interests (to the extent held by Dover, Apergy or any of their respective Affiliates immediately prior to the Effective Time) in each member of the Apergy Group;

(ii) all Apergy Contracts and any rights or claims (whether accrued or contingent) of Dover, Apergy, or any of their respective Affiliates, arising thereunder;

(iii) all Assets owned, leased or held by Dover, Apergy, or any of their respective Affiliates immediately prior to the Effective Time that are used exclusively or held for use exclusively in the Apergy Business, including inventory, accounts receivable, goodwill, and all Assets reflected on the Apergy Balance Sheet, or the accounting records supporting such balance sheet (including accounts receivable outstanding as of the Distribution Date but excluding cash and cash equivalents, the allocation of which shall be governed by Section 2.5) and any Assets acquired by or for the Apergy Business subsequent to the date of such balance sheet which, had they been so acquired on or before such date and owned as of such date, would have been reflected on such balance sheet if prepared on a consistent basis, subject to any disposition of any of the foregoing Assets subsequent to the date of such balance sheet;

(iv) subject to Article IX, any rights of any member of the Apergy Group under any Third Party Shared Policies to the extent related to the Apergy Business;

(v) all Apergy Accounts, and, subject to the provisions of Section 2.5, all cash, cash equivalents, and securities on deposit in such accounts immediately prior to the Effective Time, after giving effect to any withdrawal by, or other distribution of cash to, Dover or any member of the Dover Group which may occur at or prior to the Effective Time;

(vi) the portion of any Shared Contract that relates to the Apergy Business; and

(vii) the Assets listed or described on Schedule 1.1(10)(vii) and any and all Assets that are expressly contemplated by this Agreement or any Ancillary Agreement as Assets to be retained by, or assigned or transferred to, any member of the Apergy Group.



Notwithstanding the foregoing, the Apergy Assets shall in no event include:

(A) the Assets listed or described on Schedule 1.1(42)(v); or

(B) any Assets that are expressly contemplated by this Agreement or any Ancillary Agreement as Assets to be retained by, transferred or assigned to, any member of the Dover Group.

(11) "Apergy Balance Sheet" shall mean the balance sheet of the Apergy Business, as of December 31, 2017 that is included in the Information Statement; provided that to the extent any Assets or Liabilities are Transferred by any Party or any member of its Group to Apergy or any member of the Apergy Group or vice versa in connection with the Separation and Reorganization and prior to the Distribution Date, such Assets and/or Liabilities shall be deemed to be included or excluded from the Apergy Balance Sheet, as the case may be.

(12) "Apergy Business" shall mean:

(i) the businesses and operations of those portions of Dover's upstream energy businesses within its Energy segment (but, for the avoidance of doubt, excluding the Retained Energy Businesses) conducted by the Apergy Group as of the Distribution Date, as such businesses and operations are further described in the Information Statement; and

(ii) the businesses and operations of Business Entities acquired or established by or for any member of the Apergy Group after the Effective Time.

(13) "Apergy Common Stock" shall have the meaning set forth in the recitals hereto.

(14) "Apergy Contracts" shall mean the following Contracts to which any Party or any of its Subsidiaries or Affiliates is a party or by which it or any of its Affiliates or any of their respective Assets is bound, except for any such Contract or part thereof that is expressly contemplated not to be transferred or assigned by any member of the Dover Group to any member of the Apergy Group pursuant to any provision of this Agreement or any Ancillary Agreement:

(i) any Contract that relates exclusively to the Apergy Business;

(ii) any Contract or part thereof that is otherwise expressly contemplated pursuant to this Agreement or any of the Ancillary Agreements to be retained by, transferred or assigned to, any member of the Apergy Group; and

(iii) the Contracts listed or described on Schedule 1.1(14).

(15) "Apergy Disclosure" shall mean any form, statement, schedule or other material (other than the Distribution Disclosure Documents) filed with or furnished to the Commission, any other Governmental Entity, or holders of any securities of any member of the Apergy Group, in each case, on or after the Distribution Date by or on behalf of any member of the Apergy Group in connection with the registration, sale, or distribution of securities or disclosure related thereto (including periodic disclosure obligations).

(16) "Apergy Employee" shall have the meaning set forth in the Employee Matters Agreement.

(17) "Apergy Financing Arrangements" shall mean the financing arrangements described on Schedule 1.1(17).

(18) "Apergy General Liability Policies" shall have the meaning set forth in Section 9.1.

(19) "Apergy Group" shall mean Apergy and each Person identified on Schedule 1.1(19), and each Person who is or becomes an Affiliate of Apergy at or after the Effective Time.

(20) "Apergy Indemnitees" shall mean each member of the Apergy Group and each of their respective Affiliates from and after the Effective Time, and each of their respective current and former directors, officers, managers, employees and agents (in each case, in their respective capacities as such) and each of the heirs, administrators, executors, successors and assigns of any of the foregoing.

(21) "Apergy Liabilities" shall mean all of the following Liabilities of either Party or any of its Subsidiaries:

(i) the Liabilities listed or described on Schedule 1.1(21)(i) and any and all Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement as Liabilities to be retained, assumed or retired by any member of the Apergy Group;

(ii) any and all Liabilities of Dover, Apergy, or any of their respective Affiliates, to the extent relating to, arising out of or resulting from:

(A) the operation or conduct of the Apergy Business, as conducted at any time prior to, on or after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative of Dover, Apergy, or any of their respective Affiliates (whether or not such act or failure to act is or was within such Person's authority));

(B) the operation or conduct of any business conducted by any member of the Apergy Group at any time after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative of Apergy or any of its Affiliates after the Effective Time (whether or not such act or failure to act is or was within such Person's authority)); or

(C) any Apergy Assets (other than Liabilities arising under Shared Contracts to the extent such Liabilities are allocated to the Dover Group under Section 2.9(a)), whether arising before, on or after the Effective Time;

(iii) any and all Liabilities to the extent relating to, arising out of or resulting from any Former Business formerly owned or managed by, or associated with any member of the Apergy Group or any of the Apergy Business (including those Former Businesses listed and described on Schedule 1.1(21)(iii));

(iv) any and all Liabilities (including under applicable federal and state securities Laws) relating to, arising out of or resulting from:

(iv)(A); (A) the Distribution Disclosure Documents, except to the extent specifically enumerated as a Dover Liability on Schedule 1.1(50);

(B) any Pre-Separation Disclosure, but only to the extent such Liabilities arise out of or result from matters related to the Apergy Business; and

(C) any Apergy Disclosure;

(v) any and all Liabilities to the extent relating to, arising out of or resulting from (x) the Apergy Financing Arrangements or (y) any other Indebtedness of any member of the Apergy Group (whether incurred prior to, on or after the Effective Time);

(vi) any and all Liabilities relating to, resulting from, or arising out of any Action (x) listed or described on Schedule 1.1(21)(vi) or (y) to the extent such Action relates to, results from, or arises out of the Apergy Business, the Apergy Assets or the other Apergy Liabilities;

(vii) any and all Liabilities of the guarantor under the guarantees and obligations of the obligor under letters of credit listed or described on Schedule 2.12(b);

(viii) all Liabilities reflected as Liabilities or obligations on the Apergy Balance Sheet or on the accounting records supporting such balance sheet, and all Liabilities arising or assumed after the date of such balance sheet which, had they arisen or been assumed on or before such date and been retained as of such date, would have been reflected on such balance sheet if prepared on a consistent basis, subject to any discharge of such Liabilities subsequent to the date of the Apergy Balance Sheet; it being understood that (x) the Apergy Balance Sheet and the accounting records supporting such balance sheet shall be used to determine the types of, and methodologies used to determine, those Liabilities that are included in the definition of Apergy Liabilities pursuant to this subclause (viii); and (y) the amounts set forth on the Apergy Balance Sheet with respect to any Liabilities shall not be treated as minimum amounts or limitations on the amount of such Liabilities that are included in the definition of Apergy Liabilities pursuant to this subclause (viii);

(ix) any and all obligations of an insured Person under each Third Party Shared Policy to the extent related to or arising out of the Apergy Business; and

(x) any and all Liabilities of any Business Entity that, following the Distribution, will be owned, directly or indirectly, by Apergy, except for those Liabilities retained or assumed by a member of the Dover Group pursuant to the Reorganization Documents.

Notwithstanding the foregoing, the Apergy Liabilities shall in no event include any Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement (or the schedules hereto or thereto) as Liabilities to be retained or assumed by any member of the Dover Group, including any Liabilities set forth on Schedule 1.1(50)(i), or for which any member of the Dover Group is liable pursuant to this Agreement or such Ancillary Agreement.

(22) "Ancillary Agreements" shall mean all of the written Contracts or other arrangements (other than this Agreement and other than any Contract to which a Third Party is a party) entered into by any member of the Dover Group, on the one hand, and any member of the Apergy Group, on the other hand, in connection with the Separation, the Distribution or the other transactions contemplated hereby, including the Transfer Documents, the Reorganization Documents, the Tax Matters Agreement, the Transition Services Agreement, the Employee Matters Agreement and the Continuing Arrangements.

(23) "Assets" shall mean assets, properties, claims and rights (including goodwill), wherever located (including in the possession of vendors or other third parties or elsewhere), of every kind, character and description, whether real, personal or mixed, tangible or intangible, whether accrued, contingent or otherwise, in each case whether or not recorded or reflected or required to be recorded or reflected on the Records or financial statements of any Person, including the following:

(i) all accounting and other legal and business books, records, ledgers and files, whether printed, electronic or written;

(ii) all apparatus, IT Equipment, computers and other electronic data processing and communications equipment, fixtures, machinery, equipment, furniture, office equipment, automobiles, trucks and other transportation equipment, special and general tools, test devices, prototypes and models and other tangible personal property;

(iii) all inventories of products, goods, materials, parts, raw materials, components, works-in-process and supplies;

(iv) all interests in real property of whatever nature, including easements, whether as owner, mortgagee or holder of a Security Interest in real property, lessor, sublessor, lessee, sublessee or otherwise;

(v) all interests in any capital stock or other equity interests of any Subsidiary or any other Person, all bonds, notes, debentures or other securities issued by any Subsidiary or any other Person, all loans, advances or other extensions of credit or capital contributions to any Subsidiary or any other Person and all other investments in securities of any Person;

(vi) all Contracts and any rights, benefits or claims (whether accrued or contingent) arising under any Contracts;

(vii) all license agreements, leases of personal property, open purchase orders for raw materials, supplies, parts or services, unfilled orders for the manufacture and sale of products, and other contracts, agreements or commitments;

(viii) all deposits, letters of credit and performance and surety bonds;

(ix) all written (including in electronic form) or oral technical information, data, specifications, research and development information, engineering drawings and specifications, operating and maintenance manuals, and materials and analyses (including those prepared by consultants and other Third Parties);

(x) all Intellectual Property;

(xi) all Software;

(xii) all cost information, sales and pricing data, customer prospect lists, supplier records, customer and supplier lists, customer and vendor data, correspondence and lists, product data and literature, artwork, design, formulations, development and business process files and data, vendor and customer drawings, specifications, quality records and reports and other books, records, studies, surveys, reports, plans and documents;

(xiii) all prepaid expenses, trade accounts and other accounts and notes receivables;

(xiv) all claims or rights against any Person, whether sounding in tort, contract or otherwise, whether accrued or contingent, including claims or rights against any Person arising from the ownership of any asset, including, to the extent transferrable, all rights against Third Parties with respect to indemnification;

(xv) all rights under insurance policies and all rights in the nature of insurance, indemnification or contribution;

(xvi) all licenses, permits, franchises, concessions, certificates, consents, exemptions, approvals, variances, registrations and authorizations which have been issued by any Governmental Entity;

(xvii) all cash or cash equivalents, bank accounts, brokerage accounts, lock boxes and other deposit arrangements; and

(xviii) all interest rate, currency, commodity or other swap, collar, cap or other hedging or similar Contracts or arrangements.

Except as otherwise specifically set forth herein, in the Tax Matters Agreement or another Ancillary Agreement, the rights and obligations of the Parties with respect to Taxes shall be governed by the Tax Matters Agreement and, therefore, any Tax assets shall not be treated as Assets.

(24) “Audited Party” shall have the meaning set forth in Section 5.3(a)(2).

(25) “Business” shall mean the Apery Business or the Dover Business, as applicable.

(26) “Business Day” shall mean any day that is not a Saturday, a Sunday or any other day on which banks are required or authorized by Law to be closed in New York, New York.

(27) “Business Entity” shall mean any corporation, partnership, trust, limited liability company, joint venture, or other incorporated or unincorporated organization or other entity of any kind or nature (including those formed, organized or otherwise existing under the Laws of jurisdictions outside the United States).

(28) “Claims Administration” shall mean the administration of claims made under the Third Party Shared Policies, including the reporting of losses or claims to the unaffiliated, Third Party insurance carriers that issued the Third Party Shared Policies, management and defense of such claims, negotiating the resolution of such claims, and providing for appropriate releases upon settlement of such claims.

(29) “Code” shall have the meaning set forth in the recitals hereto.

(30) “Commission” shall mean the United States Securities and Exchange Commission or any successor agency thereto.

(31) “Confidential Information” shall mean non-public, confidential or proprietary business, operations or other Information, data or material to the extent concerning a Party and/or its Affiliates which, prior to or following the Effective Time, has been disclosed by a Party or its Affiliates to the other Party or its Affiliates, in written, oral (including by recording), electronic, or visual form to, or otherwise has come into the possession of, the other, including pursuant to the access provisions of Section 7.2 or Section 7.3 or any other provision of this Agreement or any Ancillary Agreement, including (a) any and all technical information relating to the design, operation, testing, test results, development, and manufacture of any Party’s product; product costs, margins and pricing; as well as product marketing studies and strategies; all other know-how, methodology, procedures, techniques and trade secrets related to research, engineering, development and manufacturing; and (b) information, documents and materials relating to such Party’s financial condition, management and other business conditions, prospects, plans, procedures, infrastructure, security, information technology procedures and systems, and other business or operational affairs; (except to the extent that such information can be shown to have been (i) in the public domain through no fault of such Party or its Affiliates or (ii) lawfully acquired after the Effective Time from other sources by such Party or its Affiliates to which it was furnished; provided, however, that in the case of clause (ii) to the furnished Party’s knowledge, such sources did not provide such information in breach of any confidentiality or fiduciary obligations).

(32) “Consents” shall mean any consents, waivers or approvals from, or notification requirements to, any Person other than a Governmental Entity.

(33) “Continuing Arrangements” shall mean those arrangements set forth on Schedule 1.1(33) and such other commercial arrangements between one or more members of the Dover Group, on the one hand, and one or more members of the Apergy Group, on the other hand, that are expressly intended in this Agreement or any Ancillary Agreement to survive and continue following the Effective Time.

(34) “Contract” shall mean any contract, obligation, indenture, instrument, agreement, lease, purchase order, commitment, permit, license, note, bond, mortgage, arrangement or undertaking (whether written or oral and whether express or implied) that is legally binding on any Person or any part of its property under applicable Law, but excluding this Agreement and any Ancillary Agreement except as otherwise expressly provided in this Agreement or any Ancillary Agreement.

(35) “Contribution” shall mean the contribution of certain Apergy Assets and members of the Apergy Group to Apergy in exchange for Apergy Common Stock and the assumption of certain Apergy Liabilities.

(36) “Dispute Notice” shall have the meaning set forth in Section 8.1(a).

(37) “Distribution” shall mean the distribution by Dover of all of the issued and outstanding shares of Apergy Common Stock to holders of record of shares of Dover Common Stock as of the Record Date on the basis of one share of Apergy Common Stock for every [•] issued and outstanding shares of Dover Common Stock.

(38) “Distribution Date” shall mean the date of the consummation of the Distribution, which shall be determined by the Board of Directors of Dover in its sole discretion.

(39) “Distribution Disclosure Documents” shall mean the Form 10 and all exhibits thereto (including the Information Statement), any current reports on Form 8-K and the registration statement on Form S-8 related to securities to be offered under Apergy’s employee benefit plans, in each case as filed or furnished by Apergy with the Commission in connection with the Distribution and including any amendments or supplements thereto.

(40) “Dover” shall have the meaning set forth in the preamble hereof.

(41) “Dover Accounts” shall have the meaning set forth in Section 2.5(a).

(42) “Dover Assets” shall mean (without duplication) any and all Assets of the Parties or their respective Affiliates as of the Effective Time that are not Apergy Assets, and any and all Assets that are acquired or otherwise become Assets of any member the Dover Group after the Effective Time, which shall include, without limiting the generality of the foregoing, the following:

(i) the ownership interests (to the extent held by Dover, Apergy or any of their respective Affiliates immediately prior to the Effective Time) in each member of the Dover Group;

(ii) all Contracts to which Dover, Apergy or any of their Affiliates is a party or by which they or any of their respective Affiliates or any of their respective Assets are bound and any rights or claims (whether accrued or contingent) of Dover, Apergy, or any of their respective Affiliates arising thereunder, in each case, other than the Apergy Contracts;

(iii) subject to Article IX, any and all rights of any member of the Dover Group under any Third Party Shared Policies to the extent related to the Dover Business;

(iv) any and all work papers of Dover's auditors and any Tax records (including accounting records) of any member of the Dover Group (which will be addressed in the Tax Matters Agreement);

(v) the Assets listed or described on Schedule 1.1(42)(v) and any and all Assets that are expressly contemplated by this Agreement or any Ancillary Agreement as Assets to be retained by, or assigned or transferred to, any member of the Dover Group;

(vi) all Dover Accounts, and, subject to the provisions of Section 2.5, all cash, cash equivalents, and securities on deposit in such accounts immediately prior to the Effective Time, including the Financing Cash Distribution, and any cash or cash equivalents withdrawn from Apergy Accounts in accordance with Section 2.5(e); and

(vii) any collateral securing any Dover Liability immediately prior to the Effective Time.

(43) "Dover Business" shall mean:

(i) all businesses, operations and activities conducted at any point in time by the members of the Dover Group and conducted prior to the Effective Time by the members of the Apergy Group (whether or not such businesses, operations or activities are or have been terminated, divested or discontinued), including for the avoidance of doubt (x) the Retained Energy Businesses and (y) the businesses, operations and activities of the Engineered Systems, Fluids and Refrigeration & Food Equipment operating segments, as described in Dover's Form 10-K, in each case, other than the Apergy Business; and

(ii) the businesses, operations and activities of Business Entities acquired or established by or for any member of the Dover Group after the Effective Time.

(44) "Dover Common Stock" shall mean the issued and outstanding shares of common stock, par value \$1.00 per share, of Dover.

(45) "Dover Disclosure" shall mean any form, statement, schedule or other material (other than the Distribution Disclosure Documents) filed with or furnished to the Commission, any other Governmental Entity, or holders of any securities of any member of the Dover Group, in each case, on or after the Effective Time by or on behalf of any member of the Dover Group in connection with the registration, sale or distribution of securities or disclosure related thereto (including periodic disclosure obligations).



(46) “Dover Employee” shall have the meaning set forth in the Employee Matters Agreement.

(47) “Dover Group” shall mean (i) Dover and each of its Subsidiaries immediately following the Effective Time and (ii) each other Person who is or becomes an Affiliate of Dover at or after the Effective Time, in each case, for the avoidance of doubt, other than the members of the Apergy Group.

(48) “Dover Indemnitees” shall mean each member of the Dover Group and each of their respective Affiliates from and after the Effective Time, and each of their respective current and former directors, officers, managers, employees and agents (in each case, in their respective capacities as such) and each of the heirs, administrators, executors, successors and assigns of any of the foregoing, except the Apergy Indemnitees.

(49) “Dover LCs” shall have the meaning set forth in Section 2.12(e).

(50) “Dover Liabilities” shall mean:

(i) the Liabilities listed or described on Schedule 1.1(50)(i) and any and all Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement as Liabilities to be retained, assumed or retired by any member of the Dover Group;

(ii) any and all Liabilities of Dover, Apergy, or any of their respective Affiliates, to the extent relating to, arising out of or resulting from:

(A) the operation or conduct of the Dover Business, as conducted at any time prior to, on or after the Effective Time (including any Liability to the extent relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative of Dover, Apergy, or any of their respective Affiliates (whether or not such act or failure to act is or was within such Person’s authority) with respect to the Dover Business);

(B) the operation or conduct of any business conducted by any member of the Dover Group at any time after the Effective Time (including any Liability to the extent relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative of Dover or any of its Affiliates after the Effective Time (whether or not such act or failure to act is or was within such Person’s authority) with respect to the Dover Business); or

(C) any Dover Assets (other than Liabilities arising under Shared Contracts to the extent such Liabilities are allocated to the Apergy Group under Section 2.9(a)), whether arising before, on or after the Effective Time;

(iii) any and all Liabilities to the extent relating to, arising out of or resulting from any Former Business formerly owned or managed by, or associated with, any member of the Dover Group or any of the Dover Businesses, other than those Former Businesses described on Schedule 1.1(21)(iii);

(iv) any and all Liabilities (including under applicable federal and state securities Laws) relating to, arising out of or resulting from:

(A) a material misstatement or omission contained in the sections of the Distribution Disclosure Documents described in Schedule 1.1(50)(iv)(A) hereto;

(B) any Pre-Separation Disclosure, but only to the extent such Liabilities arise out of, or result from, matters related to the Dover Business; and

(C) any Dover Disclosure;

(v) any and all Liabilities to the extent relating to, arising out of or resulting from any Indebtedness of any member of the Dover Group (whether incurred prior to, on or after the Effective Time), other than any Indebtedness relating to the Apergy Financing Arrangements;

(vi) any and all Liabilities relating to, arising out of or resulting from any Action to the extent such Action relates to, results from, or arises out of, the Dover Business, the Dover Assets or any of the other Dover Liabilities;

(vii) any and all Liabilities of the guarantor under the guarantees and obligations of the obligor under letters of credit listed or described on Schedule 2.12(a); and

(viii) any and all obligations of an insured Person under each Third Party Shared Policy to the extent related to or arising out of the Dover Business.

Notwithstanding the foregoing, the Dover Liabilities shall in no event include any Liabilities (including Liabilities under Apergy Contracts and Apergy Liabilities) that are expressly contemplated by this Agreement or any Ancillary Agreement (or the schedules hereto or thereto) as Liabilities to be retained or assumed by any member of the Apergy Group, including any Liabilities set forth on Schedule 1.1(21)(i), or for which any member of the Apergy Group is liable pursuant to this Agreement or such Ancillary Agreement.

(51) "Effective Time" shall mean the time at which the Distribution is effective on the Distribution Date.

(52) "Employee Matters Agreement" shall mean the Employee Matters Agreement by and between Dover and Apergy, dated as of the date hereof and substantially in the form attached as Exhibit A hereto.

(53) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, all as the same shall be in effect at the time that reference is made thereto.

(54) “Financing Cash Distribution” shall mean the cash distribution made from Apergy to Dover in connection with the Apergy Financing Arrangements as further described on Schedule 1.1(54).

(55) “Form 10” shall mean the registration statement on Form 10 filed by Apergy with the Commission to effect the registration of the Apergy Common Stock pursuant to the Exchange Act in connection with the Distribution and all amendments or supplements thereto.

(56) “Form 10-K” shall mean the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed by Dover and all amendments thereto.

(57) “Former Business” shall mean any Business Entity, division, real estate, facility, material Asset, business unit or business, including any business within the definition of Rule 11-01(d) of Regulation S-X promulgated under the Exchange Act (in each case, including any Assets and Liabilities comprising the same) that has been sold, conveyed, assigned, transferred or otherwise disposed of or divested (in whole or in part) or the operations, activities or production of which has been discontinued, abandoned, completed or otherwise terminated (in whole or in part), in each case, prior to the Effective Time.

(58) “GAAP” shall mean United States generally accepted accounting principles.

(59) “Governmental Approvals” shall mean any notices or reports to be submitted to, or other filings to be made with or submitted to, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Entity.

(60) “Governmental Entity” shall mean any nation or government, any state, municipality or other political subdivision thereof and any entity, body, agency, commission, department, board, bureau or court, whether domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any official thereof, including the NYSE and any similar self-regulatory body under applicable securities Laws.

(61) “Group” shall mean either the Apergy Group or the Dover Group, as the context requires.

(62) “Guaranty Release” shall have the meaning set forth in Section 2.12(b).

(63) “Indebtedness” shall mean (i) any indebtedness for borrowed money, whether short term or long term, including all obligations evidenced by notes, debentures, bonds or other debt securities or similar instruments, (ii) obligations as lessee under capital leases (excluding, for the avoidance of doubt, any real estate leases), whether short term or long term (provided, however, that for purposes of determining the amount of Indebtedness with respect to

this clause (ii), no effect shall be given to any change in accounting for leases pursuant to GAAP resulting from the implementation of Financial Accounting Standards Board ASU No. 2016-02, Leases (Topic 842) to the extent such adoption would require treating any lease (or similar arrangement) as a capital lease where such lease (or similar arrangement) would not have been required to be so treated under GAAP as in effect as of the date hereof), (iii) obligations secured by any mortgage, pledge, security interest, encumbrance, lien or charge of any kind existing on any asset owned or held by any Person, whether or not such Person has assumed or become liable for the obligations secured thereby, (iv) any obligation under any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, or other similar agreement designed to protect such Person against fluctuations in interest rates or other hedging arrangements, (v) all liabilities under any surety and performance bonds, letters of credit, bankers acceptances or similar arrangements, (vi) all interest bearing indebtedness for the deferred purchase price of property or services, (vii) all principal, prepayment and redemption premiums and penalties (if any), interest, fees, expenses, and other monetary obligations owed with respect to indebtedness described in the foregoing clauses (i) through (vii) above and (viii) obligations under direct or indirect guarantees of (including obligations, contingent or otherwise, to assure a creditor against loss in respect of) indebtedness or obligations of the kinds referred to in clauses (i) through (vii) above.

(64) “Indemnifiable Loss” and “Indemnifiable Losses” shall mean any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, interest, costs and expenses (including costs and expenses provided for in Section 10.5(c) and the costs and expenses of any and all Actions and demands, assessments, judgments, settlements and compromises relating thereto and the reasonable costs and expenses of attorneys’, accountants’, consultants’ and other professionals’ fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder).

(65) “Indemnifying Party” shall have the meaning set forth in Section 6.4(b).

(66) “Indemnitee” shall have the meaning set forth in Section 6.4(b).

(67) “Indemnity Payment” shall have the meaning set forth in Section 6.7(a).

(68) “Information” shall mean information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

(69) “Information Statement” shall mean the Information Statement attached as an exhibit to the Form 10 sent to the holders of shares of Dover Common Stock in connection with the Distribution, including any amendment or supplement thereto.

(70) “Insurance Administration” shall mean, with respect to each Third Party Shared Policy: (i) the accounting for premiums, retrospectively-rated premiums, defense costs, indemnity payments, deductibles and retentions, as appropriate, under the terms and conditions of such Third Party Shared Policy, (ii) discussions or negotiations with Third Party insurers and the control of any Actions relating to such Third Party Shared Policy, (iii) the reporting to excess insurance carriers of any losses or claims that may cause the per-occurrence, per claim or aggregate limits of such Third Party Shared Policy to be exceeded, (iv) the reporting to the relevant unaffiliated Third Party insurer that issues such Third Party Shared Policy of any losses or claims which may be covered by such Third Party Shared Policy and (v) the distribution of Insurance Proceeds related to such Third Party Shared Policy, subject to the terms of Article IX.

(71) “Insurance Proceeds” shall mean those monies (i) received by an insured from an unaffiliated Third Party insurer under any Third Party Shared Policy, or (ii) paid by such Third Party insurer on behalf of an insured under any Third Party Shared Policy, in either case net of any costs or expenses incurred in the collection thereof to the extent such adjustment is demonstrably related to such proceeds and net of any applicable premium adjustments (including reserves and retrospectively-rated premium adjustments) deductibles, retentions, or costs of reserve paid or held by or for the benefit of such insured.

(72) “Insured Claims” shall mean those Liabilities that, individually or in the aggregate, are covered within the terms and conditions of any of the Third Party Shared Policies, whether or not subject to deductibles, co-insurance, uncollectibility, exhaustion of limits, or retrospectively-rated premium adjustments.

(73) “Intellectual Property” shall mean all intellectual property and industrial property rights of any kind or nature, including all United States and foreign (i) patents, patent applications, patent disclosures, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions and extensions thereof, (ii) Trademarks, (iii) copyrights and copyrightable subject matter, whether statutory or common law, registered or unregistered and published or unpublished, (iv) rights of publicity, (v) moral rights and rights of attribution and integrity, (vi) rights in Software, (vii) trade secrets and all other confidential and proprietary information, know-how, inventions, improvements, processes, formulae, models and methodologies, (viii) rights to personal information, (ix) telephone numbers and internet protocol addresses, (x) applications and registrations for the foregoing, and (xi) rights and remedies against past, present, and future infringement, misappropriation, or other violation of the foregoing.

(74) “Intercompany Accounts” shall mean any receivable, payable, loan or other intercompany balance (including in respect of any cash balances, any cash balances representing deposited checks or drafts or any cash held in any centralized cash management system) between any member of the Dover Group, on the one hand, and any member of the Apergy Group, on the other hand, that is reflected in the Records of the relevant members of the Dover Group and the Apergy Group, except for any such receivable, payable, loan or intercompany balance that arises pursuant to this Agreement, any Ancillary Agreement or any Continuing Arrangement.

(75) “Internal Control Audit and Management Assessments” shall have the meaning set forth in Section 5.3(a)(1).

(76) “IT Equipment” shall mean all computers, servers, printers, computer hardware, wired or mobile telephones, on-site process control and automation systems, telecommunication assets, and other information technology-related equipment.

(77) “Law” shall mean any applicable United States or non-United States federal, national, supranational, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, income tax treaty, order, requirement or rule of law (including common law) or other binding directives promulgated, issued, entered into or taken by any Governmental Entity.

(78) “Liabilities” shall mean all obligations, responsibilities, response actions, losses, damages (whether compensatory, punitive, consequential, incidental, treble or other), fines, penalties and sanctions, whether absolute or contingent, matured or unmatured, liquidated or unliquidated, foreseen or unforeseen, reserved or unreserved, joint, several or individual, asserted or unasserted, accrued or unaccrued, known or unknown, determined or determinable, whenever and however arising, including those arising under or in connection with any Law or other pronouncements of Governmental Entities having the effect of Law, Actions, threatened Actions, order or consent decree of any Governmental Entity or any award of any arbitration tribunal, and those arising under any Contract, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, or otherwise, and including any costs, expenses, interest, attorneys’ fees, disbursements and expenses of counsel, expert and consulting fees and costs related thereto or to the investigation or defense thereof, and whether or not the same would be required by GAAP and accounting policies to be reflected in financial statements or disclosed in the notes thereto. Except as otherwise specifically set forth herein, in the Tax Matters Agreement, the Employee Matters Agreement or other Ancillary Agreement, as applicable, the rights and obligations of the Parties with respect to Taxes shall be governed by the Tax Matters Agreement or the Employee Matters Agreement, as applicable, and, therefore, Taxes shall not be treated as Liabilities.

(79) “Liable Party” shall have the meaning set forth in Section 2.11(b).

(80) “New York Courts” shall have the meaning set forth in Section 10.19.

(81) “NYSE” shall mean the New York Stock Exchange.

(82) “Other Parties’ Auditors” shall have the meaning set forth in Section 5.3(a)(2).

(83) “Other Party Marks” shall have the meaning set forth in Section 5.2(a).

(84) “Party” shall have the meaning set forth in the preamble hereof.

(85) “Person” shall mean any (i) individual, (ii) Business Entity or Governmental Entity.

(86) “Policies” shall mean insurance policies and insurance Contracts of any kind (other than life and benefits policies or Contracts), including primary, excess and umbrella policies, commercial general liability policies, punitive damages liability, cyber liability, director and officer liability, fiduciary liability, automobile, aircraft, property and casualty, terrorism, business interruption, workers’ compensation and employee dishonesty insurance policies, bonds and self-insurance and captive insurance company arrangements, together with the rights, benefits and privileges thereunder.

(87) “Pre-Separation Disclosure” shall mean any form, statement, schedule or other material (other than the Distribution Disclosure Documents) that Dover, Apergy, or any of their respective Affiliates filed with or furnished to the Commission, any other Governmental Entity, or holders of any securities of Dover or any of its Affiliates, in each case, prior to the Effective Time and in connection with the registration, sale, or distribution of securities or disclosure related thereto (including periodic disclosure obligations).

(88) “Prime Rate” shall mean the rate per annum publicly announced by JPMorgan Chase Bank (or any successor thereto or other major money center commercial bank agreed to by the Parties) from time to time as its prime lending rate, as in effect from time to time.

(89) “Privileged Information” shall mean any information, in written, oral, electronic or other tangible or intangible forms, including any communications by or to attorneys (including attorney-client privileged communications), memoranda and other materials prepared by attorneys or under their direction (including attorney work product), as to which a Party or any member of its Group would be entitled to assert or have a privilege, including the attorney-client, attorney work product privileges, the tax practitioner privilege and any privilege relating to internal evaluation processes.

(90) “Record Date” shall mean the date to be determined by the Board of Directors of Dover in its sole discretion as the record date for the Distribution.

(91) “Records” shall mean any Contracts, documents, corporate, operational, accounting and other books and records, files, data, correspondence, studies, surveys, reports and other data (in each case whether in written or electronic format), including all title records, prospect information, title opinions, title insurance reports, abstracts, property ownership reports, customer lists, supplier lists, sales materials, and reports, health, environmental and safety information and records, Third Party licenses, accounting and financial records, promotional materials, operational records, technical records, reserve estimates and economic estimates; production and processing records, division order, lease and files, accounting files and Tax records (other than income Tax).

(92) “Reorganization” shall have the meaning set forth in the recitals hereto.

(93) “Reorganization Documents” shall have the meaning set forth in Section 3.1.

(94) “Reorganization Step Plan” shall have the meaning set forth in Section 3.1.

(95) “Retained Energy Businesses” shall mean all businesses, operations and activities of the Bearings and Compression and Tulsa Winch Group (TWG) businesses as well as any businesses, operations and activities of the Energy operating segment (as described in Dover’s Form 10-K) of Dover as of the Distribution Date that are not conducted by the Apergy Group as of the Distribution Date (but immediately after giving effect to the Distribution).

(96) “Rules” shall have the meaning set forth in Section 8.2.

(97) “Security Interest” shall mean any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever, excluding restrictions on transfer under securities Laws.

(98) “Separation” shall have the meaning set forth in the recitals hereto.

(99) “Shared Contracts” shall mean (i) the Contracts listed on Schedule 1.1(99) and (ii) the Contracts entered into prior to the Effective Time to which either Party or any of its respective Subsidiaries and one or more Third Parties are a party that inures to the benefit or burden of both the Apergy Business and the Dover Business.

(100) “Shared Contractual Liabilities” shall mean Liabilities in respect of Shared Contracts.

(101) “Software” shall mean all computer programs (whether in source code, object code, or other form), algorithms, databases, compilations and data, and technology supporting the foregoing, and all documentation, including flowcharts and other logic and design diagrams, technical, functional and other specifications, and user manuals and training materials related to any of the foregoing.

(102) “Subsidiary” shall mean with respect to any Person (i) a corporation, fifty percent (50%) or more of the voting or capital stock of which is, as of the time in question, directly or indirectly owned by such Person and (ii) any other Business Entity in which such Person, directly or indirectly, owns fifty percent (50%) or more of the equity or economic interest thereof or has the power to elect or direct the election of fifty percent (50%) or more of the members of the governing body of such entity or otherwise has control over such entity (e.g., as the managing partner of a partnership).

(103) “Tax” shall have the meaning set forth in the Tax Matters Agreement.

(104) “Tax Matters Agreement” shall mean the Tax Matters Agreement by and between Dover and Apergy, dated as of the date hereof, and substantially in the form attached as Exhibit B hereto.

(105) “Tax Return” shall have the meaning set forth in the Tax Matters Agreement.

(106) “Third Party” shall mean any Person other than the Parties or any of their respective Subsidiaries.



(107) “Third Party Claim” shall have the meaning set forth in Section 6.4(b).

(108) “Third Party Shared Policies” shall mean all Policies, whether or not in force at the Effective Time, issued by unaffiliated Third Party insurers to Dover, Apergy, or any of their respective Affiliates, which cover risks that relate to both the Dover Business and the Apergy Business.

(109) “Trademarks” shall mean all United States and foreign trademarks, service marks, corporate names, trade names, domain names, logos, slogans, designs, trade dress and other similar designations of source or origin, whether registered or unregistered, together with the goodwill symbolized by any of the foregoing.

(110) “Transfer” shall have the meaning set forth in Section 2.2(a)(i).

(111) “Transfer Documents” shall mean, collectively, the various Contracts and other documents entered into and to be entered into to effect the transfer of Assets and the assumption of Liabilities in the manner contemplated by this Agreement (including as contemplated by the Reorganization Step Plan), or otherwise relating to, arising out of or resulting from the transactions contemplated by this Agreement (other than the Ancillary Agreements), each of which shall be in such form and dated as of such date as Dover shall determine in its sole discretion.

(112) “Transferred Entities” shall have the meaning set forth in Section 2.2(a)(i).

(113) “Transition Services Agreement” shall mean the Transition Services Agreement by and between Dover and Apergy, dated as of the date hereof, and substantially in the form attached as Exhibit C hereto.

(114) “Wholly Owned Subsidiary” shall mean, with respect to any Person, any Subsidiary of such Person if all of the common stock or other similar equity ownership interests (but not including non-voting preferred stock) in such Subsidiary (other than any director’s qualifying shares or investments by foreign nationals mandated by applicable Law) is owned directly or indirectly by such Person.

Section 1.2 References; Interpretation. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Any action to be taken by the Board of Directors of a Party may be taken by a committee of the Board of Directors of such Party if properly delegated by the Board of Directors of a Party to such committee. Unless the context otherwise requires:

(i) the words “include”, “includes” and “including” when used in this Agreement shall be deemed to be followed by the phrase “without limitation”;

(ii) references in this Agreement to Articles, Sections, Annexes, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Annexes, Exhibits and Schedules to, this Agreement;

(iii) the words “hereof”, “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement;

(iv) the words “written request” when used in this Agreement shall include email;

(v) references in this Agreement to any time shall be to New York City, New York time unless otherwise expressly provided herein; and

(vi) as described in Section 10.1, to the extent that the terms and conditions of any Schedule hereto conflict with the express terms of the body of this Agreement or any Ancillary Agreement, the terms of such Schedule shall control; it being understood that the Parties intend to include in the Schedules hereto any exceptions to the general rules described in the body of this Agreement and to give full effect to such exceptions, with respect to the matters expressly set forth therein.

Section 1.3 Effective Time. This Agreement shall be effective as of the Effective Time.

Section 1.4 Other Matters. As described in more detail in, but subject to the terms and conditions of, Section 10.1 and Section 10.2, the Tax Matters Agreement, the Employee Matters Agreement and the Transition Services Agreement will govern Dover’s and Apergy’s respective rights, responsibilities and obligations after the Distribution with respect to the matters set forth in such Ancillary Agreement, except as expressly set forth in this Agreement or any other Ancillary Agreement.

## ARTICLE II

### THE SEPARATION

Section 2.1 General. Subject to the terms and conditions of this Agreement, including Section 4.4, the Parties shall use, and shall cause their respective Affiliates to use, their respective commercially reasonable efforts to consummate the transactions contemplated hereby, a portion of which may have already been implemented prior to the date hereof. It is the intent of the Parties that prior to consummation of the Distribution, the Parties shall complete the Reorganization such that immediately following the consummation of such reorganization, subject to Section 2.7 and the provisions of any Ancillary Agreement, (i) all of Dover’s and its Subsidiaries’ right, title and interest in and to the Apergy Assets will be owned or held by a member or members of the Apergy Group, the Apergy Business will be conducted by the members of the Apergy Group and the Apergy Liabilities will be assumed directly or indirectly by (or retained by) a member of the Apergy Group; and (ii) all of Dover’s and its Subsidiaries’ right, title and interest in and to the Dover Assets will be owned or held by a member or members of the Dover Group, the Dover Business will be conducted by the members of the Dover Group and the Dover Liabilities will be assumed directly or indirectly by (or retained by) a member of the Dover Group, except for such steps (if any) as Dover in its sole discretion shall have determined need not be completed or may be completed after the consummation of the

Distribution; provided, however, that any such determination shall not limit the Parties' respective obligations under Section 2.2 or Section 2.3. Further, it is the intent of the Parties that the assumption by Apergy of Apergy Liabilities is made in connection with the Separation, including the transfer of the Apergy Assets to Apergy in the Reorganization.

Section 2.2 Transfer of Assets.

(a) At or prior to the Effective Time and to the extent not already completed (it being understood that some of such Transfers may occur following the Effective Time in accordance with Section 2.7):

(i) Dover shall, and hereby does, on behalf of itself and the other members of the Dover Group, as applicable, transfer, contribute, assign, distribute, convey and/or deliver or cause to be transferred, contributed, assigned, distributed, conveyed and/or delivered ("Transfer"), to Apergy or another member of the Apergy Group, and Apergy or such other member of the Apergy Group shall and hereby does accept from Dover and the applicable members of the Dover Group, all of Dover's and the other members of the Dover Group's respective direct or indirect right, title and interest in and to the Apergy Assets, including all of the outstanding shares of capital stock or other ownership interests in the entities listed on Schedule 2.2(a). (i) (the "Transferred Entities") (it being understood that if any Apergy Asset shall be held by a Subsidiary of a Transferred Entity, such Apergy Asset may be Transferred for all purposes hereunder as a result of the Transfer of the equity interests in such Transferred Entity to Apergy or another member of the Apergy Group); and

(ii) Apergy shall and hereby does, on behalf of itself and the other members of the Apergy Group, as applicable, Transfer to Dover or another member of the Dover Group, and Dover or such other member of the Dover Group shall and hereby does accept from Apergy and the applicable members of the Apergy Group, all of Apergy's and the other members of the Apergy Group's respective direct or indirect right, title and interest in and to the Dover Assets held by Apergy or a member of the Apergy Group.

(b) Unless otherwise agreed to by the Parties, each of Dover and Apergy, as applicable, shall be entitled to designate the Business Entity within such Party's respective Group to which any Assets are to be transferred pursuant to Section 2.2(a) or Section 2.7.

Section 2.3 Assumption and Satisfaction of Liabilities. Except as otherwise specifically set forth in this Agreement or any Ancillary Agreement, from and after the Effective Time, (a) Dover shall, or shall cause another member of the Dover Group to, accept, assume (or, as applicable, retain) and perform, discharge and fulfill, in accordance with their respective terms, all of the Dover Liabilities and (b) Apergy shall, or shall cause another member of the Apergy Group to, accept, assume (or, as applicable, retain) and perform, discharge and fulfill, in accordance with their respective terms, all the Apergy Liabilities, in each case regardless of (i) when or where such Liabilities arose or arise, (ii) where or against whom such Liabilities are asserted or determined, (iii) whether arising from or alleged to arise from negligence, gross negligence, recklessness, violation of Law, willful misconduct, bad faith, fraud,

misrepresentation or any other cause by any member of the Dover Group or the Apergy Group, as the case may be, or any of their past or present respective directors, officers, employees, or agents, (iv) which entity is named in any Action associated with any Liability and (v) whether the facts on which they are based occurred prior to, on or after the date hereof.

#### Section 2.4 Intercompany Accounts.

(a) Each Intercompany Account (other than those set forth on Schedule 2.4(a)) which exists and is reflected immediately prior to the Effective Time in any general ledger account or other Records of Dover, Apergy or any of their respective Affiliates, shall be satisfied and/or settled by the relevant members of the Dover Group and the Apergy Group no later than the Effective Time by (i) forgiveness by the relevant obligee, (ii) one or a related series of distributions of and/or contributions to capital, (iii) payment by the relevant obligor to the relevant obligee, or (iv) dividends or a combination of the foregoing, in each case as determined by Dover.

(b) With respect to any Intercompany Account that is set forth on Schedule 2.4(a) and any other Intercompany Account that is not satisfied or settled as described in Section 2.4(a) for any reason, such Intercompany Account shall continue to be outstanding after the Effective Time and thereafter (i) shall be an obligation of the relevant Party (or the relevant member of such Party's Group), each responsible for fulfilling its (or a member of such Party's Group's) obligations in accordance with the terms and conditions applicable to such obligation or if such terms and conditions are not set forth in writing, such obligation shall be satisfied within 30 days of a written request by the beneficiary of such obligation given to the corresponding obligor thereunder, and (ii) shall be for each relevant Party (or the relevant member of such Party's Group) an obligation to a Third Party and shall no longer be an Intercompany Account.

#### Section 2.5 Bank Accounts; Cash Balances.

(a) The Parties agree to take, or to cause the respective members of their respective Groups to take, at the Effective Time (or such earlier time as Dover may determine), all actions necessary to amend all Contracts governing each bank and brokerage account owned by Apergy or any other member of the Apergy Group (the "Apergy Accounts") so that such Apergy Accounts, if currently linked (whether by automatic withdrawal, automatic deposit, or any other authorization to transfer funds from or to, hereinafter "linked") to any bank or brokerage account owned by Dover or any other member of the Dover Group (the "Dover Accounts") are de-linked from the Dover Accounts. From and after the Effective Time, no Dover Employee shall have any authority to access or control any Apergy Account, except as provided for through the Transition Services Agreement.

(b) The Parties agree to take, or to cause the respective members of their respective Groups to take, at the Effective Time (or such earlier time as Dover may determine), all actions necessary to amend all Contracts governing the Dover Accounts so that such Dover Accounts, if currently linked to an Apergy Account, are de-linked from the Apergy Accounts. From and after the Effective Time, no Apergy Employee shall have any authority to access or control any Dover Account, except as provided for through the Transition Services Agreement.

(c) With respect to any outstanding checks issued by Dover, Apergy, or any of their respective Subsidiaries prior to the Effective Time, such outstanding checks shall be honored following the Effective Time by the member of the applicable Group owning the account on which the check is drawn.

(d) As between the two Parties (and the members of their respective Groups) all payments and reimbursements received after the Effective Time by either Party (or member of its Group) that relate to a Business, Asset or Liability of the other Party (or member of its Group), shall be held by such Party in trust for the use and benefit of the Party entitled thereto. Each Party shall maintain an accounting of any such payments and reimbursements, and, promptly following the end of each month, the Parties shall effect a reconciliation with respect to such month, whereby all such payments and reimbursements received by each Party are calculated and the net amount owed to Apergy or Dover, as applicable, shall be promptly paid over with right of set-off.

(e) Except as otherwise provided in the Tax Matters Agreement, notwithstanding anything to the contrary contained herein, the Parties agree that, prior to the Effective Time, Dover or any other member of the Dover Group may (i) withdraw any and all cash or cash equivalents from the Apergy Accounts for the benefit of Dover or any other member of the Dover Group and (ii) use, retain or otherwise dispose of all cash generated by the Apergy Business and the Apergy Assets in accordance with the ordinary course operation of Dover's cash management systems, and any such cash or cash equivalents so withdrawn, used, retained or otherwise disposed of pursuant to clauses (i) or (ii) above shall be a Dover Asset.

Section 2.6 Limitation of Liability; Termination of Intercompany Agreements.

(a) Except as otherwise expressly provided in this Agreement, no Party or any member of such Party's Group shall have any Liability to any other Party or any member of such other Party's Group in the event that any Information exchanged or provided pursuant to this Agreement (but excluding any such information included in the Distribution Disclosure Documents, any Liability for which shall be governed by Section 2.3) which is an estimate or forecast, or which is based on an estimate or forecast, is found to be inaccurate.

(b) Except as provided in Section 2.4, Section 2.12, Article VI or as set forth in subsection (c) below, no Party or any member of such Party's Group shall have any Liability to the other Party or any member of such other Party's Group based upon, arising out of or resulting from any Contract, course of dealing or understanding, whether or not in writing, entered into or existing at or prior to the Effective Time between such Party or such member of such Party's Group, on the one hand, and the other Party or any member of such other Party's Group, on the other hand, and each Party hereby terminates, and shall cause all members in its Group to terminate, any and all Contracts, courses of dealing or understandings between it or any members in its Group, on the one hand, and the other Party or any members of such other Party's Group, on the other hand, effective as of immediately prior to the Effective Time, and any such Liability, whether or not in writing, is hereby irrevocably cancelled, released and waived effective as of the Effective Time. No such terminated Contract, course of dealing or understanding (including any provision thereof which purports to survive such termination) shall be of any further force or effect after the Effective Time. Each Party shall, at the reasonable request of the other Party, take, or cause to be taken, any reasonably requested actions necessary to effect the foregoing.

(c) The provisions of Section 2.6(b) shall not apply to any of the following Contracts, courses of dealing or understandings (or to any of the provisions thereof):

(i) this Agreement, the Ancillary Agreements, the Reorganization Documents, the Continuing Arrangements and any Contract entered into in connection herewith or in order to consummate the transactions contemplated hereby or thereby;

(ii) any Intercompany Accounts listed or described on Schedule 2.4(a);

(iii) any Contracts, courses of dealing or understandings to which any Third Party is a party (it being understood that to the extent that the rights and obligations of the Parties and the members of their respective Groups under any such Contracts, courses of dealing or understandings constitute Dover Assets, Apergy Assets, Dover Liabilities, or Apergy Liabilities, such Contracts, courses of dealing or understandings shall be assigned or retained pursuant to Article II); and

(iv) any Contracts, courses of dealing or understandings to which any non-Wholly Owned Subsidiary of Dover or Apergy is a party.

(d) If any Contract, course of dealing or understanding is terminated pursuant to Section 2.6(b) and, but for the mistake or oversight of either Party, would have been listed on Schedule 1.1(33) as a Continuing Arrangement as it is reasonably necessary for such affected Party to be able to continue to operate its businesses in substantially the same manner in which such businesses were operated prior to the Effective Time, then, at the request of such affected Party made within 12 months following the Effective Time, the Parties shall negotiate in good faith to determine whether and to what extent (including the terms and conditions relating thereto), if any, notwithstanding such termination, such Contract, course of dealing or understanding should continue following the Effective Time; provided, however, that any Party may determine, in its sole discretion, not to re-instate or otherwise continue any such Contract, course of dealing or understanding.

Section 2.7 Transfers Not Effected At or Prior to the Effective Time; Transfers Deemed Effective as of the Effective Time .

(a) To the extent that any Transfers or assumptions contemplated by this Article II shall not have been consummated at or prior to the Effective Time, the Parties shall cooperate and use commercially reasonable efforts to effect such Transfers or assumptions as promptly following the Effective Time as shall be reasonably practicable. Nothing herein shall be deemed to require or constitute the Transfer of any Assets or the assumption of any Liabilities which by their terms or operation of Law cannot be Transferred or assumed; provided, however, that the Parties shall, and shall cause the respective members of their Groups to, cooperate and use commercially reasonable efforts to seek to obtain, in accordance with applicable Law, any necessary Consents or Governmental Approvals for the Transfer of all Assets and assumption of all Liabilities contemplated to be Transferred or assumed pursuant to this Article II; provided further that except to the extent expressly provided in this Agreement or any of the Ancillary

Agreements or as otherwise agreed between the Parties, neither Dover nor Apergy shall be obligated to contribute material capital or pay any material consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Person in order to obtain or make such Consents or Governmental Approvals. In the event that any such Transfer of Assets or assumption or Liabilities has not been consummated as of the Effective Time, then from and after the Effective Time (i) the Party (or relevant member in its Group) retaining such Asset shall thereafter hold (or shall cause such member in its Group to hold) such Asset in trust for the use and benefit of the Party (or relevant member in its Group) entitled thereto (at the expense of the Person entitled thereto) and (ii) the Party intended to assume such Liability shall, or shall cause the applicable member of its Group to, pay or reimburse the Party (or the relevant member of its Group) retaining such Liability for all amounts paid or incurred in connection with the retention of such Liability; provided that in the event that any such Transfer of Assets or assumption of Liabilities is not able to be completed within 18 months following the Effective Time, the Parties shall cooperate and use commercially reasonable efforts to determine the appropriate treatment (including potential disposition) of such Asset or Liability. To the extent the foregoing applies to any Contracts (other than Shared Contracts, which shall be governed solely by Section 2.9) to be assigned for which any necessary Consents or Governmental Approvals are not received prior to the Effective Time, the treatment of such Contracts shall, for the avoidance of doubt, be subject to Section 2.10 and Section 2.11, to the extent applicable. In addition, the Party retaining such Asset or Liability (or relevant member of its Group) shall (or shall cause such member in its Group to) treat, insofar as is reasonably practicable and to the extent permitted by applicable Law, such Asset or Liability in the ordinary course of business in accordance with past practice and take such other actions as may be reasonably requested by the Party to which such Asset is to be Transferred or by the Party assuming such Liability in order to place such Party, insofar as is reasonably practicable and to the extent permitted by applicable Law, in the same position as if such Asset or Liability had been Transferred or assumed as contemplated hereby and so that all the benefits and burdens relating to such Asset or Liability, including possession, use, risk of loss, potential for income and gain, and dominion, control and command over such Asset or Liability, are to inure from and after the Effective Time to the relevant member or members of the Dover Group or the Apergy Group, as the case may be, entitled to the receipt of such Asset or required to assume such Liability pursuant to this Article II. In furtherance of the foregoing, the Parties agree that, as of the Effective Time, subject to Section 2.11(b), each Party shall be deemed to have acquired complete and sole beneficial ownership over all of the Assets, together with all rights, powers and privileges incident thereto, and shall be deemed to have assumed in accordance with the terms of this Agreement all of the Liabilities, and all duties, obligations and responsibilities incident thereto, which such Party is entitled to acquire or required to assume pursuant to the terms of this Agreement.

(b) If and when all Consents, Governmental Approvals and/or conditions, the absence or non-satisfaction of which caused the deferral of Transfer of any Asset or assumption of any Liability pursuant to Section 2.7(a), are obtained or satisfied, the Parties shall cause the Transfer, assumption or novation of the applicable Asset or Liability to be effected without further consideration in accordance with and subject to the terms of this Agreement (including Sections 2.2 and 2.3) and/or the applicable Ancillary Agreement as promptly as reasonably practicable after the receipt of such Consents, Governmental Approvals and/or absence or satisfaction of conditions, and such Transfer, assumption or novation shall, to the extent possible without the imposition of any undue cost on any Party, be deemed to have become effective as of the Effective Time.

(c) The Party (or relevant member of its Group) retaining any Asset or Liability due to the deferral of the Transfer of such Asset or the deferral of the assumption of such Liability pursuant to Section 2.7(a) shall (i) not be obligated, in connection with the foregoing, to expend any money unless the necessary funds are advanced, assumed, or agreed in advance to be reimbursed, by the Party (or relevant member of its Group) entitled to such Asset or the Person intended to be subject to such Liability, other than reasonable attorneys' fees and recording or similar or other incidental fees, all of which shall be promptly reimbursed by the Party (or relevant member of its Group) entitled to such Asset or the Person intended to be subject to such Liability and (ii) be indemnified for all Indemnifiable Losses or other Liabilities arising out of any actions (or omissions to act) of such retaining Party taken at the direction of the other Party (or relevant member of its Group) in connection with and relating to such retained Asset or Liability, as the case may be.

(d) From the Effective Time until the two year anniversary of this Agreement, if either Party determines that it (or any member of its Group) owns any Asset that was allocated by the terms of this Agreement to be Transferred to the other Party at the Effective Time or that is agreed by such Party and the other Party in their good faith judgment to be an Asset that more properly belongs to the other Party or an Asset that such other Party or Subsidiary was intended to have the right to continue to use, then the Party owning such Asset shall as applicable (i) Transfer any such Asset to the Party (or relevant member of its Group) identified as the appropriate transferee and following such Transfer, such Asset shall be an Apergy Asset or Dover Asset, as the case may be, or (ii) grant such mutually agreeable rights with respect to such Asset to permit such continued use, subject to and consistent with this Agreement, including with respect to assumption of associated Liabilities. In connection with such Transfer, the receiving party shall assume all Liabilities related to such Asset.

(e) After the Effective Time, each Party (or any member of its Group) may receive mail, packages and other communications properly belonging to the other Party (or any member of its Group). Accordingly, at all times after the Effective Time, each Party authorizes the other Party (or any member of its Group) to receive and open all mail, packages and other communications received by such Party (or any member of its Group) and not unambiguously intended for such first Party, any member of such first Party's Group or any of their respective officers, directors, employees or other agents, and to the extent that they do not relate solely to the business of the receiving Party, the receiving party shall promptly deliver such mail, packages or other communications (or, in case the same relate to both businesses, copies thereof) to the other Party as provided for in Section 10.6. The provisions of this Section 2.7(e) are not intended to, and shall not, be deemed to constitute an authorization by any Party (or any member of its Group) to permit the other to accept service of process on its (or its members') behalf and no Party (or any member of its Group) is or shall be deemed to be the agent of the other Party (or any member of its Group) for service of process purposes.



Section 2.8 Transfer Documents. In connection with, and in furtherance of, the Transfers of Assets and the acceptance and assumptions of Liabilities contemplated by this Agreement, the Parties shall execute or cause to be executed, at or prior to the Effective Time, or after the Effective Time with respect to Section 2.7, by the appropriate entities, the Transfer Documents necessary to evidence the valid and effective assumption by the applicable Party (or any member of its Group) of its assumed Liabilities, and the valid Transfer to the applicable Party (or any member of its Group) of all rights, titles and interests in and to its accepted Assets, including the Transfer of real property with quit claim deeds, as may be appropriate.

Section 2.9 Shared Contracts.

(a) With respect to Shared Contractual Liabilities pursuant to, under or relating to a given Shared Contract, such Shared Contractual Liabilities shall be allocated, unless otherwise allocated pursuant to this Agreement or an Ancillary Agreement, between the Parties as follows:

(i) first, if a Liability is incurred exclusively in respect of a benefit received by one Party or its Group, the Party or Group receiving such benefit shall be responsible for such Liability;

(ii) second, if a Liability cannot be exclusively allocated to one Party or its Group under clause (i) above, such Liability shall be allocated among both Parties and their respective Groups based on the relative proportions of total benefit received (over the term of the Shared Contract, measured as of the date of allocation) under the relevant Shared Contract. Notwithstanding the foregoing, each Party and its Group shall be responsible for any or all Liabilities arising out of or resulting from such Party's or Group's breach of the relevant Shared Contract.

(b) Except as otherwise expressly contemplated in this Agreement or an Ancillary Agreement, if Dover or any member of the Dover Group, on the one hand, or Apergy or any member of the Apergy Group, on the other hand, receives any benefit or payment under any Shared Contract which was intended for the other Party or its Group, Dover, on the one hand, or Apergy, on the other hand, will use its respective commercially reasonable efforts, or will cause any member of its Group to use its commercially reasonable efforts, to deliver, transfer or otherwise afford such benefit or payment to the other Party.

(c) Notwithstanding anything to the contrary herein, the Parties have determined that it is advisable that certain Shared Contracts, or portions thereof, will be separated or assigned to a member of the Dover Group or Apergy Group, as applicable. The Parties shall use their commercially reasonable efforts to separate the Shared Contracts which are identified on Schedule 2.9(c)(i) into separate Contracts between the appropriate Third Party and either Apergy or a member of the Apergy Group or Dover or a member of the Dover Group. Dover or a member of the Dover Group will use commercially reasonable efforts to assign the rights and obligations, but only to the extent relating to the Apergy Business, under the Shared Contracts which are identified on Schedule 2.9(c)(ii) to Apergy or a member of the Apergy Group. The Parties agree to cooperate and provide reasonable assistance prior to the Effective Time and for a period of six months following the Effective Time (with no obligation on the part of either Party to pay any costs or fees with respect to such assistance) in effecting the separation or assignment of such Shared Contracts as described above.

Section 2.10 Further Assurances.

(a) In addition to and without limiting the actions specifically provided for elsewhere in this Agreement and subject to the limitations expressly set forth in this Agreement, including Section 2.7, each of the Parties shall cooperate with each other and use (and will cause the relevant member of its Group to use) commercially reasonable efforts, prior to, on and after the Effective Time, to take, or to cause to be taken, all actions and to do, or to cause to be done, all things reasonably necessary on its part under applicable Law or contractual obligations to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.

(b) Without limiting the foregoing each Party shall cooperate with the other Party, and without any further consideration, but at the expense of the requesting Party (except as provided in Sections 2.7, 10.5(b), and 10.5(c)), from and after the Effective Time, to execute and deliver, or use commercially reasonable efforts to cause to be executed and delivered, all instruments, including instruments of Transfer or title or other Contracts, to make all filings, to obtain all Consents and/or Governmental Approvals, and to take all such other actions as such Party may reasonably be requested to take by the other Party from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the Transfers of the applicable Assets and the assignment and assumption of the applicable Liabilities and the other transactions contemplated hereby and thereby. Without limiting the foregoing, each Party will, at the reasonable request, cost and expense of the other Party (except as provided in Sections 2.7, 10.5(b), and 10.5(c)), take such other actions as may be reasonably necessary to vest in such other Party such title and rights as possessed by the Transferring Party to the Assets allocated to such Party under this Agreement or any of the Ancillary Agreements, free and clear of any Security Interest, if and to the extent it is reasonably practicable to do so.

(c) From and after the Effective Time, with respect to any Action where any Party hereto (or any member of such Party's Group) is a defendant, when and if requested by such Party, the other Party shall, unless such other Party reasonably determines that doing so would unduly burden or prejudice such other Party's position with respect to such Action, petition the applicable court to remove the requesting Party (or such member of such Party's Group) as a defendant to the extent that such Action relates solely to Assets or Liabilities that the other Party (or any member of such other Party's Group) has been allocated pursuant to this Article II, and the other Party shall cooperate and assist in any required communication with any plaintiff or other related Third Party.

(d) On or prior to the Distribution Date, Dover and Apergy in their respective capacities as direct or indirect stockholders of their respective Subsidiaries, shall each ratify any actions that are reasonably necessary or desirable to be taken by any Subsidiary of Dover or Subsidiary of Apergy, as the case may be, to effectuate the transactions contemplated by this Agreement and the Ancillary Agreements.

## Section 2.11 Novation of Liabilities; Consents.

(a) Each Party, at the request of the other Party or any member of the other Party's Group (such other Party, the "Other Party"), shall use commercially reasonable efforts to obtain, or to cause to be obtained, any Consent, release, substitution or amendment required to novate or assign all obligations under Contracts (other than Shared Contracts, which shall be governed by Section 2.9) or other Liabilities (other than with regard to guarantees or letters of credit, which shall be governed by Section 2.12) for which a member of such Party's Group and a member of the Other Party's Group are jointly or severally liable and that do not constitute Liabilities of such other Party as provided in this Agreement, or to obtain in writing the unconditional release of all parties to such arrangements (other than any member of the Group who assumed or retained such Liability as set forth in this Agreement), so that, in any such case, the members of the applicable Group shall be solely responsible for such Contracts or Liabilities; provided, however, that no Party shall be obligated to pay any consideration therefor to any Third Party from whom any such Consent, release, substitution or amendment is requested (unless such Party is fully reimbursed by the requesting Other Party).

(b) If the Parties are unable to obtain, or to cause to be obtained, any such required Consent, release, substitution or amendment described in Section 2.11(a), the Other Party or a member of such Other Party's Group shall continue to be bound by such Contract, license or other obligation that does not constitute a Liability of such Other Party and, to the extent permitted by Law and the terms thereof, as agent or subcontractor for such Other Party, the Party or member of such Party's Group who assumed or retained such Liability as set forth in this Agreement (the "Liable Party") shall, or shall cause a member of its Group to, pay, perform and discharge fully all the obligations or other Liabilities of such Other Party or member of such Other Party's Group thereunder from and after the Effective Time; provided, however, that the Other Party shall not be obligated to extend, renew or otherwise cause such Contract, license or other obligation to remain in effect beyond the term in effect as of the Effective Time. The Liable Party shall indemnify each Other Party and the members of such Other Party's Group and hold each of them harmless against any and all Liabilities (other than Liabilities of such Other Party) arising in connection therewith; provided that the Liable Party shall have no obligation to indemnify the Other Party or any member of such Other Party's Group with respect to any matter to the extent that such Liabilities arise from such Other Party's willful misconduct or fraud in connection therewith, in which case such Other Party shall be responsible for such Liabilities. The Other Party shall, without further consideration, promptly pay and remit, or cause to be promptly paid or remitted, to the Liable Party or, at the direction of the Liable Party, to another member of the Liable Party's Group, all money, rights and other consideration received by it or any member of its Group in respect of such performance by the Liable Party (unless any such consideration is an Asset of such Other Party pursuant to this Agreement). If and when any such Consent, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or able to be novated, the Other Party shall, to the fullest extent permitted by applicable Law, promptly Transfer or cause the Transfer of all rights, obligations and other Liabilities thereunder of such Other Party or any member of such Other Party's Group to the Liable Party or to another member of the Liable Party's Group without payment of any further consideration and the Liable Party, or another member of such Liable Party's Group, without the payment of any further consideration, shall assume such rights and Liabilities to the fullest extent permitted by applicable Law.

Section 2.12 Guarantees and Letters of Credit.

(a) Except as otherwise specified in any Ancillary Agreement, at or prior to the Effective Time, Dover shall (with the commercially reasonable cooperation of Apergy and the other members of the Apergy Group) use its commercially reasonable efforts, if so requested by Apergy, to have any member of the Apergy Group removed as guarantor of, or obligor for, any Dover Liability, including with respect to those guarantees and obligations listed or described on Schedule 2.12(a), to the extent that they relate to Dover Liabilities.

(b) Except as otherwise specified in any Ancillary Agreement, at or prior to the Effective Time, Apergy shall (with the commercially reasonable cooperation of Dover and the other members of the Dover Group) use its commercially reasonable efforts, if so requested by Dover, to have any member of the Dover Group removed as guarantor of, or obligor for, any Apergy Liability, including with respect to those guarantees listed or described on Schedule 2.12(b), to the extent that they relate to the Apergy Liabilities (each of the releases referred to in subsections (a) and (b) of this Section 2.12, a “Guaranty Release”).

(c) In furtherance of the foregoing clauses (a) and (b), at or prior to the Effective Time:

(i) to the extent required to obtain a release from a guaranty of any member of the Dover Group, Apergy shall execute a guaranty agreement substantially in the form of the existing guaranty or such other form as is agreed to by the relevant parties to such guaranty agreement, except to the extent that such existing guaranty contains representations, covenants or other terms or provisions either (A) with which Apergy would be reasonably unable to comply or (B) which would be reasonably expected to be breached; and

(ii) to the extent required to obtain a release from a guaranty of any member of the Apergy Group, Dover shall execute a guaranty agreement substantially in the form of the existing guaranty or such other form as is agreed to by the relevant parties to such guaranty agreement, except to the extent that such existing guaranty contains representations, covenants or other terms or provisions either (A) with which Dover would be reasonably unable to comply or (B) which would be reasonably expected to be breached.

(d) If Dover or Apergy is unable to obtain, or to cause to be obtained, any removal of any guarantee or other obligation as set forth in clauses (a) and (b) of this Section 2.12, (i) the relevant beneficiary shall indemnify and hold harmless the guarantor or obligor for any Indemnifiable Loss arising from or relating thereto (in accordance with the provisions of Article VI) and shall or shall cause one of its Subsidiaries to, as agent or subcontractor for such guarantor or obligor, pay, perform and discharge fully all the obligations or other Liabilities of such guarantor or obligor thereunder, (ii) the relevant beneficiary shall pay to the guarantor or obligor a fee payable at the end of each calendar quarter based on a rate of 0.65% per annum on the average outstanding amount of the obligation underlying such guarantee or obligation during such quarter and (iii) each of Dover and Apergy shall not and shall cause the members of the respective Groups not to, renew or extend the term of, increase its obligations under, or transfer

to a Third Party, any loan, guarantee, lease, contract or other obligation for which the other Party or member of such other Party's Group is or may be liable unless all obligations of such other Party and the other members of such Party's Group with respect thereto are thereupon terminated by documentation reasonably satisfactory in form and substance to such other Party; provided, however, that with respect to leases, in the event a Guaranty Release is not obtained and such first Party wishes to extend the term of such guaranteed lease then such first Party shall have the option of extending the term if it provides such security as is reasonably satisfactory to the guarantor under such guaranteed lease.

(e) Dover and Apergy shall cooperate and Apergy shall use commercially reasonable efforts to replace all letters of credit, performance bonds, surety bonds, bankers acceptances or similar arrangements issued by Dover or other members of the Dover Group on behalf of or in favor of any member of the Apergy Group or the Apergy Business (the "Dover LCs") as promptly as practicable with letters of credit, performance bonds, surety bonds, bankers acceptances or similar arrangements from Apergy or a member of the Apergy Group as of the Effective Time. With respect to any Dover LCs that remain outstanding after the Effective Time (i) Apergy shall, and shall cause the members of the Apergy Group to, jointly and severally indemnify and hold harmless the Dover Indemnitees for any Indemnifiable Loss arising from or relating to such Dover LCs, including any fees in connection with the issuance and maintenance thereof and any funds drawn by (or for the benefit of), or disbursements made to, the beneficiaries of such Dover LCs in accordance with the terms thereof, (ii) Apergy shall pay to Dover a fee payable at the end of each calendar quarter based on a rate of 0.65% per annum on the average outstanding balance during such quarter of any outstanding Dover LCs and (iii) without the prior written consent of Dover, Apergy shall not, and shall not permit any member of the Apergy Group to, enter into, renew or extend the term of, increase its obligations under, or transfer to a Third Party, any loan, lease, Contract or other obligation in connection with which Dover or any member of the Dover Group has issued any Dover LCs which remain outstanding. Neither Dover nor any member of the Dover Group will have any obligation to renew any letters of credit, performance bonds, surety bonds, bankers acceptances or similar arrangements issued on behalf of or in favor of any member of the Apergy Group or the Apergy Business after the expiration of any such letter of credit, performance bond, surety bond, bankers acceptance or similar arrangement.

Section 2.13 Disclaimer of Representations and Warranties.

(a) EACH OF DOVER (ON BEHALF OF ITSELF AND EACH OTHER MEMBER OF THE DOVER GROUP), AND APERGY (ON BEHALF OF ITSELF AND EACH OTHER MEMBER OF THE APERGY GROUP) UNDERSTANDS AND AGREES THAT, EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN, IN ANY ANCILLARY AGREEMENT OR IN ANY CONTINUING ARRANGEMENT, NO PARTY TO THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED HEREBY OR THEREBY IS REPRESENTING OR WARRANTING IN ANY WAY, AND HEREBY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, AS TO THE ASSETS, BUSINESSES OR LIABILITIES CONTRIBUTED, TRANSFERRED, DISTRIBUTED OR ASSUMED AS CONTEMPLATED HEREBY OR THEREBY, AS TO ANY CONSENTS OR GOVERNMENTAL APPROVALS REQUIRED IN CONNECTION HERewith OR THEREWITH, AS TO THE VALUE OR

FREEDOM FROM ANY SECURITY INTERESTS OF, AS TO NO INFRINGEMENT, VALIDITY OR ENFORCEABILITY OR ANY OTHER MATTER CONCERNING, ANY ASSETS OR BUSINESS OF SUCH PARTY, OR AS TO THE ABSENCE OF ANY DEFENSES OR RIGHT OF SETOFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY ACTION OR OTHER ASSET, INCLUDING ACCOUNTS RECEIVABLE, OF ANY PARTY, OR AS TO THE LEGAL SUFFICIENCY OF ANY CONTRIBUTION, DISTRIBUTION, ASSIGNMENT, DOCUMENT, CERTIFICATE OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF. EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, ALL ASSETS ARE BEING TRANSFERRED ON AN "AS IS," "WHERE IS" BASIS (AND, IN THE CASE OF ANY REAL PROPERTY, BY MEANS OF A QUITCLAIM OR SIMILAR FORM OF DEED OR CONVEYANCE WITHOUT WARRANTY) AND THE RESPECTIVE TRANSFEREES SHALL BEAR ALL ECONOMIC AND LEGAL RISKS THAT (I) ANY CONVEYANCE SHALL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE GOOD TITLE, FREE AND CLEAR OF ANY SECURITY INTEREST, AND (II) ANY NECESSARY CONSENTS OR GOVERNMENTAL APPROVALS ARE NOT OBTAINED OR THAT ANY REQUIREMENTS OF LAWS, CONTRACTS, OR JUDGMENTS ARE NOT COMPLIED WITH. ALL WARRANTIES OF HABITABILITY, MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, AND ALL OTHER WARRANTIES ARISING UNDER THE UNIFORM COMMERCIAL CODE (OR SIMILAR FOREIGN LAWS), ARE HEREBY DISCLAIMED.

(b) Each of Dover (on behalf of itself and each member of the Dover Group) and Apergy (on behalf of itself and each member of the Apergy Group) further understands and agrees that if the disclaimer of express or implied representations and warranties contained in Section 2.13(a) is held unenforceable or is unavailable for any reason under the Laws of any jurisdiction outside the United States or if, under the Laws of a jurisdiction outside the United States, both Dover or any member of the Dover Group, on the one hand, and Apergy or any member of the Apergy Group, on the other hand, are jointly or severally liable for any Dover Liability or any Apergy Liability, respectively, then, the Parties intend that, notwithstanding any provision to the contrary under the Laws of such foreign jurisdictions, the provisions of this Agreement and the Ancillary Agreements (including the disclaimer of all representations and warranties, allocation of Liabilities among the Parties and their respective Subsidiaries, releases, indemnification and contribution of Liabilities) shall prevail for any and all purposes among the Parties and their respective Subsidiaries.

(c) Dover hereby waives compliance by itself and each and every member of the Dover Group with the requirements and provisions of any "bulk-sale" or "bulk transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the Dover Assets to Dover or any member of the Dover Group.

(d) Apergy hereby waives compliance by itself and each and every member of the Apergy Group with the requirements and provisions of any "bulk-sale" or "bulk transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the Apergy Assets to Apergy or any member of the Apergy Group.

Section 2.14 Apergy Financing Arrangements. Prior to the Distribution Date, Apergy or another member of the Apergy Group shall enter into the Apergy Financing Arrangements, on such terms and conditions as agreed by Dover (including the amount that shall be borrowed pursuant to the Apergy Financing Arrangements and the interest rates for such borrowings). Dover and Apergy shall participate in the preparation of all materials and presentations as may be reasonably necessary to secure funding pursuant to the Apergy Financing Arrangements, including rating agency presentations necessary to obtain the requisite ratings needed to secure the financing under any of the Apergy Financing Arrangements. The Parties agree that Apergy, and not Dover, shall be ultimately responsible for all costs and expenses incurred by, and for reimbursement of such costs and expenses to, any member of the Dover Group or Apergy Group associated with the Apergy Financing Arrangements. It is the intent of the Parties that the Financing Cash Distribution is made in connection with the Separation, including the transfer of the Apergy Assets to Apergy in the Reorganization whenever made.

### ARTICLE III

#### **CERTAIN ACTIONS PRIOR TO THE DISTRIBUTION**

Section 3.1 Reorganization. The Parties agree to take, or to cause the members of their respective Groups to take, prior to the Distribution, all actions necessary, subject to the terms of this Agreement, to effectuate the Reorganization (such documentation necessary to effect the Reorganization, the “Reorganization Documents”) as set forth on Schedule 3.1 (the steps of the Reorganization being referred to herein as the “Reorganization Step Plan”), and as updated by Dover from time to time.

Section 3.2 Certificate of Incorporation; Bylaws. At or prior to the Effective Time, the Parties shall take, or cause the members of their respective Group to take, all necessary actions to adopt the form of amended and restated certificate of incorporation and amended and restated by-laws filed by Apergy with the Commission as exhibits to the Form 10, to be effective as of the Effective Time.

Section 3.3 Directors and Officers. At or prior to the Effective Time, (i) Dover shall take all necessary action to cause the Board of Directors of Apergy to consist of the individuals who are identified in the Form 10 (including the Information Statement) at the Effective Time as being directors of Apergy and (ii) Dover shall take all necessary action to cause the officers of Apergy to include the individuals who are identified in the Form 10 (including the Information Statement) at the Effective Time as being officers of Apergy.

Section 3.4 Resignations.

(a) Subject to Section 3.4(b), at or prior to the Effective Time, (i) Dover shall cause all its employees and any employees of its Affiliates who will not become Apergy Employees immediately following the Effective Time to resign or be removed, effective as of the Effective Time, from all positions as officers or directors of any member of the Apergy Group in which they serve and (ii) Apergy shall cause all Apergy Employees to resign or be removed, effective as of the Effective Time, from all positions as officers or directors of any member of the Dover Group in which they serve.

(b) For the avoidance of doubt, no Person shall be required by any Party to resign from any position or office with another Party if such Person is disclosed in the Form 10 (including the Information Statement) as the Person who is to hold such position or office following the Distribution.

Section 3.5 Ancillary Agreements. At or prior to the Effective Time, Dover and Apergy shall enter into, and/or (where applicable) shall cause a member or members of their respective Groups to enter into, the Ancillary Agreements.

#### ARTICLE IV THE DISTRIBUTION

Section 4.1 Stock Dividend to Dover; Distribution. On or prior to the Distribution Date, in connection with the Separation, including the Transfer of the Apergy Assets to Apergy in the Reorganization whenever made, Apergy shall issue to Dover as a stock dividend such number of shares of Apergy Common Stock (or Dover and Apergy shall take or cause to be taken such other appropriate actions to ensure that Dover has the requisite number of shares of Apergy Common Stock) as may be requested by Dover after consultation with Apergy in order to effect the Distribution, which shares as of the date of issuance shall represent (together with such shares previously held by Dover) all of the issued and outstanding shares of Apergy Common Stock. Subject to the conditions and other terms in this Article IV, Dover will cause the Agent on the Distribution Date to make the Distribution, including by crediting the appropriate number of shares of Apergy Common Stock to book entry accounts for each holder of Dover Common Stock or designated transferee or transferees of such holder of Dover Common Stock. For stockholders of Dover who own Dover Common Stock through a broker or other nominee, their shares of Apergy Common Stock will be credited to their respective accounts by such broker or nominee. No action by any holder of Dover Common Stock (or such holder's designated transferee or transferees) on the Record Date shall be necessary for such stockholder (or such stockholder's designated transferee or transferees) to receive the applicable number of shares of Apergy Common Stock (and, if applicable, cash in lieu of any fractional shares) such stockholder is entitled to in the Distribution.

Section 4.2 Fractional Shares. Dover stockholders who, after aggregating the number of shares of Apergy Common Stock (or fractions thereof) to which such stockholder would be entitled on the Record Date, would be entitled to receive a fraction of a share of Apergy Common Stock in the Distribution, will receive cash in lieu of fractional shares. Fractional shares of Apergy Common Stock will not be distributed in the Distribution nor credited to book-entry accounts. The Agent shall, as soon as practicable after the Distribution Date (a) determine the number of whole shares and fractional shares of Apergy Common Stock allocable to each other holder of record or beneficial owner of Dover Common Stock as of close of business on the Record Date, (b) aggregate all such fractional shares into whole shares and sell the whole shares obtained thereby in open market transactions at then prevailing trading prices on behalf of holders who would otherwise be entitled to fractional share interests and (c) distribute to each such holder, or for the benefit of each such beneficial owner, such holder's or owner's ratable share of the net proceeds of such sale, based upon the average gross selling price per share of Apergy Common Stock, after making appropriate deductions for any amount required to be



withheld for United States federal income tax purposes. Apergy shall bear the cost of brokerage fees and transfer taxes incurred in connection with these sales of fractional shares, which such sales shall occur as soon after the Distribution Date as practicable and as determined by the Agent. None of Dover, Apergy or the applicable Agent will guarantee any minimum sale price for the fractional shares of Apergy Common Stock. Neither Dover nor Apergy will pay any interest on the proceeds from the sale of fractional shares. The Agent will have the sole discretion to select the broker-dealers through which to sell the aggregated fractional shares and to determine when, how and at what price to sell such shares. Neither the Agent nor the selected broker-dealers will be Affiliates of Dover or Apergy.

Section 4.3 Actions in Connection with the Distribution.

(a) Apergy shall file or cause to be filed such amendments and supplements to the Form 10 as Dover may reasonably request, and such amendments as may be necessary in order to cause the same to become and remain effective as required by Law, including filing such amendments and supplements to the Form 10 and Information Statement as may be required by the Commission or federal, state or foreign securities Laws. Dover shall, or at Dover's election Apergy shall, mail (or deliver by electronic means where not prohibited by Law) to the holders of Dover Common Stock, at such time on or prior to the Distribution Date as Dover shall reasonably determine, the Information Statement included in the Form 10, as well as any other information concerning Apergy, Apergy's business, operations and management, the Separation and such other matters as Dover shall reasonably determine are necessary and as may be required by Law (or, in lieu of such mailing, shall mail to such holders a Notice of Internet Availability of Information Statement Materials). Promptly after receiving a request from Dover, Apergy shall prepare and, in accordance with applicable Law, file with the Commission any such documentation that Dover determines is necessary or desirable to effectuate the Distribution, and Dover and Apergy shall each use commercially reasonable efforts to obtain all necessary approvals from the Commission with respect thereto as soon as practicable.

(b) Apergy shall also prepare, file with the Commission and cause to become effective any registration statements or amendments thereof as may be required to effect the establishment of, or amendments to, any employee benefit and other plans or as otherwise necessary or appropriate in connection with the transactions contemplated by this Agreement, or any of the Ancillary Agreements, including any transactions related to financings or other credit facilities.

(c) Promptly after receiving a request from Dover, Apergy shall prepare and file, and shall use commercially reasonable efforts to have approved and made effective, an application for the original listing on the NYSE of the Apergy Common Stock to be distributed in the Distribution, subject to official notice of distribution.

(d) Nothing in this Section 4.3 shall be deemed, by itself, to shift Liability to or otherwise create a Liability for Dover for any portion of the Form 10.

Section 4.4 Sole Discretion of Dover. Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreement, Dover shall, in its sole and absolute discretion, determine the Distribution Date, the Effective Time and all terms of the Distribution, including

the form, structure and terms of any transactions to effect the Distribution and the timing of and conditions to the consummation thereof. In addition, Dover may, in its sole discretion, in accordance with Section 10.10, at any time prior to the Distribution Date and from time to time until the completion of the Distribution decide to abandon the Distribution or modify or change the terms of the Distribution, including by accelerating or delaying the timing of the consummation of all or part of the Distribution. None of Apergy, any other member of the Apergy Group, any Apergy Employee or any Third Party shall have any right or claim to require the consummation of the Separation or the Distribution, each of which shall be effected at the sole discretion of the Board of Directors of Dover.

Section 4.5 Conditions to Distribution . Subject to Section 4.4, the following are conditions to the consummation of the Distribution (which, to the extent permitted by applicable Law, may be waived, in whole or in part, by Dover in its sole discretion). The conditions are for the sole benefit of Dover and shall not give rise to or create any duty on the part of Dover or the Board of Directors of Dover to waive or not waive any such condition. Any determination made by Dover prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in this Section 4.5 shall be conclusive and binding on the Parties hereto.

(a) The Form 10 shall have been declared effective by the Commission, with no stop order in effect with respect thereto or proceedings seeking any such stop order pending before or threatened by the Commission, and the Information Statement (or the Notice of Internet Availability of Information Statement Materials) shall have been mailed to Dover's stockholders as of the Record Date;

(b) The Apergy Common Stock to be delivered to the Dover stockholders in the Distribution shall have been approved for listing on the NYSE, subject to official notice of distribution;

(c) Dover shall have obtained either:

(i) (A) a private letter ruling from the Internal Revenue Service in form and substance satisfactory to Dover (in its sole discretion) substantially to the effect, among other things, that the Distribution, together with the Contribution, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code, and that the Distribution will qualify as a tax-free distribution to Dover's shareholders under Section 355 of the Code, and such private letter ruling shall not have been revoked prior to the Distribution Date or modified in any material respect and (B) an opinion from McDermott Will & Emery LLP or other outside tax counsel of national standing, in form and substance satisfactory to Dover (in its sole discretion), substantially to the effect that the Distribution, together with the Contribution, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code, and the Distribution will qualify as a tax-free distribution to Dover's shareholders under Section 355 of the Code; or

(ii) an opinion from McDermott Will & Emery LLP or other outside tax counsel of national standing, in form and substance satisfactory to Dover (in its sole discretion), substantially to the effect, among other things, that the Distribution, together with the Contribution, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code, and the Distribution will qualify as a tax-free distribution to Dover's shareholders under Section 355 of the Code.

(d) All permits, registrations and consents required under the securities or blue sky Laws of states or other political subdivisions of the United States or of other foreign jurisdictions in connection with the Distribution shall have been obtained and be in full force and effect;

(e) No order, injunction or decree issued by any Governmental Entity of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Distribution or any of the transactions related thereto, including the Transfer of Assets and assumption of Liabilities pursuant to Article II hereof, shall be in effect, pending, threatened or issued and no other event outside the control of Dover shall have occurred or failed to occur that prevents the consummation of the Distribution or any of the related transactions;

(f) The Reorganization and the Separation shall have been effectuated, including execution of all related Reorganization Documents, in accordance with the Reorganization Step Plan, in each case, as provided for in Section 3.1, except for such steps (if any) as Dover in its sole discretion shall have determined need not be completed or may be completed after the Effective Time;

(g) The Board of Directors of Dover shall have declared the Distribution and approved all related transactions (and such declaration or approval shall not have been withdrawn);

(h) Each of the Ancillary Agreements shall have been duly executed and delivered by the parties thereto;

(i) All Governmental Approvals necessary to consummate the Distribution shall have been obtained and be in full force and effect;

(j) The Board of Directors of Dover shall have received an opinion from an independent appraisal firm confirming the solvency of each of Dover and Apergy after the Distribution and, as to the compliance by Dover in declaring the Distribution, with surplus requirements under Delaware Law, that is in form and substance acceptable to Dover in its sole discretion;

(k) The Apergy Financing Arrangements shall have been executed and delivered and the proceeds thereof shall have been received by Apergy and Dover shall have received the Financing Cash Distribution and Dover shall be satisfied in its sole discretion that, as of the Effective Time, no member of the Dover Group shall have any Liability under the Apergy Financing Arrangements; and

(l) No events or developments shall have occurred or exist that, in the judgment of the Board of Directors of Dover, in its sole and absolute discretion, make it inadvisable to effect the Distribution or the other transactions contemplated hereby, or would result in the Distribution or the other transactions contemplated hereby not being in the best interest of Dover or its stockholders.

**ARTICLE V**  
**CERTAIN COVENANTS**

Section 5.1 No Solicit . None of Dover or Apergy or any member of their respective Groups will from the Effective Time through and including the two year anniversary of the Effective Time, without the prior written consent of the other applicable Party, either directly or indirectly, on their own behalf or in the service or on behalf of others, solicit, aid, induce or encourage any employee of the other Party to terminate or breach an employment, contractual or other relationship with the other Party (or its Affiliates), hire or otherwise employ any employee of the other Party; provided, however, that nothing in this Section 5.1 shall be deemed to prohibit any general solicitation for employment through advertisements and search firms not specifically directed at employees of such other applicable Party; provided further, that the applicable Party has not encouraged or advised such firm to approach any such employee.

Section 5.2 Legal Names and Other Parties' Trademark.

(a) Except as otherwise specifically provided in any Ancillary Agreement, as soon as reasonably practicable after the Distribution Date, but in any event within six months thereafter, each Party shall cease (and shall cause all of the other members of its Group to cease): (i) making any use of any names or Trademarks that include (A) any of the Trademarks of the other Party or such other Party's Affiliates (including, in the case of Apergy, "Dover", "Dover Corporation" or the Dover logo or any other name or Trademark containing the words "Dover" or the logos or names set forth on Schedule 5.2(a)(i), and in the case of Dover, "Apergy", "Apergy Corporation" or the Apergy logo or any other name or Trademark containing the words "Apergy" or the logos or names set forth on Schedule 5.2(a)(ii)) and (B) any names or Trademarks confusingly similar thereto or dilutive thereof (with respect to each Party, such Trademarks of the other Party or any of such other Party's Affiliates, the "Other Party Marks") and (ii) holding themselves out as having any affiliation with the other Party or such other Party's Affiliates; provided, however, that the foregoing shall not prohibit any Party or any member of a Party's Group from (1) in the case of any member of the Apergy Group, making factual and accurate reference in a non-prominent manner that it was formerly affiliated with Dover or in the case of any member of the Dover Group, making factual and accurate reference in a non-prominent manner that it was formerly affiliated with Apergy, (2) making use of any Other Party Mark in a manner that would constitute "fair use" under applicable Law if any unaffiliated Third Party made such use or would otherwise be legally permissible for any unaffiliated Third Party without the consent of the Party owning such Other Party Mark, (3) in the case of any member of the Apergy Group, using, solely in connection with the operation of the Apergy Business and in the ordinary course in accordance with the prior practices of the Apergy Business, any existing inventory and packaging included in the Apergy Assets containing the Trademarks of Dover or Dover's Affiliates for a period of 18 months following the Distribution Date and (4) making references in internal historical and tax records. In furtherance of the foregoing, as soon as practicable, but in no event later than six months following the Distribution Date (or 18 months following the Distribution Date pursuant to clause (3) of the previous sentence, as applicable), each Party shall (and cause all of the other members of its Group to) remove, strike over or otherwise obliterate all Other Party Marks from all of such Party's and its Affiliates' Assets and other materials owned by or in the possession of such Party or any member or such Party's Group, including any vehicles, business cards, schedules, stationery, packaging materials, displays, signs, promotional materials, manuals, forms, websites, email, computer software and other

materials and systems; provided, however, that Apergy shall promptly after the Distribution Date post a disclaimer in a form and manner reasonably acceptable to Dover on the “www.[apergy].com” website informing its customers that as of the Effective Time and thereafter Apergy, and not Dover, is responsible for the operation of the Apergy Business, including such website and any applicable services. Any use by any Party or any of such Party’s Affiliates of any of the Other Party Marks as permitted in this Section 5.2 is subject to their compliance in all material respects with all quality control standards and related requirements and guidelines in effect for the Other Party Marks as of the Effective Time. No Party or any member of its Group shall use the Other Party Marks in a manner that may reflect negatively on such name and marks or on the other Party or any member of such Party’s Group. Each Party shall indemnify, defend and hold harmless the other Party and the members of the other Party’s Group from and against any and all Indemnifiable Losses arising from or relating to the use by any member of such first Party’s Group of the Other Party Marks pursuant to this Section 5.2(a).

(b) Notwithstanding the foregoing requirements of Section 5.2(a), if any Party or any member of such Party’s Group has used commercially reasonable efforts to comply with Section 5.2(a) but is unable, due to regulatory or other circumstance beyond its control, to effect a legal name change in compliance with applicable Law such that an Other Party Mark remains in such Party’s or its Group member’s legal name, then such Party or its relevant Group member will not be deemed to be in breach hereof as long as it continues to use commercially reasonable efforts to effectuate such name change and does effectuate such name change within 12 months after the Distribution Date, and, in such circumstances, such Party or Group member may continue to include in its Assets and other materials references to the Other Party Mark that is in such Party’s or Group member’s legal name which includes references to “Apergy” or “Dover” as applicable, but only to the extent necessary to identify such Party or Group member and only until such Party’s or Group member’s legal name can be changed to remove and eliminate such references.

(c) Notwithstanding the foregoing requirements of Section 5.2(a), Apergy shall not be required to change any name including the words “Dover” in any Third Party Contract, or in property records with respect to real or personal property, if an effort to change the name is commercially unreasonable; provided, however, that (i) Apergy on a prospective basis from and after the Distribution Date shall change the name in any new or amended Third Party Contract or property record and (ii) Apergy shall not advertise or make public any continued use of the “Dover” name permitted by this Section 5.2(c).

Section 5.3 Auditors and Audits; Annual and Quarterly Financial Statements and Accounting.

(a) Each Party agrees that during the period ending on [March 31], 2020 with respect to paragraph (1) below and [March 31], 2019 with respect to paragraph (2) (and with the consent of the other applicable Party, which consent shall not be unreasonably withheld or delayed, during any period of time after [March 31], 2019 reasonably requested by such requesting Party so long as there is a reasonable business purpose for such request) and in any event solely with respect to the preparation and audit of each of the Party’s financial statements for any of the years ended December 31, 2018, 2017 and 2016, the printing, filing and public dissemination of such financial statements, the audit of each Party’s internal control over

financial reporting related to such financial statements and such Party's management's assessment thereof, and each Party's management's assessment of such Party's disclosure controls and procedures related to such financial statements:

(1) Annual Financial Statements. Each Party shall provide to the other Party on a timely basis all information reasonably required to meet its schedule for the preparation, printing, filing, and public dissemination of its annual financial statements and for management's assessment of the effectiveness of its disclosure controls and procedures and its internal control over financial reporting in accordance with Items 307 and 308, respectively, of Regulation S-K and, to the extent applicable to such Party, (a) its auditor's audit report of its internal control over financial reporting and (b) management's assessment thereof in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the Commission's and Public Company Accounting Oversight Board's rules and auditing standards thereunder (such assessments and audit being referred to as the "Internal Control Audit and Management Assessments"). Without limiting the generality of the foregoing, each Party will provide all required financial and other Information with respect to itself and its Subsidiaries to its auditors in a sufficient and reasonable time and in sufficient detail to permit its auditors to take all steps and perform all reviews necessary to provide sufficient assistance to each other Party's auditors with respect to information to be included or contained in such other Party's annual financial statements and to permit such other Party's auditors and management to complete their respective auditor's report on Internal Control Audit and Management Assessments, to the extent applicable to such Party.

(2) Access to Personnel and Records. Each audited Party shall authorize, and use its commercially reasonable efforts to cause, its respective auditors to make available to the other Party's auditors (each such other Party's auditors, collectively, the "Other Parties' Auditors") both the personnel who performed or are performing the annual audits of such audited Party (each such Party with respect to its own audit, the "Audited Party") and work papers related to the annual audits of such Audited Party (subject to the execution of any reasonable and customary access letters that such Audited Party's auditors may require in connection with the review of such work papers by such Other Party's Auditors), in all cases within a reasonable time prior to such Audited Party's expected auditors' opinion date, so that the Other Parties' Auditors are able to perform the procedures they consider necessary to take responsibility for the work of the Audited Party's auditors as it relates to their auditors' report on such other Party's financial statements, all within sufficient time to enable such other Party to meet its timetable for the printing, filing and public dissemination of its annual financial statements. Each Party shall make available to the Other Parties' Auditors and management its personnel and Records in a reasonable time prior to the Other Parties' Auditors' opinion date and other Parties' management's assessment date so that the Other Parties' Auditors and other Parties' management are able to perform the procedures they consider necessary to conduct their respective Internal Control Audit and Management Assessments.

(b) Amended Financial Reports. In the event a Party restates any of its financial statements that includes such Party's audited or unaudited financial statements with respect to any balance sheet date or period of operation between January 1, 2013 and December 31, 2018, such Party will deliver to the other Party a substantially final draft, as soon as the same is prepared, of any report to be filed by such first Party with the Commission that includes such restated audited or unaudited financial statements (the "Amended Financial Reports"); provided.

however, that such first Party may continue to revise its Amended Financial Report prior to its filing thereof with the Commission, which changes will be delivered to the other Party as soon as reasonably practicable; provided further, however, that such first Party's financial personnel will actively consult with the other Party's financial personnel regarding any changes which such first Party may consider making to its Amended Financial Report and related disclosures prior to the anticipated filing of such report with the Commission, with particular focus on any changes which would have an effect upon the other Party's financial statements or related disclosures. Each Party will reasonably cooperate with, and permit and make any necessary employees available to, the other Party and the Other Parties' Auditors, in connection with the other Party's preparation of any Amended Financial Reports.

(c) Financials; Outside Auditors. If any Party or member of its respective Group is required, pursuant to Rule 3-09 of Regulation S-X or otherwise, to include in its Exchange Act filings audited financial statements or other information of the other Party or member of the other Party's Group, the other Party shall use its commercially reasonable efforts (i) to provide such audited financial statements or other information and (ii) to cause its outside auditors to consent to the inclusion of such audited financial statements or other information in the Party's Exchange Act filings.

(d) Third Party Agreements. Nothing in this Section 5.3 shall require any Party to violate any Contract or arrangement with any Third Party regarding the confidentiality of confidential and proprietary information relating to that Third Party or its business; provided, however, that in the event that a Party is required under this Section 5.3 to disclose any such information, such Party shall use commercially reasonable efforts to seek to obtain such Third Party's consent to the disclosure of such information. The Parties also acknowledge that the Other Parties' Auditors are subject to contractual, legal, professional and regulatory requirements which such auditors are responsible for complying with.

#### Section 5.4 No Restrictions on Corporate Opportunities.

(a) In the event that Dover or any other member of the Dover Group, or any director or officer of Dover or any other member of the Dover Group, acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both Dover or any other member of the Dover Group and Apergy or any other member of the Apergy Group, neither Dover nor any other member of the Dover Group, nor any director or officer of Dover or any other member of the Dover Group, shall have any duty to communicate or present such corporate opportunity to Apergy or any other member of the Apergy Group and shall not be liable to Apergy or any other member of the Apergy Group or to Apergy's stockholders for breach of any fiduciary duty as a stockholder of Apergy or an officer or director thereof by reason of the fact that Dover or any other member of the Dover Group pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another person or entity or does not present such corporate opportunity to Apergy or any other member of the Apergy Group.

(b) In the event that Apergy or any other member of the Apergy Group, or any director or officer of Apergy or any other member of the Apergy Group, acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both Dover or any other member of the Dover Group and Apergy or any other member of the Apergy Group, neither

Apergy nor any other member of the Apergy Group, nor any director or officer of Apergy or any other member of the Apergy Group, shall have any duty to communicate or present such corporate opportunity to Dover or any other member of the Dover Group and shall not be liable to Dover or any other member of the Dover Group or to Dover's stockholders for breach of any fiduciary duty as a stockholder of Dover or an officer or director thereof by reason of the fact that Apergy or any other member of the Apergy Group pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another person or entity or does not present such corporate opportunity to Dover or any other member of the Dover Group.

(c) For the avoidance of doubt, to the extent that any person who is a director or officer of Dover or any other member of the Dover Group is also a director or officer of Apergy or any other member of the Apergy Group, such person shall have no duty to communicate or present any corporate opportunity of which he or she acquires knowledge to Apergy or any other member of the Apergy Group and shall not be liable to Apergy or any other member of the Apergy Group or to Apergy's stockholders for breach of any fiduciary duty as an officer or director of Apergy by reason of the fact that Dover or any other member of the Dover Group pursues or acquires such corporate opportunity, directs such corporate opportunity to another Person or does not present such corporate opportunity to Apergy or any other member of the Apergy Group.

(d) For the purposes of this Section 5.4, "corporate opportunities" of Apergy or any other member of the Apergy Group shall include business opportunities that are, by their nature, in a line of business of Apergy or any other member of the Apergy Group, including the Apergy Business, are of practical advantage to them and are ones in which Apergy or any other member of the Apergy Group have an interest or a reasonable expectancy, and in which, by embracing the opportunities, the self-interest of Dover or any other member of the Dover Group or any of their officers or directors will be brought into conflict with that of Apergy or any other member of the Apergy Group, and "corporate opportunities" of Dover or any other member of the Dover Group shall include business opportunities that are, by their nature, in a line of business of Dover or any other member of the Dover Group, including the Dover Business, are of practical advantage to them and are ones in which Dover or any other member of the Dover Group have an interest or a reasonable expectancy, and in which, by embracing the opportunities, the self-interest of Apergy or any other member of the Apergy Group or any of their officers or directors will be brought into conflict with that of Dover or any other member of the Dover Group.

## ARTICLE VI

### RELEASES AND INDEMNIFICATION

#### Section 6.1 Release of Pre-Distribution Claims.

(a) Except (i) as provided in Section 6.1(b), (ii) as may be otherwise provided in any Ancillary Agreement and (iii) for any matter for which any Party is entitled to indemnification or contribution pursuant to this Article VI, each Party, for itself and each member of its respective Group, their respective Affiliates and all Persons who at any time prior to the Effective Time were directors, officers, agents or employees of any member of their



respective Group (in each case, in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, does hereby remise, release and forever discharge the other Party and the other members of such other Party's Group, their respective Affiliates and all Persons who at any time prior to the Effective Time were stockholders, directors, officers, agents or employees of any member of such other Party's Group (in each case, in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at Law or in equity (including any right of contribution), whether arising under any Contract, by operation of Law or otherwise, including for fraud, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed at or before the Effective Time, including in connection with all activities to implement the Distribution, the Separation and any of the other transactions contemplated hereunder and under any of the Ancillary Agreements; provided, however, that nothing in this Section 6.1(a) shall relieve any Person released in this Section 6.1(a) who, after the Effective Time, is a director, officer or employee of any member of the Apergy Group and is no longer a director, officer or employee of any member of the Dover Group from Liabilities arising out of, relating to or resulting from his or her service as a director, officer or employee of any member of the Apergy Group after the Effective Time.

(b) Nothing contained in Section 6.1(a) shall impair or otherwise affect any right of any Party, and as applicable, a member of the Party's Group to enforce this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings unrelated to the Separation and Distribution and explicitly contemplated in this Agreement or any Ancillary Agreement to continue in effect after the Effective Time. In addition, nothing contained in Section 6.1(a) shall release any Person from:

(i) any Liability assumed or Transferred by, or allocated to, a Party or a member of such Party's Group pursuant to or as contemplated by this Agreement or any Ancillary Agreement including (A) with respect to Dover, any Dover Liability and (B) with respect to Apergy, any Apergy Liability;

(ii) any Liability provided in or resulting from any other Contract or understanding that is entered into after the Effective Time between one Party (and/or a member of such Party's Group), on the one hand, and the other Party (and/or a member of such Party's Group), on the other hand;

(iii) any Liability that the Parties may have with respect to indemnification or contribution pursuant to this Agreement or any Ancillary Agreement, including in respect of Actions brought against the Parties (or members of their respective Groups) by any Third Party, which Liability shall be governed by the provisions of this Article VI and, if applicable, the appropriate provisions of the Ancillary Agreements;

(iv) any Liability with respect to any Continuing Arrangements or any Intercompany Accounts that survive the Effective Time pursuant to Section 2.4(b); and

(v) any Liability the release of which would result in a release of any Person other than the Persons released in Section 6.1(a); provided that the Parties agree not to bring any Action or permit any other member of their respective Group to bring any Action against a Person released in Section 6.1(a) with respect to such Liability.

In addition, nothing contained in Section 6.1(a) shall release any member of the Dover Group from honoring its existing obligations to indemnify any director, officer or employee of Apergy who was a director, officer or employee of Dover or any of its Affiliates at or prior to the Effective Time, to the extent such director, officer or employee is or becomes a named defendant in any Action with respect to which he or she was entitled to such indemnification pursuant to obligations existing prior to the Effective Time; it being understood that if the underlying obligation giving rise to such Action is an Apergy Liability, Apergy shall indemnify Dover for such Liability (including Dover's costs to indemnify the director, officer or employee) in accordance with the provisions set forth in this Article VI.

(c) Each Party shall not, and shall not permit any member of its Group to, make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or indemnification, against the other Party or any member of any other Party's Group, or any other Person released pursuant to Section 6.1(a), with respect to any and all Liabilities released pursuant to Section 6.1(a).

(d) It is the intent of each Party, by virtue of the provisions of this Section 6.1, to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Effective Time, whether known or unknown, between or among one Party and/or a member of such Party's Group, on the one hand, and the other Party and/or a member of such other Party's Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Effective Time), except as specifically set forth in Sections 6.1(a) and 6.1(b).

(e) If any Person associated with a Party (including any director, officer or employee of a Party) initiates an Action with respect to claims released by this Section 6.1, the Party with which such Person is associated shall be responsible for the fees and expenses of counsel of the other Party and such other Party shall be indemnified for all Liabilities incurred in connection with such Action in accordance with the provisions set forth in this Article VI.

(f) At any time, at the request of any Party, each Party shall cause each member of its respective Group and to the extent practicable each other Person on whose behalf it released Liabilities pursuant to this Section 6.1 to execute and deliver releases reflecting the provisions hereof.

Section 6.2 Indemnification by Dover. Except as otherwise specifically set forth in any provision of this Agreement or any Ancillary Agreement or as set forth in Schedule 6.2, following the Effective Time, Dover and each member of the Dover Group shall indemnify, defend and hold harmless the Apergy Indemnitees from and against any and all Indemnifiable Losses arising out of, by reason of or otherwise in connection with (i) the Dover Liabilities,

including the failure of any member of the Dover Group or any other Person to pay, perform or otherwise discharge any Dover Liability in accordance with its respective terms, whether prior to, on or after the Effective Time or (ii) any breach by any member of the Dover Group of any provision of this Agreement or any Ancillary Agreement, unless such Ancillary Agreement expressly provides for separate indemnification therein, in which case any such indemnification claims shall be made thereunder.

Section 6.3 Indemnification by Apergy. Except as otherwise specifically set forth in any provision of this Agreement or of any Ancillary Agreement, Apergy and each member of the Apergy Group shall indemnify, defend and hold harmless the Dover Indemnitees from and against any and all Indemnifiable Losses arising out of, by reason of or otherwise in connection with (i) the Apergy Liabilities, including the failure of any member of the Apergy Group or any other Person to pay, perform or otherwise discharge any Apergy Liability or Apergy Contract in accordance with its respective terms, whether prior to, on or after the Effective Time or (ii) any breach by Apergy or any member of the Apergy Group of any provision of this Agreement or any Ancillary Agreement, unless such Ancillary Agreement expressly provides for separate indemnification therein, in which case any such indemnification claims shall be made thereunder.

Section 6.4 Procedures for Indemnification.

(a) An Indemnitee shall give the Indemnifying Party written notice of any matter that an Indemnitee has determined has given or could reasonably be expected to give rise to a right of indemnification under this Agreement or any Ancillary Agreement (other than a Third Party Claim which shall be governed by Section 6.4(b)), within ten Business Days of such determination, stating the expected amount of the Indemnifiable Loss claimed, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed by such Indemnitee or arises; provided, however, that the failure to provide such written notice within the ten Business Day period described above shall not release the Indemnifying Party from any of its obligations except and solely to the extent the Indemnifying Party shall have been materially prejudiced as a result of such failure (except that the Indemnifying Party or Parties shall not be liable for any expenses incurred during the period in which the Indemnitee failed to give such notice). The Indemnifying Party will have a period of 30 days after receipt of a notice under this Section 6.4(a) within which to respond thereto. If the Indemnifying Party fails to respond within such period, the Liability specified in such notice from the Indemnitee shall be conclusively determined to be a Liability of the Indemnifying Party hereunder. If such Indemnifying Party responds within such period and rejects such claim in whole or in part, the disputed matter shall be resolved in accordance with Article VIII.

(b) If a claim or demand (including the commencement of an Action) is made against a Dover Indemnitee or an Apergy Indemnitee (each, an "Indemnitee") by any Third Party as to which such Indemnitee is or may be entitled to indemnification pursuant to this Agreement or any Ancillary Agreement (a "Third Party Claim"), such Indemnitee shall notify the Party which is or may be required pursuant to this Article VI or pursuant to any Ancillary Agreement to make such indemnification (the "Indemnifying Party") in writing, and in reasonable detail (which notice obligation may be satisfied by providing copies of all notices and documents

received by the Indemnitee relating to the Third Party Claim), of the Third Party Claim promptly (and in any event within ten Business Days) after receipt by such Indemnitee of written notice of the Third Party Claim; provided, however, that the failure to provide notice of any such Third Party Claim pursuant to this sentence shall not release the Indemnifying Party from any of its obligations except and solely to the extent the Indemnifying Party shall have been materially prejudiced as a result of such failure (except that the Indemnifying Party or Parties shall not be liable for any expenses incurred during the period in which the Indemnitee failed to give such notice). Thereafter, the Indemnitee shall deliver to the Indemnifying Party, promptly (and in any event within ten Business Days) after the Indemnitee's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third Party Claim.

(c) Other than in the case of a Liability being managed by a Party in accordance with any Ancillary Agreement and except as set forth in Section 6.4(k), an Indemnifying Party shall be entitled (but shall not be required) to assume and control the defense of, and seek to settle or compromise any Third Party Claim, at such Indemnifying Party's own cost and expense and by such Indemnifying Party's own counsel, that is reasonably acceptable to the applicable Indemnitees, if it gives notice of its intention to do so to the applicable Indemnitees within 30 days of the receipt of such notice from such Indemnitees. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, at its own expense and, in any event, shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party all witnesses, pertinent Information and materials in such Indemnitee's possession or under such Indemnitee's control relating thereto as are reasonably required by the Indemnifying Party. In the event of a conflict of interest between the Indemnifying Party and the applicable Indemnitee(s), or in the event that any Third Party Claim seeks equitable relief which would restrict or limit the future conduct of the Indemnitee's business or operations, such Indemnitee(s) shall be entitled to retain, at the Indemnifying Party's expense, separate counsel and to participate in (but not control) the defense, compromise, or settlement of that portion of the Third Party Claim that involves such conflict of interest or seeks equitable relief with respect to the Indemnitee(s).

(d) If an Indemnifying Party elects not to assume responsibility for defending a Third Party Claim, or fails to notify an Indemnitee of its election as provided in Section 6.4(c), such Indemnitee may defend such Third Party Claim at the cost and expense of the Indemnifying Party. If the Indemnitee is conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnitee in such defense and make available to the Indemnitee all witnesses, pertinent Information and materials in such Indemnifying Party's possession or under such Indemnifying Party's control relating thereto as are reasonably required by the Indemnitee.

(e) Unless the Indemnifying Party has failed to assume the defense of the Third Party Claim in accordance with the terms of this Agreement, no Indemnitee may settle, compromise or consent to the entry of any judgment with respect to any Third Party Claim without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. If an Indemnifying Party has failed to assume the defense of the Third Party Claim within the time period specified in clause (c) above, it shall not be a defense to any obligation to

pay any amount in respect of such Third Party Claim that the Indemnifying Party was not consulted in the defense thereof, that such Indemnifying Party's views or opinions as to the conduct of such defense were not accepted or adopted, that such Indemnifying Party does not approve of the quality or manner of the defense thereof or that such Third Party Claim was incurred by reason of a settlement rather than by a judgment or other determination of liability.

(f) In the case of a Third Party Claim, no Indemnifying Party shall consent to entry of any judgment with respect to, or enter into any settlement or compromise of, the Third Party Claim without the consent of the Indemnitee, which consent may not be unreasonably withheld, unless such settlement, compromise or judgment is solely for monetary damages, does not involve any finding or determination of wrongdoing or violation of Law by the Indemnitee and provides for a full, unconditional and irrevocable release of the Indemnitee from all Liability in connection with the Third Party Claim. Subject to the foregoing sentence, in the event the Indemnifying Party enters into a settlement or compromise in accordance with the foregoing sentence with respect to a Third Party Claim, the defense of which was assumed pursuant to Section 6.4(c), then any such settlement or compromise made or caused to be made of a Third Party Claim in accordance with this Article VI shall be binding on the Indemnitee, in the same manner as if a final judgment or decree had been entered by a court of competent jurisdiction in the amount of such settlement or compromise.

(g) Except as otherwise provided in Section 10.20 or any Ancillary Agreement, absent fraud or willful misconduct by an Indemnifying Party, the indemnification provisions of this Article VI shall be the sole and exclusive remedy of an Indemnitee for any monetary or compensatory damages or losses resulting from any breach of this Agreement (including with respect to monetary or compensatory damages or losses arising out of or relating to, as the case may be, any Apergy Liability or Dover Liability) or any Ancillary Agreement, and each Indemnitee expressly waives and relinquishes any and all rights, claims or remedies such Person may have with respect to the foregoing other than under this Article VI against any Indemnifying Party. The remedies provided in this Article VI shall be cumulative and shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party. For the avoidance of doubt, all disputes in respect of this Article VI shall be resolved in accordance with Article VIII.

(h) Notwithstanding the foregoing, to the extent any Ancillary Agreement provides procedures for indemnification that differ from the provisions set forth in this Section 6.4, the terms of the Ancillary Agreement will govern.

(i) Any Indemnitee that has made a claim for indemnification pursuant to this Section 6.4 shall use commercially reasonable efforts to mitigate any Indemnifiable Losses in respect thereof.

(j) The provisions of this Article VI shall apply to Third Party Claims that are already pending or asserted as well as Third Party Claim brought or asserted after the date of this Agreement. There shall be no requirement under this Section 6.4 to give a notice with respect to any Third Party Claim that exists as of the Effective Time. The Parties acknowledge that Liabilities for Actions (regardless of the parties to the Actions) may be partly Dover Liabilities and partly Apergy Liabilities. If the Parties cannot agree on the allocation of any such Liabilities

for Actions, they shall resolve the matter pursuant to the procedures set forth in Article VIII. Neither Party shall, nor shall either Party permit its Subsidiaries to, file Third Party Claims or cross-claims against the other Party or its Subsidiaries in an Action in which a Third Party Claim is being resolved.

(k) Notwithstanding anything to the contrary set forth in this Section 6.4, Dover may elect to have exclusive authority and control over the investigation, prosecution, defense and appeal of all Actions pending at the Effective Time which relate to or arise out of the Apergy Business, the Apergy Assets or the Apergy Liabilities if such Action also relates to the Dover Assets and Dover Liabilities and a member of the Dover Group is also named as a target or defendant thereunder (but excluding any such Actions which solely relate to or solely arise in connection with the Apergy Business, the Apergy Assets or the Apergy Liabilities); provided that (i) Dover will consult with Apergy on a regular basis with respect to strategy and developments with respect to any such Action, (ii) if Dover fails to take reasonable steps necessary to defend diligently such Action, Apergy may assume such defense, and Dover will be liable for its proportionate share of reasonable costs or expenses paid or incurred in connection with such defense, (iii) Apergy has the right to participate in (but, subject to clause (ii) above, not control) the defense of such Action, and (iv) Dover shall not settle, compromise or consent to the entry of judgment with respect to such Action without the consent of Apergy unless such settlement, compromise, or judgment (A) provides relief consisting solely of money damages borne by Dover, (B) does not involve any finding or determination of wrongdoing or violation of Law by Apergy and (C) provides for a full, unconditional and irrevocable release of Apergy from all Liability in connection with such Action. After any compromise, settlement, or consent to entry of judgment, Dover and Apergy will agree upon a reasonable allocation to Apergy and Apergy will be responsible for or receive, as the case may be, Apergy's proportionate share of any such compromise, settlement, consent or judgment attributable to the Apergy Business, the Apergy Assets or the Apergy Liabilities, including its proportionate share of the reasonable costs and expenses associated with defending same. If the Parties cannot agree on the allocation of any such Liabilities for Actions, they shall resolve the matter pursuant to the procedures set forth in Article VIII.

Section 6.5 Indemnification Payments. Indemnification required by this Article VI shall be made from time to time by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or an Indemnifiable Loss incurred.

Section 6.6 Additional Matters; Survival of Indemnities.

(a) The indemnity and contribution agreements contained in this Article VI shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Indemnitee and (ii) the knowledge by the Indemnitee of Indemnifiable Losses for which it might be entitled to indemnification or contribution hereunder. The indemnity agreements contained in this Article VI shall survive the Distribution.

(b) The rights and obligations of each Party and their respective Indemnitees under this Article VI shall survive (i) the sale or other Transfer by any Party or its Affiliates of any Assets or businesses or the assignment by it of any and all Liabilities and (ii) any merger, consolidation, business combination, sale of all or substantially all of the Assets, restructuring, recapitalization, reorganization or similar transaction involving either Party or any of its Subsidiaries.

(c) Indemnification under this Article VI shall be treated for Tax purposes consistent with the private letter ruling, and if not addressed therein, to the extent allowed under existing Tax Law, in one of the following ways: (i) if made by Dover to Apergy, such payment shall be treated as an additional part of the transfer by Dover to Apergy in the Separation and if made from Apergy to Dover, such payment shall be treated as a reduction in the amount of the transfer by Dover to Apergy in the Separation.

Section 6.7 Indemnification Obligations Net of Insurance Proceeds and Other Amounts; Contribution.

(a) Insurance Proceeds and Other Amounts. The Parties intend that any Indemnifiable Loss subject to indemnification or contribution pursuant to this Agreement or any Ancillary Agreement: (i) shall be reduced by any Insurance Proceeds or other amounts actually recovered (net of any out-of-pocket costs or expenses actually incurred in the collection thereof) from any Person by or on behalf of the Indemnitee in respect of any indemnifiable Liability; (ii) shall not be increased to take into account any Tax costs incurred by the Indemnitee arising from any Indemnity Payments received from the Indemnifying Party; and (iii) shall not be reduced to take into account any Tax benefit received by the Indemnitee arising from the incurrence or payment of any Indemnity Payment. Accordingly, the amount which an Indemnifying Party is required to pay to any Indemnitee shall be reduced by any Insurance Proceeds or any other amounts theretofore actually recovered (net of any out-of-pocket costs or expenses actually incurred in the collection thereof) by or on behalf of the Indemnitee in respect of the related Liability. If an Indemnitee receives a payment required by this Agreement from an Indemnifying Party in respect of any Liability (an "Indemnity Payment") and subsequently receives Insurance Proceeds or any other amounts in respect of the related Liability, then the Indemnitee shall pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds or such other amounts (net of any out-of-pocket costs or expenses actually incurred in the collection thereof) had been received, realized or recovered before the Indemnity Payment was made.

(b) Insurers and Other Third Parties Not Relieved. The Parties hereby agree that an insurer or other Third Party that would otherwise be obligated to pay any amount shall not be relieved of the responsibility with respect thereto or have any subrogation rights with respect thereto by virtue of any provision contained in this Agreement or any Ancillary Agreement, and that no insurer or any other Third Party shall be entitled to a "windfall" (*e.g.*, a benefit they would not otherwise be entitled to receive, or the reduction or elimination of an insurance coverage obligation that they would otherwise have, in the absence of the indemnification or release provisions) by virtue of any provision contained in this Agreement or any Ancillary Agreement. Each Party shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to collect or recover, or allow the Indemnifying Party to collect or recover, any Insurance Proceeds that may be collectible or recoverable respecting the Liabilities for which indemnification may be available under this Article VI. Notwithstanding the foregoing, an Indemnifying Party may not delay making any indemnification payment required under the terms of this Agreement, or otherwise satisfying any indemnification obligation, pending the outcome

of any Action to collect or recover Insurance Proceeds, and an Indemnitee need not attempt to collect any Insurance Proceeds prior to making a claim for indemnification or receiving any Indemnity Payment otherwise owed to it under this Agreement or any Ancillary Agreement.

(c) Contribution. If the indemnification provided for in this Article VI is unavailable for any reason to an Indemnitee (other than failure to provide notice in accordance with Section 6.4(a) or (b)) in respect of any Indemnifiable Loss, then the Indemnifying Party shall, in accordance with this Section 6.7(c), contribute to the Indemnifiable Losses incurred, paid or payable by such Indemnitee as a result of such Indemnifiable Loss in such proportion as is appropriate to reflect the relative fault of Apergy and each other member of the Apergy Group, on the one hand, and Dover and each other member of the Dover Group, on the other hand, in connection with the circumstances which resulted in such Indemnifiable Loss. With respect to any Indemnifiable Losses arising out of or related to information contained in the Distribution Disclosure Documents or other securities law filing, the relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact relates to information supplied by the Apergy Business or a member of the Apergy Group, on the one hand, or the Dover Business or a member of the Dover Group, on the other hand. The information on Schedule 1.1(50)(iv)(A) shall be deemed supplied by the Dover Business. All other information in the Distribution Disclosure Documents shall be deemed supplied by the Apergy Business or the members of the Apergy Group. With respect to Pre-Separation Disclosure, any disclosure relating to the Dover Business shall be deemed supplied by the Dover Business or the members of the Dover Group and any disclosure relating to the Apergy Business shall be deemed supplied by the Apergy Business or the members of the Apergy Group.

Section 6.8 Cooperation in Defense and Settlement. With respect to any Third Party Claim that implicates two or more Parties (or any member of such Parties' respective Groups) in any material respect due to the allocation of Liabilities, responsibilities for management of defense and related indemnities pursuant to this Agreement or any of the Ancillary Agreements, the applicable Parties agree to use commercially reasonable efforts to cooperate fully and maintain a joint defense (in a manner that will preserve for all Parties any privilege with respect thereto). The Party that is not responsible for managing the defense of any such Third Party Claim shall, upon reasonable request, be consulted with respect to significant matters relating thereto and may, if necessary or helpful, retain counsel (at its sole expense) to assist in the defense of such claims.

Section 6.9 Limitation of Liability. IN NO EVENT SHALL ANY PARTY OR ANY OTHER MEMBER OF ANY GROUP BE LIABLE TO ANY OTHER PARTY OR ANY MEMBER OF ANOTHER GROUP FOR EXEMPLARY, PUNITIVE, MULTIPLE, CONSEQUENTIAL, SPECIAL, INDIRECT OR SIMILAR DAMAGES, INCLUDING LOSS OF FUTURE PROFITS, REVENUE OR INCOME, DIMINUTION IN VALUE OR LOSS OF BUSINESS REPUTATION OR OPPORTUNITY, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT, REGARDLESS OF WHETHER SUCH DAMAGES WERE FORESEEABLE OR SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES EXCEPT TO THE EXTENT AWARDED BY A COURT OF COMPETENT JURISDICTION IN CONNECTION WITH A THIRD-PARTY CLAIM.



Section 6.10 Covenant not to Sue. Each Party hereby covenants and agrees that neither it nor the members of such Party's Group nor any Person claiming through it shall bring suit or otherwise assert any claim against any Indemnitee, or assert a defense against any claim asserted by any Indemnitee, before any court, arbitrator, mediator or administrative agency anywhere in the world, alleging that: (a) the assumption of any Apergy Liabilities by Apergy or a member of the Apergy Group on the terms and conditions set forth in this Agreement and the Ancillary Agreements is void or unenforceable for any reason; (b) the retention of any Dover Liabilities by Dover or any member of the Dover Group on the terms and conditions set forth in this Agreement and the Ancillary Agreements is void or unenforceable for any reason; or (c) the provisions of this Article VI are void or unenforceable for any reason.

## ARTICLE VII

### CONFIDENTIALITY; ACCESS TO INFORMATION

Section 7.1 Preservation of Corporate Records. The Parties agree that upon written request from the other that certain Information relating to the Apergy Business, the Dover Business or the transactions contemplated hereby be retained in connection with an Action, the Parties shall use commercially reasonable efforts to preserve and not to destroy or dispose of such Information without the consent of the requesting Party.

Section 7.2 Provision of Corporate Records. Other than in circumstances in which indemnification is sought pursuant to Article VI (in which event the provisions of such Article will govern) or for matters related to the provision of Tax information (in which event the provisions of the Tax Matters Agreement shall govern) and without limiting the applicable provisions of Article VI, and subject to appropriate restrictions for classified Information, Privileged Information or Confidential Information and subject further to any restrictions or limitations contained in Section 5.3 or elsewhere in this Article VII:

(a) After the Effective Time, upon the prior written reasonable request by, and at the expense of, Apergy for specific and identified Information which (x) primarily relates to any member of the Apergy Group or the conduct of the Apergy Business (including Apergy Assets and Apergy Liabilities), as the case may be, up to the Effective Time or (y) is necessary for Apergy to comply with the terms of, or otherwise perform under, any Shared Contract or Ancillary Agreement to which Dover and/or Apergy are parties, Dover shall provide, as soon as reasonably practicable following the receipt of such request, appropriate copies of such Information (or the originals thereof if Apergy has a reasonable need for such originals) in the possession or control of Dover or any of its Affiliates, but only to the extent such items so relate and are not already in the possession or control of a member of the Apergy Group; provided that, to the extent any originals are delivered to any member of the Apergy Group pursuant to this Agreement, a Shared Contract or the Ancillary Agreements, Apergy shall or cause the applicable member of its Group to, at its own expense, return them to Dover within a reasonable time after the need to retain such originals has ceased.

(b) After the Effective Time, upon the prior written reasonable request by, and at the expense of, Dover for specific and identified Information which (x) primarily relates to any member of the Dover Group or the conduct of the Dover Business (including Dover Assets and

Dover Liabilities), as the case may be, up to the Effective Time or (y) is necessary for Dover to comply with the terms of, or otherwise perform under, any Shared Contract or Ancillary Agreement to which Dover and/or Apergy are parties, Apergy shall provide, as soon as reasonably practicable following the receipt of such request, appropriate copies of such Information (or the originals thereof if Dover has a reasonable need for such originals) in the possession or control of Apergy or any of its Affiliates, but only to the extent such items so relate and are not already in the possession or control of a member of the Dover Group; provided that, to the extent any originals are delivered to any member of the Dover Group pursuant to this Agreement, a Shared Contract or the Ancillary Agreements, Dover shall or cause the applicable member of its Group to, at its own expense, return them to Apergy within a reasonable time after the need to retain such originals has ceased.

(c) In connection with the provision of information under this Section 7.2, the providing Party shall be entitled to redact any portion of the information to the extent related to any matter other than the receiving Party's business.

Section 7.3 Access to Information. Other than in circumstances in which indemnification is sought pursuant to Article VI (in which event the provisions of such Article will govern) or for matters related to the provision of Tax information (in which event the provisions of the Tax Matters Agreement shall govern) and without limiting the applicable provisions of Article VI, and subject to any restrictions or limitations contained in Section 5.3 or elsewhere in this Article VII, from and after the Effective Time, each of Dover and Apergy shall afford to the other and its authorized accountants, counsel and other designated representatives reasonable access during normal business hours, subject to appropriate restrictions for classified Information, Privileged Information or Confidential Information and to the requirements of any applicable Law, to the personnel, properties, and Information of such Party and its Subsidiaries insofar as such access is reasonably required by the other Party, and only for the duration such access is required, and (x) primarily relates to such other Party or the conduct of its business prior to the Effective Time or (y) is necessary for such party to comply with the terms of, or otherwise perform under, any Shared Contract or Ancillary Agreement; provided, however, that in the event that a Party determines that any such access or the provision of any such Information (including Information requested under Section 5.3 or Section 7.2) would be commercially detrimental in any material respect, violate any Law or Contract with a Third Party or waive any attorney-client privilege, rights under the work product doctrine or other applicable privilege, the Parties shall take all reasonable measures (and, to the extent applicable, shall use commercially reasonable efforts to obtain the Consent from any Third Party required to make such disclosure without violating a Contract with a Third Party) to permit compliance with such information request in a manner that avoids any such harm, violation or consequence. Each of Dover and Apergy shall inform their respective officers, employees, agents, consultants, advisors, authorized accountants, counsel and other designated representatives who have or have access to the other Party's Confidential Information or other Information provided pursuant to Section 5.3 or this Article VII of their obligation to hold such Information confidential in accordance with the provisions of this Agreement and to use such Information only as required to perform services to any member of the Dover Group or the Apergy Group, as applicable.

**Section 7.4 Witness Services.** At all times from and after the Effective Time, each of Dover and Apergy shall use its commercially reasonable efforts to make available to the other, upon reasonable written request, its and its Subsidiaries' officers, directors, employees and agents (taking into account the business demands of such individuals) as witnesses to the extent that (i) such Persons may reasonably be required to testify in connection with the prosecution or defense of any Action in which the requesting Party may from time to time be involved (except for claims, demands or Actions in which one or more members of one Group is adverse to one or more members of the other Group) and (ii) there is no conflict in the Action between the requesting Party and the other Party. A Party providing a witness to the other Party under this Section 7.4 shall be entitled to receive from the recipient of such witness services, upon the presentation of invoices therefor, payments for such amounts, relating to supplies, disbursements and other out-of-pocket expenses (which shall not include the costs of salaries and benefits of employees who are witnesses or any pro rata portion of overhead or other costs of employing such employees which would have been incurred by such employees' employer regardless of the employees' service as witnesses), as may be reasonably incurred and properly paid under applicable Law.

**Section 7.5 Confidentiality.**

(a) Notwithstanding any termination of this Agreement, from and after the Effective Time until the date that is five years after the date of termination of the Agreement, the Parties shall hold, and shall cause each of their respective Subsidiaries to hold, and shall each cause their respective directors, officers, employees, agents, consultants, advisors, accountants, attorneys, or other representatives to hold, in strict confidence, and not to disclose or release or, except as otherwise permitted by this Agreement or any Ancillary Agreement, use, including for any ongoing or future commercial purpose, without the prior written consent of the Party to whom the Confidential Information relates (which consent may be withheld in such Party's sole and absolute discretion, except where disclosure is required by applicable Law), any and all Confidential Information concerning the other Party (and the members of its respective Group and Business); provided that the Parties may disclose, or may permit disclosure of, Confidential Information (i) to their respective auditors, attorneys, financial advisors, bankers and other appropriate consultants and advisors who have a need to know such information for auditing and other non-commercial purposes and are informed of their obligation to hold such information confidential to the same extent as is applicable to the Parties and in respect of whose failure to comply with such obligations, the applicable Party will be responsible, (ii) if the Parties or any of their respective Subsidiaries are required or compelled to disclose any such Confidential Information by judicial or administrative process or by other requirements of Law or stock exchange rule or (iii) as necessary in order to permit a Party to prepare and disclose its financial statements in connection with any regulatory filings or Tax Returns; provided further, that each Party (and members of its Group as necessary) may use, or may permit use of, Confidential Information of the other Party in connection with such first Party performing its obligations, or exercising its rights, under this Agreement or any Ancillary Agreement. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (ii) above, each Party, as applicable, shall promptly notify (to the extent permitted by applicable Law) the other of the existence of such request or demand and shall provide the other a reasonable opportunity to seek an appropriate protective order or other remedy, which such Parties will cooperate in obtaining to the extent reasonably practicable. In the event that such appropriate protective order or other remedy is not obtained, the Party that faces the disclosure requirement shall furnish, or cause to be furnished, only that portion of the Confidential Information that is legally required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such Confidential Information.

(b) Notwithstanding anything to the contrary set forth herein, (i) the Parties shall be deemed to have satisfied their obligations hereunder with respect to Confidential Information if they exercise at least the same degree of care that applies to Dover's confidential and proprietary information pursuant to policies in effect as of the Effective Time and (ii) confidentiality obligations provided for in any Contract between each Party or its Subsidiaries and their respective employees shall remain in full force and effect. Notwithstanding anything to the contrary set forth herein, Confidential Information of any Party in the possession of and used by any other Party as of the Effective Time may continue to be used by such Party in possession of the Confidential Information in and only in the operation of the Apergy Business (in the case of the Apergy Group) or the Dover Business (in the case of the Dover Group); provided that such Confidential Information may be used only so long as the Confidential Information is maintained in confidence and not disclosed in violation of Section 7.5(a).

(c) Each Party acknowledges that it and the other members of its Group may have in their possession confidential or proprietary information of Third Parties (i) that was received under confidentiality or non-disclosure agreements with such Third Parties prior to the Effective Time or (ii) that, as between the two Parties, was originally collected by the other Party (or another member of its Group) and that may be subject to and protected by privacy, data protection or other applicable Laws. Such Party will hold, and will cause the other members of its Group and their respective representatives to hold, in strict confidence the confidential and proprietary information of, or personal information relating to, Third Parties to which they or any other member of their respective Groups has access, in accordance with privacy, data protection and other applicable Laws and the terms of any Contracts entered into prior to the Effective Time between one or more members of such Party's Group (whether acting through, on behalf of, or in connection with, the separated Businesses) and such Third Parties.

(d) Upon the written request of a Party, the other Party shall take commercially reasonable actions to promptly (i) deliver to such requesting Party all original Confidential Information (whether written or electronic) concerning such requesting Party and/or its Subsidiaries and (ii) if specifically requested by such requesting Party, destroy any copies of such Confidential Information (including any extracts therefrom); provided that such first Party may retain one copy of such Information to the extent required by applicable Law or professional standards, and shall not be required to destroy any such Information located in back-up, archival electronic storage. Upon the written request of such requesting Party, the other Party shall cause one of its duly authorized officers to certify in writing to such requesting Party that the requirements of the preceding sentence have been satisfied in full.

#### Section 7.6 Privileged Matters.

(a) Pre-Separation Services. The Parties recognize that legal and other professional services that have been and will be provided prior to the Effective Time have been and will be rendered for the collective benefit of each of the members of the Dover Group and the Apergy Group, and that each of the members of the Dover Group and the Apergy Group should be deemed to be the client with respect to such pre-separation services for the purposes of

asserting all privileges which may be asserted under applicable Law. The Parties shall have a shared privilege with respect to all Privileged Information which relates to such pre-separation services. For the avoidance of doubt, Privileged Information within the scope of this Section 7.6 includes, but is not limited to, services rendered by legal counsel retained or employed by any Party (or any member of such Party's respective Group), including outside counsel and in-house counsel; provided, however, that any such privileged communications or attorney-work product, whether arising prior to, or after the Effective Time, with respect to any matter for which a Party has an indemnification obligation hereunder, shall be subject to the sole control of such Party, which shall be solely entitled to control the assertion or waiver of the privilege or protection, whether or not such communications or work product is in the possession of or under the control of such Party. Notwithstanding the foregoing, the Parties acknowledge and agree that Simpson Thacher & Bartlett LLP and in-house counsel of Dover represent only Dover and not Apergy in connection with the proposed transactions contemplated by this Agreement or any Ancillary Agreement and that (x) any advice given by or communications with Simpson Thacher & Bartlett LLP shall not be subject to any joint privilege and shall be owned solely by Dover; and (y) any advice given by or communications with in-house counsel of Dover (in each case to the extent it relates to any proposed transactions contemplated by this Agreement or any Ancillary Agreement) shall not be subject to any joint privilege and shall be owned solely by Dover.

(b) Post-Separation Services. The Parties recognize that legal and other professional services will be provided following the Effective Time to each of Dover and Apergy. The Parties further recognize that certain of such post-separation services will be rendered solely for the benefit of Dover or Apergy or their successors or assigns, as the case may be. With respect to such post-separation services, the Parties agree as follows:

(i) Dover shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with Privileged Information which relates solely to the Dover Business, whether or not the Privileged Information is in the possession of or under the control of Dover or Apergy. Dover shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with Privileged Information that relates solely to the subject matter of any claims constituting Dover Liabilities, now pending or which may be asserted in the future, in any Actions initiated against or by Dover, whether or not the Privileged Information is in the possession of or under the control of Dover or Apergy or their successors or assigns; and

(ii) Apergy shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with Privileged Information which relates solely to the Apergy Business, whether or not the Privileged Information is in the possession of or under the control of Dover or Apergy or their successors or assigns. Apergy shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with Privileged Information that relates solely to the subject matter of any claims constituting Apergy Liabilities, now pending or which may be asserted in the future, in any Actions initiated against or by Apergy, whether or not the Privileged Information is in the possession of or under the control of Dover or Apergy or their successors or assigns.

(c) The Parties agree that they shall have a shared privilege, with equal right to assert or waive, subject to the restrictions in this Section 7.6, with respect to all privileges not allocated pursuant to the terms of Section 7.6(b). All privileges relating to any Actions, or other matters which involve both Dover and Apergy in respect of which both Parties retain any responsibility or Liability under this Agreement, shall be subject to a shared privilege among them.

(d) No Party may (or cause or permit any member of its Group to) waive, or allege or purport to waive, any privilege which could be asserted under any applicable Law, and in which any other Party has a shared privilege, without the consent of the other Party, which shall not be unreasonably withheld or delayed or as provided in subsections (e), (f) or (g) below. Consent shall be in writing, or shall be deemed to be granted unless written objection is made within 20 days after notice upon the other Party requesting such consent.

(e) In the event of any litigation, arbitration or dispute between or among any of the Parties, or any members of their respective Groups, either such Party may waive a privilege in which the other Party or member of such Group has a shared privilege, without obtaining the consent of the other Party; provided that such waiver of a shared privilege shall be effective only as to the use of information with respect to the litigation, arbitration or dispute between the relevant Parties and/or the applicable members of their respective Groups, and shall not operate as a waiver of the shared privilege with respect to Third Parties.

(f) If a dispute arises between or among the Parties or their respective Subsidiaries regarding whether a privilege should be waived to protect or advance the interest of any Party (or members of its Group) with respect to which the Parties have a shared privilege, each Party agrees that it shall negotiate and shall endeavor to minimize any prejudice to the rights of the other Party's Group and shall not unreasonably withhold consent to any request for waiver by another Party. Each Party specifically agrees that it will not withhold consent to waiver for any purpose except to protect the legitimate interests of its Group.

(g) If, within 15 days of receipt by the requesting Party of written objection, the Parties have not succeeded in negotiating a resolution to any dispute regarding whether a privilege should be waived, and the requesting Party determines that a privilege should nonetheless be waived to protect or advance its interest, the requesting Party shall provide the objecting Party 15 days written notice prior to effecting such waiver. Each Party specifically agrees that failure within 15 days of receipt of such notice to commence proceedings in accordance with Section 8.2 to enjoin such disclosure under applicable Law shall be deemed full and effective consent to such disclosure, and the Parties agree that any such privilege shall not be waived by either Party until the final determination of any proceedings regarding such dispute in accordance with Section 8.2.

(h) Upon receipt by any Party or by any Subsidiary thereof of any subpoena, discovery or other request which arguably calls for the production or disclosure of information subject to a shared privilege or as to which another Party has the sole right hereunder to assert a privilege, or if any Party obtains knowledge that any of its or any of its Subsidiaries' current or former directors, officers, agents or employees have received any subpoena or discovery or other requests which arguably call for the production or disclosure of such Privileged Information,

such Party shall promptly notify the other Party of the existence of the request and shall provide the other Party a reasonable opportunity to review the information and to assert any rights it may have under this Section 7.6 or otherwise to prevent the production or disclosure of such Privileged Information.

(i) The transfer of all Information pursuant to this Agreement is made in reliance on the agreement of Dover and Apergy as set forth in Section 7.5 and this Section 7.6, to maintain the confidentiality of Privileged Information and to assert and maintain all applicable privileges. The access to information being granted pursuant to Section 5.3, Section 7.2 and Section 7.3, the agreement to provide witnesses and individuals pursuant to Section 7.4, the furnishing of notices and documents and other cooperative efforts contemplated by this Section 7.6, Section 6.4 and Section 6.8 and the transfer of Privileged Information between and among the Parties and their respective Subsidiaries pursuant to this Agreement shall not be deemed a waiver of any privilege that has been or may be asserted under this Agreement or otherwise.

Section 7.7 Ownership of Information. Any information owned by one Party or any of its Subsidiaries that is provided to a requesting Party pursuant to this Article VII or Section 5.3 shall be deemed to remain the property of the providing Party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such information, whether by implication, estoppel or otherwise.

Section 7.8 Other Agreements. The rights and obligations granted under this Article VII are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of information, or privileged matter with respect thereto, set forth in any Ancillary Agreement.

Section 7.9 Compensation for Providing Information. A Party requesting Information pursuant to this Article VII agrees to reimburse the providing Party for the reasonable expenses, if any, of gathering, copying and otherwise complying with the request with respect to such Information (including any reasonable costs and expenses incurred in any review of Information for purposes of protecting any privilege thereunder or any other restrictions on the disclosure of such Information).

## **ARTICLE VIII**

### **DISPUTE RESOLUTION**

#### Section 8.1 Negotiation.

(a) In the event of a controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance, nonperformance, validity, termination or breach of this Agreement or any Ancillary Agreement (unless such Ancillary Agreement expressly provides that disputes thereunder will not be subject to the resolution procedures set forth in this Article VIII) or otherwise arising out of, or in any way related to this Agreement or any such Ancillary Agreement or the transactions contemplated hereby or thereby, including any claim based in Contract, tort, Law or constitution (but excluding any controversy, dispute or claim arising out of any Contract with a Third Party if such Third Party is a necessary party to

such controversy, dispute or claim) (collectively, "Agreement Disputes"), the general counsel or chief legal officer (as appropriate) of the relevant Parties (or such other officer designated by the relevant Party) shall negotiate for a reasonable period of time to settle such Agreement Dispute; provided that (i) such reasonable period shall not, unless otherwise agreed by the relevant Parties in writing, exceed 60 days from the time of receipt by a Party of written notice of such Agreement Dispute ("Dispute Notice") and (ii) the relevant employees from both Parties with knowledge and interest in the Agreement Dispute, which shall include tax professionals in the event of an Agreement Dispute involving the Tax Matters Agreement, shall first have tried to resolve the differences between the Parties. Within 30 days of receipt of the Dispute Notice, the receiving Party shall submit to the other Party a written response. The Dispute Notice and the response shall each include a statement of the Party's position, a general summary of the arguments supporting that position, the name and title of the executive who will represent the party and any other person(s) who will attend settlement meetings.

(b) Notwithstanding anything to the contrary contained in this Agreement or any Ancillary Agreement, in the event of any Agreement Dispute with respect to which a Dispute Notice has been delivered in accordance with this Section 8.1 (i) the relevant Parties shall not assert the defenses of statute of limitations and laches with respect to the period beginning after the date of receipt of the Dispute Notice and (ii) any contractual time period or deadline under this Agreement or any Ancillary Agreement to which such Agreement Dispute relates occurring after the Dispute Notice is received shall be tolled by the service of a Dispute Notice. Nothing said or disclosed, nor any document produced, in the course of any negotiations, conferences and discussions in connection with efforts to settle an Agreement Dispute that is not otherwise independently discoverable shall be offered or received as evidence or used for impeachment or for any other purpose in any arbitration or other proceeding, but shall be considered as to have been disclosed for settlement purposes.

Section 8.2 Arbitration. If the Agreement Dispute has not been resolved for any reason after 60 days have elapsed from the receipt by a Party of a Dispute Notice, such Agreement Dispute shall be exclusively and finally determined, at the request of any relevant Party, by arbitration conducted where the Parties agree it would be most convenient, and in the absence of agreement in New York City, before and in accordance with the American Arbitration Association ("AAA") Commercial Arbitration Rules then currently in effect, except as modified herein (the "Rules").

Section 8.3 Selection of Arbitrators. Unless the Parties mutually agree to the appointment of a sole arbitrator, there shall be three arbitrators appointed pursuant to this Section 8.3. Each Party shall appoint an arbitrator within 20 days of receipt by respondent of a copy of the demand for arbitration. The two party-appointed arbitrators shall have 20 days from the appointment of the second arbitrator to agree on a third arbitrator who shall chair the arbitral tribunal. Any arbitrator not timely appointed by the Parties shall be appointed by the AAA in accordance with the listing and ranking method in the Rules, and in any such procedure, each Party shall be given a limited number of strikes, excluding strikes for cause. If any appointed arbitrator declines, resigns, becomes incapacitated, or otherwise refuses or fails to serve or to continue to serve as an arbitrator, the Party or arbitrators entitled to appoint such arbitrator shall promptly appoint a successor. In the event that an arbitrator is objected to, the AAA shall decide whether such objection is valid and whether the challenged arbitrator shall be removed. Any



controversy concerning the jurisdiction of the arbitrators, whether an Agreement Dispute is arbitrable, whether arbitration has been waived, whether an assignee of this Agreement is bound to arbitrate, or as to the interpretation of enforceability of this Article VIII shall be determined by the arbitrators. In the case of any Agreement Dispute related to the Tax Matters Agreement, if mutually agreed to by the Parties, each arbitrator shall be required to be a tax counsel or other tax advisor at a nationally recognized law or accounting firm (with no required affiliation with the AAA).

Section 8.4 Arbitration Procedures. Any hearing to be conducted shall be held no later than 180 days following appointment of the arbitrators or a soon thereafter as practicable.

Section 8.5 Discovery. The arbitrators, consistent with the expedited nature of arbitration, shall permit limited discovery only of documents directly related to the issues in dispute. There shall be no more than three depositions per party of no more than eight hours each. Notwithstanding the foregoing, each Party will, upon the written request of the other Party, promptly provide the other with copies of documents on which the producing Party may rely in support of a claim or defense or which are relevant to the issues raised in the Agreement Dispute. All discovery, if any, shall be completed within 90 days following the appointment of the arbitrators or as soon thereafter as practicable. Adherence to formal rules of evidence shall not be required and the arbitrators shall consider any evidence and testimony that the arbitrators determine to be relevant, in accordance with the Rules and procedures that the arbitrators determine to be appropriate. In resolving any Agreement Dispute, the Parties intend that the arbitrators shall apply the substantive Laws of the State of New York, without regard to any choice of law principles thereof that would mandate the application of the Laws of another jurisdiction. The Parties intend that the provisions to arbitrate set forth herein be valid, enforceable and irrevocable, and any award rendered by the arbitrators shall be final and binding on the Parties. The Parties agree to comply and cause the members of their applicable Group to comply with any award made in any such arbitration proceedings and agree to enforcement of or entry of judgment upon such award, in any court of competent jurisdiction.

Section 8.6 Confidentiality of Proceedings. Without limiting the provisions of the Rules, unless otherwise agreed in writing by or among the relevant Parties or permitted by this Agreement or as may be required by law or any regulatory authority, the relevant Parties shall keep, and shall cause the members of their applicable Group to keep, confidential all matters relating to the arbitration or the award. The arbitral award shall be confidential; provided that such award may be disclosed (i) to the extent reasonably necessary in any proceeding brought to enforce this agreement to arbitrate or any arbitral award or for entry of a judgment upon the award and (ii) to the extent otherwise required by Law or regulatory authority.

Section 8.7 Pre-Hearing Procedure and Disposition. Nothing contained herein is intended to or shall be construed to prevent any Party, from applying to any court of competent jurisdiction for interim measures or other provisional relief in connection with the subject matter of any Agreement Disputes, including to compel a party to arbitrate any Agreement Dispute, to prevent irreparable harm prior to the appointment of the arbitral tribunal or to require witnesses to obey subpoenas issued by the arbitrators. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitral tribunal shall have full authority to grant provisional remedies and to direct the Parties to request that any court modify or vacate any

temporary or preliminary relief issued by such court, and to award damages for the failure of any party to respect the arbitral tribunal's orders to that effect. The Parties agree to accept and honor any orders relating to interim or provisional remedies that are issued by the arbitrators and agree that any such interim order or remedy may be enforced, as necessary, in any court of competent jurisdiction.

Section 8.8 Continuity of Service and Performance. During the course of dispute resolution pursuant to the provisions of this Article VIII, the Parties will continue to provide all other services and honor all other commitments under this Agreement and each Ancillary Agreement with respect to all matters not subject to such dispute resolution.

Section 8.9 Awards. The arbitrators shall make an award and issue a reasoned opinion in writing setting forth the basis for such award within 30 days following the close of the hearing on the merits, or a soon thereafter as practicable. The arbitrators shall be entitled, if appropriate, to award any remedy in such proceedings that is permitted under this Agreement and applicable Law, including monetary damages, specific performance and other forms of legal and equitable relief. The Parties hereby waive any claim to exemplary, punitive, multiple, consequential, special, indirect damages or similar damages in excess of compensatory damages, attorneys' fees, costs and expenses of arbitration, except as may be expressly required by statute or as necessary to indemnify a Party for a Third Party Claim and the arbitrators are not empowered to and shall not award such damages. Any final award must provide that the party against whom an award is issued shall comply with the order within a specified period of time, not to exceed 30 days.

Section 8.10 Costs. If any Party attempts, unsuccessfully, to prevent an Agreement Dispute from being arbitrated such Party shall reimburse the prevailing party for all costs incurred in compelling arbitration. Except as otherwise may be provided in any Ancillary Agreement, the costs of arbitration pursuant to this Article VIII shall be borne by the non-prevailing Party as determined by the arbitrator.

Section 8.11 Adherence to Time Limits. In accepting appointment, each of the arbitrators shall commit that his or her schedule permits him or her to devote the reasonably necessary time and attention to the arbitration proceedings and to resolving the Agreement Dispute within the time periods set by this Agreement and by the Rules. Any time limits set out in this Article VIII or in the Rules may be modified upon written agreement of the Parties and the arbitrators or by order of the arbitrators for good cause shown. Any failure of the arbitrators to comply with such time limits or to render a final award within the time specified shall not impair the validity of the award or cause the award to be void or voidable, nor shall it be a basis for challenge of the validity or enforceability of the award or of the arbitration proceedings.

## **ARTICLE IX**

### **INSURANCE**

Section 9.1 General Liability Policies to be Maintained by Apergy. Apergy agrees and covenants (on its own behalf and on behalf of each other member of the Apergy Group) that it will procure and maintain at its sole cost and expense, for a period of no less than [•] years from

the Effective Time, annual occurrence-based primary and excess general liability insurance policies issued by insurers with an A.M. Best Company credit rating of “a” or better and naming Dover as an additional insured (together, the “Apergy General Liability Policies”). Such primary policies shall provide no less than \$[•] in per occurrence and \$[•] in aggregate annual limits and shall be subject to an aggregate retention of no more than \$[•]. Such excess policies shall attach immediately above such primary policies and shall provide no less than \$[•] in annual limits. The Apergy General Liability Policies shall otherwise provide coverage with terms and conditions at least as favorable as Dover’s primary and excess general liability policies in place as of the Effective Time, subject to availability on commercially reasonable terms.

Section 9.2 Policies and Allocation of Related Rights and Obligations. Apergy acknowledges and agrees (on its own behalf and on behalf of each other member of the Apergy Group) that (i) neither Apergy nor any other member of the Apergy Group has any rights to or under any Third Party Shared Policy, except as expressly provided in this Article IX and (ii) nothing in this Article IX shall be deemed to constitute (or to reflect) an assignment of any rights to or under any Third Party Shared Policy.

Section 9.3 Third Party Shared Policies.

(a) With respect to Third Party Shared Policies for claims that arise out of insured events with an occurrence date prior to the Effective Time, to the extent reasonably possible, Dover will, or will cause the applicable insurance companies or members of the Dover Group that are insured thereunder to (i) continue to provide Apergy and any other member of the Apergy Group with access to and coverage under the applicable Third Party Shared Policies, and (ii) reasonably cooperate with Apergy and take commercially reasonable actions as may be necessary or advisable to assist Apergy in submitting such claims under the applicable Third Party Shared Policies; provided that Apergy shall be responsible for any and all applicable deductibles, self-insured retentions, retrospective premiums, claims-handling charges, co-payments or any other charge or fee legally due and owing relating to such claims and neither Dover nor the insurance company or member of the Dover Group shall be required to maintain such Third Party Shared Policies beyond their current terms. For the avoidance of doubt, if an occurrence date is after the Effective Time, then no payment for any damages, costs of defense, or other sums with respect to such claim shall be available to Apergy under such Third Party Shared Policies.

(b) With respect to all Third Party Shared Policies, Apergy agrees and covenants (on behalf of itself and each other member of the Apergy Group, and each other Affiliate of Apergy) not to make any claim or assert any rights against Dover and any other member of the Dover Group, or the unaffiliated Third Party insurers of such Third Party Shared Policies, except as expressly provided under this Section 9.3.

Section 9.4 Administration of Third Party Shared Policies; Other Matters.

(a) Administration. With respect to all Third Party Shared Policies, from and after the Effective Time, Dover or a member of the Dover Group shall be responsible for the Insurance Administration and Claims Administration of such Third Party Shared Policies; provided that the retention of such administrative responsibilities by Dover or a member of the

Dover Group is in no way intended to limit, inhibit or preclude any right to insurance coverage for any Insured Claim of a named insured under such Third Party Shared Policies as contemplated by the terms of this Agreement; provided further, that the retention of such administrative responsibilities by Dover or a member of the Dover Group shall not relieve the Person submitting any Insured Claim of the primary responsibility for reporting such Insured Claim accurately, completely and in a timely manner, or of such Person's authority to settle any such Insured Claim within any period permitted or required by the relevant Third Party Shared Policy. At its discretion, and in accordance with the terms of the Third Party Shared Policies, Dover may discharge its administrative responsibilities with respect to such Third Party Shared Policies by contracting for the provision of administrative services to any unaffiliated Person, including, after the Effective Time, Apergy or any of its Affiliates. Dover will use its commercially reasonable efforts to notify the appropriate member of the Apergy Group of such discharge. Apergy shall reimburse Dover for any costs incurred by Dover related to Insurance Administration and Claims Administration to the extent such costs (which include defense, out-of-pocket expenses, and direct and indirect costs of employees or agents of Dover providing the administrative services) are (i) not covered under the Third Party Shared Policies and (ii) related to Apergy Liabilities. Dover or any member of the Dover Group shall not settle any Insured Claim of Apergy or any member of Apergy Group under the Third Party Shared Policies without first obtaining the approval of Apergy or such member of Apergy Group. Such approval shall not be unreasonably withheld, delayed or conditioned.

(b) Exceeding Policy Limits. Where Apergy Liabilities are specifically covered under a Third Party Shared Policy for periods prior to the Effective Time, or where such Third Party Shared Policy covers claims made after the Effective Time with respect to an occurrence prior to the Effective Time, then from and after the Effective Time, Apergy may claim coverage for Insured Claims under such Third Party Shared Policy as and to the extent that such insurance is available up to the full extent of the applicable limits of liability of such Third Party Shared Policy (and may receive any Insurance Proceeds with respect thereto as contemplated by Section 9.4(d)), subject to the terms of this Section 9.4.

(c) Claims Not Reimbursed. Except as set forth in this Section 9.4, Dover and Apergy shall not be liable to one another (nor shall any member of the Dover Group be liable to any member of the Apergy Group) for claims, or portions of claims, not reimbursed by insurers under any Third Party Shared Policy for any reason not within the control of Dover or Apergy, including coinsurance provisions, deductibles, quota share deductibles, self-insured retentions, bankruptcy or insolvency of any insurance carrier(s), Third Party Shared Policy limitations or restrictions, any coverage disputes, any failure to timely file a claim by Dover or Apergy (or any of the members of their respective Groups), or any defect in such claim or its processing. The liability of Dover and Apergy to one another for such claims is expressly limited to the amount of Insurance Proceeds received with respect to such claims and allocated to the respective Parties in accordance with Section 9.4(d). It is expressly understood that the foregoing provisions in this Section 9.4(c) shall not limit any Party's liability to any other Party for indemnification pursuant to Article VI.

(d) Allocation of Insurance Proceeds. Insurance Proceeds received with respect to claims, costs and expenses under the Third Party Shared Policies shall be paid to or on behalf of Dover under the relevant Third Party Shared Policy, and Dover shall thereafter administer the Third Party Shared Policies, as appropriate, by retaining the Insurance Proceeds with respect to Dover Liabilities, and by paying the Insurance Proceeds to Apergy with respect to Apergy Liabilities. In the event that the aggregate limits on any Third Party Shared Policies are exceeded by the aggregate of outstanding Insured Claims by the Parties or members of their respective Groups, the Parties agree to allocate the Insurance Proceeds received thereunder based upon their respective percentage of the total of their bona fide claims which were covered under such Third Party Shared Policy, and any Party who has received Insurance Proceeds in excess of such Party's respective percentage of Insurance Proceeds shall pay to the other Party the appropriate amount so that each Party will have received its respective percentage of Insurance Proceeds pursuant hereto. Each of the Parties agrees to use commercially reasonable efforts to maximize available coverage under those Third Party Shared Policies applicable to it, and to take all commercially reasonable steps to recover from all other responsible parties in respect of an Insured Claim to the extent coverage limits under a Third Party Shared Policy have been exceeded or would be exceeded as a result of such Insured Claim, provided that any allocation of Insurance Proceeds shall be made net of any recovery, whenever obtained, from such other responsible parties.

(e) Allocation of Deductibles. In the event that the Parties or members of their respective Groups have bona fide claims under any Third Party Shared Policy arising from the same occurrence and for which a deductible is payable, the Parties agree that the aggregate amount of the deductible paid shall be borne by the Parties in the same proportion which the Insurance Proceeds received by each such Party bears to the total Insurance Proceeds received under the applicable Third Party Shared Policy pursuant to Section 9.4(d), and any Party who has paid more than such allocable share of the deductible shall be entitled to receive from the other Party an appropriate amount so that each Party has borne its allocable share of the deductible pursuant hereto.

Section 9.5 Agreement for Waiver of Conflict and Shared Defense. In the event that Insured Claims of more than one of the Parties exist relating to the same occurrence or related occurrences, the Parties shall jointly defend and waive any conflict of interest necessary to the conduct of the joint defense. Nothing in this Article IX shall be construed to limit or otherwise alter in any way the obligations of the Parties, including those created by this Agreement, by operation of Law or otherwise.

Section 9.6 Cooperation. The Parties agree to use (and cause the members in their respective Groups to use) their commercially reasonable efforts to cooperate with respect to the various insurance matters contemplated by this Article IX.

Section 9.7 Miscellaneous. Nothing in this Agreement shall be deemed to restrict Apergy or Dover, or any members of their respective Groups, from acquiring at its own expense any insurance Policy in respect of any Liabilities or covering any period. Except as otherwise provided in this Agreement, from and after the Effective Time, Apergy and Dover shall be responsible for obtaining and maintaining their respective insurance programs for their risk of loss and such insurance arrangements shall be separate programs apart from each other and each will be responsible for its own deductibles and retentions for such insurance programs. Notwithstanding Section 9.1, Apergy acknowledges and agrees (on its own behalf and on behalf of each other member of the Apergy Group) that Dover has provided to Apergy prior to the

Effective Time all information necessary for Apergy or the appropriate member of the Apergy Group to obtain such insurance policies and insurance programs as Apergy or the appropriate member of the Apergy Group, in its sole judgment and discretion, deems necessary to cover any and all risk of loss related to the Apergy Business.

## ARTICLE X

### MISCELLANEOUS

Section 10.1 Complete Agreement; Construction. This Agreement, including the Exhibits and Schedules, and the Ancillary Agreements (and the exhibits and schedules thereto) shall constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter. In the event of any conflict between the terms and conditions of the body of this Agreement and the terms and conditions of any Schedule, the terms and conditions of such Schedule shall control. Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreement, in the case of any conflict between the provisions of this Agreement and the provisions of any Ancillary Agreement, the provisions of this Agreement shall control; provided, however, that in relation to (i) any matters concerning Taxes, the Tax Matters Agreement shall prevail over this Agreement and any other Ancillary Agreement, (ii) any matters governed by the Employee Matters Agreement, the Employee Matters Agreement shall prevail over this Agreement or any other Ancillary Agreement and (iii) the provision of support and other services after the Effective Time by the Apergy Group to the Dover Group, and vice versa, the Transition Services Agreement shall prevail over this Agreement or any other Ancillary Agreement. It is the intention of the Parties that the Transfer Documents shall be consistent with the terms of this Agreement and the other Ancillary Agreements. The Parties agree that the Transfer Documents are not intended and shall not be considered in any way to enhance, modify or decrease any of the rights or obligations of Dover, Apergy or any member of their respective Groups from those contained in this Agreement and the other Ancillary Agreements.

Section 10.2 Ancillary Agreements. Notwithstanding anything to the contrary contained in this Agreement, except with respect to the matters disclosed on Schedule 1.1(21)(i) hereof, this Agreement is not intended to address, and should not be interpreted to address, the matters specifically and expressly covered by the Ancillary Agreements (excluding the Transfer Documents and the Reorganization Documents).

Section 10.3 Counterparts. This Agreement may be executed in more than one counterparts, all of which shall be considered one and the same agreement, and, except as otherwise expressly provided in Section 1.3, shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to the other Parties. Execution of this Agreement or any other documents pursuant to this Agreement by facsimile or other electronic copy of a signature shall be deemed to be, and shall have the same effect as, executed by an original signature.

Section 10.4 Survival of Agreements. Except as otherwise contemplated by this Agreement or any Ancillary Agreement, all covenants and agreements of the Parties contained in this Agreement and each Ancillary Agreement shall survive the Effective Time and remain in full force and effect in accordance with their applicable terms.

Section 10.5 Expenses.

(a) Except as otherwise expressly provided in this Agreement (including Section 2.7, subsections (b) and (c) of this Section 10.5 and Schedule 10.5(a)) or any Ancillary Agreement, or as otherwise agreed to in writing by the Parties, all out-of-pocket fees and expenses incurred on or prior to the Effective Time in connection with the preparation, execution, delivery and implementation of this Agreement and any Ancillary Agreement, the Separation, the Information Statement, the plan of Separation and the Distribution and the consummation of the transactions contemplated hereby and thereby shall be borne and paid by the Person incurring such cost or Liability.

(b) Except as otherwise expressly provided in this Agreement (including Section 2.7 and subsection (c) of this Section 10.5) or any Ancillary Agreement, or as otherwise agreed to in writing by the Parties, each Party shall bear its own costs and expenses incurred or accrued after the Effective Time; provided, however, that any costs and expenses incurred in obtaining any Consents or novation from a Third Party in connection with the assignment to or assumption by a Party or its Subsidiary of any Contracts in connection with the Separation shall be borne by the Party or its Subsidiary to which such Contract is being assigned.

(c) With respect to any expenses incurred pursuant to a request for further assurances granted under Section 2.10, except as otherwise expressly provided in this Agreement (including Section 2.7 and subsection (b) of this Section 10.5), the Parties agree that any and all fees and expenses incurred by either Party shall be borne and paid by the requesting Party; it being understood that no Party shall be obligated to incur any Third Party accounting, consulting, advisor, banking or legal fees, costs or expenses, and the requesting Party shall not be obligated to pay such fees, costs or expenses, unless such fees, costs or expenses shall have had the prior written approval of the requesting Party. Notwithstanding the foregoing, each Party shall be responsible for paying its own internal fees, costs and expenses (*e.g.*, salaries of personnel). With respect to any fees, costs and expenses incurred by either Party in satisfying its obligations under Section 5.3, the requesting Party shall be responsible for the other Party's fees, costs and expenses.

Section 10.6 Notices. All notices, requests, claims, demands and other communications under this Agreement and, to the extent applicable and unless otherwise provided therein, under each of the Ancillary Agreements, as between the Parties, shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt unless the day of receipt is not a Business Day, in which case it shall be deemed to have been duly given or made on the next Business Day) by delivery in person, by overnight courier service, by facsimile or email with receipt confirmed or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 10.6):

If to Dover:

Dover Corporation.  
3005 Highland Parkway  
Downers Grove, Illinois 60515  
Attn:  
Facsimile:  
Email:

If to Apergy:

Apergy Corporation  
[address]  
Attn:  
Facsimile:  
Email:

Section 10.7 Waivers. The failure of any Party to require strict performance by any other Party of any provision in this Agreement will not waive or diminish that Party's right to demand strict performance thereafter of that or any other provision hereof.

Section 10.8 Amendments. Subject to the terms of Section 10.10, this Agreement may not be modified or amended except by an agreement in writing signed by each of the Parties.

Section 10.9 Assignment. The provisions of this Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors (by merger, acquisition of assets or otherwise) and permitted transferees and assigns to the same extent as if such successors or permitted transferees and assigns had been an original party to the Agreement. Notwithstanding the foregoing, this Agreement shall not be assignable, in whole or in part, by any Party without the prior written consent of the other Party, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be null and void; provided that (i) a Party may assign any or all of its rights and obligations under this Agreement to any of its Affiliates, but no such assignment shall release the assigning Party from any liability or obligation under this Agreement and (ii) a Party may assign this Agreement in whole in connection with a bone fide third party merger transaction in which such Party is not the surviving entity or the sale by such Party of all or substantially all of its Assets, and upon the effectiveness of such assignment under this clause (ii) the assigning Party shall be released from all of its obligations under this Agreement if the surviving entity of such merger or the transferee of such Assets shall agree in writing, in form and substance reasonably satisfactory to the other Party, to be bound by the terms of this Agreement as if named as a "Party" hereto.

Section 10.10 Termination, Etc. Notwithstanding anything to the contrary herein, this Agreement (including Article VI (Indemnification) hereof) may be terminated and the Distribution may be amended, modified or abandoned at any time prior to the Effective Time by and in the sole discretion of Dover without the approval of Apergy or the stockholders of Dover or any other party. In the event of such termination, this Agreement shall become null and void and no Party, nor any of its officers, directors or employees, shall have any Liability to any other Party or any other Person. After the Effective Time, this Agreement may not be terminated except by an agreement in writing signed by each of the Parties.



Section 10.11 Payment Terms.

(a) Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount to be paid or reimbursed by any Party (and/or a member of such Party's Group), on the one hand, to any other Party (and/or a member of such Party's Group), on the other hand, under this Agreement shall be paid or reimbursed hereunder within 30 days after presentation of an undisputed invoice or a written demand therefor and setting forth, or accompanied by, reasonable documentation or other reasonable explanation supporting such amount.

(b) Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount not paid when due pursuant to this Agreement shall bear interest at a rate per annum equal to the then effective Prime Rate plus 2% (or the maximum legal rate, whichever is lower), calculated for the actual number of days elapsed, accrued from the date on which such payment was due up to the date of the actual receipt of payment.

Section 10.12 No Circumvention. The Parties agree not to directly or indirectly take any actions, act in concert with any Person who takes an action, or cause or allow any member of any such Party's Group to take any actions (including the failure to take a reasonable action) intended to, or such that the resulting effect is to, materially undermine the effectiveness of any of the provisions of this Agreement or any Ancillary Agreement (including adversely affecting the rights or ability of any Party to successfully pursue indemnification, contribution or payment pursuant to Article VI).

Section 10.13 Subsidiaries. Each of the Parties shall cause (or with respect to an Affiliate that is not a Subsidiary, shall use commercially reasonable efforts to cause) to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Subsidiary or Affiliate of such Party or by any Business Entity that becomes a Subsidiary or Affiliate of such Party on and after the Effective Time. This Agreement is being entered into by Dover and Apergy on behalf of themselves and the members of their respective Groups (the Dover Group and the Apergy Group). This Agreement shall constitute a direct obligation of each such entity and shall be deemed to have been readopted and affirmed on behalf of any Business Entity that becomes a Subsidiary or Affiliate of such Party on and after the Effective Time. Either Party shall have the right, by giving notice to the other Party, to require that any Subsidiary of the other Party execute a counterpart to this Agreement to become bound by the provisions of this Agreement applicable to such Subsidiary.

Section 10.14 Third Party Beneficiaries. Except as provided in Article VI relating to Indemnitees and for the release under Section 6.1 of any Person provided therein and except as specifically provided in any Ancillary Agreement, this Agreement is solely for the benefit of the Parties and their respective Affiliates after the Effective Time and their permitted successors and assigns, and is not intended to confer upon any Person except the Parties and their respective Affiliates after the Effective Time, and their permitted successors and assigns, any rights or remedies hereunder; and there are no other third-party beneficiaries of this Agreement and this Agreement should not be deemed to confer upon Third Parties any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

Section 10.15 Title and Headings. Titles and headings to Sections and Articles are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

Section 10.16 Exhibits and Schedules. The Exhibits and Schedules attached hereto are incorporated herein by reference and shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

Section 10.17 Public Announcements. From and after the Effective Time, Dover and Apergy shall consult with each other before issuing, and give each other the reasonable opportunity to review and comment upon, that portion of any press release or other public statements that relates to the transactions contemplated by this Agreement or the Ancillary Agreements, and shall not issue any such press release or make any such public statement prior to such consultation, except (a) as may be required by applicable Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or national securities quotation system; (b) for disclosures made that are substantially consistent with disclosures contained in any Distribution Disclosure Document or Pre-Separation Disclosure or (c) as otherwise set forth on Schedule 10.17.

Section 10.18 Governing Law. This Agreement shall be governed by and construed in accordance with the internal Laws, and not the Laws governing conflicts of Laws (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law), of the State of New York.

Section 10.19 Consent to Jurisdiction. Subject to the provisions of Article VIII, each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the United States District Court for the Southern District of New York (the "New York Courts"), for the purposes of any Action to compel arbitration or for provisional relief in aid of arbitration in accordance with Article VIII or for provisional relief to prevent irreparable harm, and to the non-exclusive jurisdiction of the New York Courts for the enforcement of any award issued thereunder. Each of the Parties further agrees that service of any process, summons, notice or document by United States registered mail to such Party's respective address set forth in Section 10.6 shall be effective service of process for any Action in the New York Courts with respect to any matters to which it has submitted to jurisdiction in this Section 10.19. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any Action arising out of this Agreement or the transactions contemplated hereby in the New York Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Action brought in any such court has been brought in an inconvenient forum.

Section 10.20 Specific Performance. The Parties agree that irreparable damage may occur in the event that the provisions of this Agreement were not performed in accordance with their specific terms. Accordingly, it is hereby agreed that the Parties shall be entitled to seek (i) an injunction or injunctions to enforce specifically the terms and provisions hereof in any arbitration in accordance with Article VIII, (ii) provisional or temporary injunctive relief in accordance therewith in any New York Court, and (iii) enforcement of any such award of an arbitral tribunal or a New York Court in any court of the United States, or any other any court or tribunal sitting in any state of the United States or in any foreign country that has jurisdiction, this being in addition to any other remedy or relief to which they may be entitled.

Section 10.21 Waiver of Jury Trial. SUBJECT TO ARTICLE VIII AND SECTIONS 10.19 AND 10.20 HEREIN, EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY COURT PROCEEDING PERMITTED HEREUNDER. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.21.

Section 10.22 Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and the Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid, legal and enforceable provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.23 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

Section 10.24 Authorization. Each of the Parties hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such Party, that this Agreement constitutes a legal, valid and binding obligation of each such Party enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting creditors' rights generally and general equity principles.

*[Signature Page Follows]*

DOVER CORPORATION

By: \_\_\_\_\_

Name:

Title:

APERGY CORPORATION

By: \_\_\_\_\_

Name:

Title:

[Signature Page to Separation and Distribution Agreement]

TRANSITION SERVICES AGREEMENT

This Transition Services Agreement (this “Services Agreement”) is made as of this [•] day of [•] by and between (i) Dover Corporation, a Delaware corporation (“Dover”), and (ii) Apergy Corporation, a Delaware corporation (“Apergy”). Each of Dover and Apergy is sometimes referred to herein as a “Party” and collectively, as the “Parties.”

WITNESSETH:

WHEREAS, the board of directors of Dover has determined that it would be in the best interests of Dover and its stockholders to separate the Apergy Business from Dover;

WHEREAS, Dover and Apergy have entered into a Separation and Distribution Agreement dated as of the date hereof (as amended, supplemented or modified from time to time, the “Separation Agreement”) which sets forth, among other things, the terms of the separation of the Dover Business and the Apergy Business (such transactions, as may be amended or modified from time to time, the “Separation”) and the distribution of Apergy Common Stock to stockholders of Dover;

WHEREAS, the Separation Agreement also provides for the execution and delivery of certain other Ancillary Agreements, including this Services Agreement, in order to facilitate and provide for the separation of Apergy and its Subsidiaries from Dover; and

WHEREAS, Dover and Apergy have each determined that it is desirable to enter into this Services Agreement pursuant to which each Party has agreed to provide or cause to be provided to the other Party and its Subsidiaries, as applicable, certain transitional, administrative and support services on the terms and conditions set forth in this Services Agreement and the Schedules hereto.

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Parties hereby agree as follows:

## ARTICLE 1

## DEFINITIONS AND INTERPRETATION

1.1 General. Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in the Separation Agreement. As used in this Services Agreement, the following capitalized terms shall have the following meanings:

- (a) “Adversely Affected Service” shall have the meaning set forth in Section 4.2(b).
- (b) “Disbursement” shall have the meaning set forth in Section 5.7.

(c) “Dover” shall have the meaning set forth in the preamble to this Services Agreement.

(d) “Dover Entities” means, collectively, Dover and its Affiliates that are listed as Providers on Schedule A or Recipients on Schedule B.

(e) “Dover Provided Services” shall have the meaning set forth in Section 2.1.

(f) “Force Majeure” shall have the meaning set forth in Section 6.1.

(g) “Independent Accountants” shall have the meaning set forth in Section 3.6(d).

(h) “Initial Term” shall have the meaning set forth in Section 4.1.

(i) “Level of Service” shall have the meaning set forth in Section 5.1(d).

(j) “New Service” shall have the meaning set forth in Section 2.5.

(k) “New York Courts” shall have the meaning set forth in Section 9.12.

(l) “Omitted Service” shall have the meaning set forth in Section 2.3.

(m) “Other Party” shall have the meaning set forth in Section 5.7.

(n) “Party” shall have the meaning set forth in the preamble to this Services Agreement.

(o) “Paying Party” shall have the meaning set forth in Section 5.7.

(p) “Provider” shall mean, with respect to any service set forth on Schedule A or B to this Services Agreement, the Person identified on such Schedule A or B as providing such service.

(q) “Receipt” shall have the meaning set forth in Section 5.7.

(r) “Receiving Party” shall have the meaning set forth in Section 5.7.

(s) “Recipient” shall mean, with respect to any service set forth on Schedule A or B to this Services Agreement, the Person identified on such Schedule A or B as receiving such service.

(t) “Renewal Term” shall have the meaning set forth in Section 4.1.

(u) “Responsible Party” shall have the meaning set forth in Section 5.7.

(v) "Sales and Service Taxes" shall have the meaning set forth in Section 3.4.

(w) "Separation" shall have the meaning set forth in the recitals to this Services Agreement.

(x) "Separation Agreement" shall have the meaning set forth in the recitals to this Services Agreement.

(y) "Service Baseline Period" shall have the meaning set forth in Section 5.1(d).

(z) "Service Change" shall have the meaning set forth in Section 2.4.

(aa) "Services Agreement" shall have the meaning set forth in the preamble to this Services Agreement.

(bb) "Term" shall mean the Initial Term and the Renewal Term, if any, or, with respect to a particular service provided for hereunder, such shorter period as may be applicable to such service pursuant to the terms of this Services Agreement or the exercise of a Party's right of early termination as provided for herein.

(cc) "To-be-Terminated Service" shall have the meaning set forth in Section 4.2(b).

(dd) "Apergy" shall have the meaning set forth in the preamble to this Services Agreement.

(ee) "Apergy Entities" means, collectively, Apergy and its Affiliates that are listed as Recipients on Schedule A or as Providers on

Schedule B.

(ff) "Apergy Provided Services" shall have the meaning set forth in Section 2.2.

1.2 References; Interpretation. References in this Services Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Unless the context otherwise requires:

(a) the words "include", "includes" and "including" when used in this Services Agreement shall be deemed to be followed by the phrase "without limitation";

(b) references in this Services Agreement to Articles, Sections and Schedules shall be deemed references to Articles and Sections of, and Schedules to, this Services Agreement;

(c) the words "hereof", "hereby" and "herein" and words of similar meaning when used in this Services Agreement refer to this Services Agreement in its entirety and not to any particular Article, Section or provision of this Services Agreement;

(d) the words “written request” when used in this Services Agreement shall include email;

(e) references in this Services Agreement to any time shall be to New York City, New York time unless otherwise expressly provided herein; and

(f) as described in Section 9.1, to the extent that the terms and conditions of any Schedule hereto conflict with the express terms of the body of this Services Agreement, the terms of such Schedule shall control; it being understood that the Parties intend to include in the Schedules hereto any exceptions to the general rules described in the body of this Services Agreement and to give full effect to such exceptions, with respect to the matters expressly set forth therein.

## ARTICLE 2

### SERVICES PROVIDED

2.1 Dover Provided Services. Subject to the terms and conditions of this Services Agreement, commencing as of the Effective Time, the Dover Entities agree to provide, or cause to be provided, to Apergy, the members of the Apergy Group and the Apergy Business, as designated by Apergy, the services described in Schedule A to this Services Agreement (the “Dover Provided Services”).

2.2 Apergy Provided Services. Subject to the terms and conditions of this Services Agreement, commencing as of the Effective Time, the Apergy Entities agree to provide, or cause to be provided, to Dover, the members of the Dover Group and the Dover Business, as designated by Dover, the services described in Schedule B to this Services Agreement (the “Apergy Provided Services”).

2.3 Omitted Services. If, after the execution of this Services Agreement and prior to the date that is two months from the date hereof, the Parties determine that a service provided by or to the Apergy Business as conducted by Apergy or its Subsidiaries prior to the Separation was inadvertently omitted from the Schedules to this Services Agreement (an “Omitted Service”), then the Parties shall negotiate in good faith to agree to the terms and conditions upon which such services would be added to this Services Agreement, it being agreed that the charges for such services should be determined on a basis consistent with the methodology for determining the initial prices provided for herein (i.e., sufficient to cover a Provider’s reasonable estimate of its actual costs and, if applicable, consistent with the prices such Provider would charge to an Affiliate), in each case without taking into account any profit margin or projected savings from increased efficiency; provided, however, no Party or Provider shall be required to provide any Omitted Service pursuant to this Section 2.3 if (x) it does not, in its reasonable judgment, have adequate resources to provide such Omitted Service, (y) the provision of such Omitted Service would significantly disrupt the operation of its business or (z) the Parties are unable to reach agreement on the terms and conditions applicable to such Omitted Service.



2.4 Service Changes. After the execution of this Services Agreement and prior to the date that is two months from the date hereof, either Party may request that the other Party modify, alter or adjust the manner in which the other Party provides services (a "Service Change"). Following the delivery of such request, the Parties shall negotiate in good faith the terms and conditions of such Service Change; provided, however, that no Party or Provider shall be required to agree to a Service Change pursuant to this Section 2.4 if (x) it does not, in its reasonable judgment, have adequate resources for such Service Change, (y) the Service Change would significantly disrupt the operation of its business or (z) the Parties are unable to reach agreement on the terms and conditions applicable to such Service Change.

2.5 New Services. After the execution of this Services Agreement and prior to the date that is two months from the date hereof, either Party may request that the other Party provide an additional or different service that is not an Omitted Service and that does not constitute a Service Change (a "New Service"). The other Party shall consider such request in good faith, but nothing in this Services Agreement shall require the other Party to agree to provide such New Service. If the other Party consents to providing the requested New Service, then the Parties shall negotiate in good faith to agree to the terms and conditions upon which such New Service would be added to this Services Agreement, it being agreed that the charges for such New Service should be determined on a basis consistent with the methodology for determining the initial prices provided for herein (as described in Section 2.3).

2.6 Amendments. If the Parties agree on the fees and other specific terms and conditions applicable to an Omitted Service, Service Change or New Service, the Parties shall execute an amendment to this Services Agreement that provides for the substitution of the relevant Schedule, or additions or supplements to the relevant Schedule, in order to describe such Omitted Service, Service Change or New Service, as applicable, and the agreement upon the related fees and other specific terms and conditions applicable thereto.

### ARTICLE 3 COMPENSATION

3.1 Compensation for Dover Provided Services. Subject to Section 3.5, the compensation for the Dover Provided Services for the duration of the Term shall be as described for each individual service provided to the Apergy Business as set forth on Schedule A, or if not set forth on Schedule A, then based on the actual cost of providing such service as agreed by the Parties from time to time.

3.2 Compensation for Apergy Provided Services. Subject to Section 3.5, the compensation for the Apergy Provided Services for the duration of the Term shall be as described for each individual service provided by the Apergy Business as set forth on Schedule B, or if not set forth on Schedule B, then based on the actual cost of providing such service as agreed by the Parties from time to time.

### 3.3 Allocation of Certain Expenses.

(a) In addition to the payment of all compensation provided under Section 3.1 or Section 3.2, as applicable, each Recipient shall reimburse the applicable Provider for all reasonable out-of-pocket costs and expenses directly or indirectly incurred by such Provider or its Affiliates in connection with providing the applicable services hereunder (including all reasonable travel-related expenses) to the extent that such costs and expenses are not reflected in the compensation for such services on Schedule A or Schedule B, as applicable; provided, however, any such costs and expenses expected to exceed \$1,000 per month (other than routine business travel and related expenses) that are not consistent with the historical practice between the Parties for any individual service shall require advance approval of the applicable Recipient. Any travel-related expenses incurred by a Provider in performing the applicable services hereunder shall be incurred and charged to the applicable Recipient in accordance with such Provider's then applicable business travel policies.

(b) In the event that a Recipient terminates any individual service as contemplated by Section 4.2 earlier than the expiration of the Initial Term or the Renewal Term, if applicable, such Recipient shall reimburse the applicable Provider for any and all out-of-pocket costs and expenses directly or indirectly incurred by such Provider or any of its Affiliates as a result of such early termination by such Recipient, including early termination fees and other costs incurred in order to terminate or reduce the level of services provided by Third Parties under Contracts with a Provider or any of its Affiliates, which services are affected by such early termination, and increased or additional costs associated with continuing any other services, such reimbursement to be due and payable within five Business Days following such Recipient's receipt of any invoice from such Provider with respect to such costs and expenses.

### 3.4 Taxes.

(a) In addition to the compensation payable to each Provider determined exclusive of the Taxes payable by each Recipient under this Section 3.4, each Recipient will pay and be liable for all sales, service, value added, lease, use, transfer, consumption or similar Taxes levied and measured by: (i) the cost of services provided to such Recipient under this Services Agreement or (ii) each Provider's cost in acquiring property or services used or consumed by any such Provider in providing services under this Services Agreement (the "Sales and Service Taxes"). Such Taxes will be payable by the applicable Recipient to the applicable Provider in accordance with this Section 3.4 or as otherwise mutually agreed in writing by the Parties and under the terms of the applicable Law which govern the relevant Sales and Service Tax. Each Recipient's obligation to pay Sales and Service Taxes under this Section 3.4 shall be subject to the receipt of (i) a computation of the Sales and Service Taxes payable under this Section 3.4 identifying the nature and amount of the goods or services on which the Sales and Service Tax is assessed and the applicable rate and (ii) a valid and customary invoice (or other document) under the terms of applicable Law for each Sales and Service Tax. If a Recipient complies with the terms of this Section 3.4 regarding the payment of Sales and Service Taxes, it shall not be liable for any interest, penalties or other charges attributable to the applicable Provider's improper filing relating to Sales and Service Taxes or late payment or failure to remit Sales and Service Taxes to the relevant taxing authority.

(b) The Parties acknowledge that each Provider and each Recipient shall pay and be responsible for their own personal property Taxes and Taxes based on their own income or profits or assets.

(c) Payments for services or other amounts under this Services Agreement shall be made net of withholding Taxes, provided, however, that if a Provider reasonably believes that a reduced rate of withholding applies or such Provider is exempt from withholding, the applicable Recipient shall only be required to apply such reduced rate of withholding or not withhold if such Provider provides such Recipient with evidence reasonably satisfactory to such Recipient that a reduced rate of or no withholding is required, including rulings or certificates from, or other correspondence with taxing authorities and tax opinions rendered by qualified persons, to the extent reasonably requested by such Recipient. Each Recipient shall promptly remit any amounts withheld to the appropriate taxing authority, and in the event that such Recipient receives a refund of any amounts previously withheld from payments to a Provider and remitted, such Recipient shall surrender such refund to such Provider.

(d) Each Provider and each Recipient shall promptly notify the other of any deficiency claim or similar notice by a taxing authority with respect to Sales and Service Taxes payable under this Service Agreement, and of any pending tax audit or other proceeding relating to Sales and Service Taxes or withholding with respect to this Service Agreement, and shall afford such party a reasonable opportunity to participate in any such audit or proceeding affecting its interests.

### 3.5 Price Adjustments.

(a) The Parties shall review the respective costs of each Provider providing services hereunder as of the date that is two months from the date hereof (and thereafter upon the written request of a Provider (which may not be given more than once in any 30-day period)). If it is determined in connection with any such review that a Provider's cost of providing services hereunder (taken individually) exceeds by at least ten percent the charge for such service(s), including because of a significant increase in usage by a Recipient or other circumstances beyond the reasonable control of such Provider (including events of Force Majeure), then, upon request of such Provider, such Provider and its Recipient shall negotiate in good faith to determine an appropriate adjustment to the then-current prices for such services on a basis consistent with the methodology for determining the initial prices provided for herein (as described in Section 2.3).

(b) If the Parties determine (which determination shall be made in good faith) that the initial prices set forth on the Schedules hereto are not consistent with the methodology for determining the initial prices as described in Section 3.5(a), then the Parties shall negotiate in good faith to adjust such charges in a manner that is consistent with such methodology.

(c) Notwithstanding Section 3.5(a), if a service is being provided by a Provider to a Recipient hereunder through a Third Party as contemplated by Section 5.4 and such Third Party increases the costs of such service, then such increased costs (and any corresponding adjustments to Taxes payable or to be withheld in accordance with Section 3.4) shall be immediately passed along to such Recipient and reflected in a supplement to Schedule A or Schedule B, as applicable.

3.6 Terms of Payment; Dispute Resolution; Audits.

(a) Each Provider shall invoice its respective Recipient for the services provided under Section 3.1 or Section 3.2, as applicable, monthly in advance on the first calendar day of each month of the Term following the date hereof (or the first Business Day following each such date). Each Provider shall also provide invoices to its respective Recipient monthly in arrears for amounts, such as Sales and Service Taxes and out-of-pocket or other expenses, that are payable in addition to the fee for the service that was paid in advance pursuant to the first sentence of this Section 3.6(a). Recipient shall pay Provider (or its designee) within 30 days after receipt of any of the foregoing invoices. No Recipient shall withhold any payments to its Provider under this Services Agreement, and such payments shall be made without any other setoff or deduction, notwithstanding any dispute that may be pending between them, whether under this Services Agreement or otherwise (any required adjustment being made on subsequent invoices). Amounts not paid on or before the date required to be paid hereunder shall accrue interest at a rate equal to 0.5% per month (or the maximum legal rate, whichever is lower), calculated for the actual number of days elapsed, accrued from the date such payment was due hereunder until the date of the actual receipt of payment. A Provider's failure to invoice on the first calendar day of a month for any fees and/or expenses shall not constitute a waiver of such Provider's right to subsequently invoice and collect such fees and expenses.

(b) All amounts due for services rendered pursuant to this Services Agreement shall be billed and paid in the currency in which the rate for such service is quoted, as stated herein or as shown on the Schedules hereto.

(c) If there is a dispute between any Recipient and any Provider regarding the amounts shown as billed to such Recipient on any invoice, such Provider shall furnish to such Recipient reasonable documentation to substantiate the amounts billed including listings of the dates, times and amounts of the services in question where applicable and practicable. Upon delivery of such documentation, such Recipient and such Provider shall cooperate and use their commercially reasonable efforts to resolve such dispute among themselves. If such disputing parties are unable to resolve their dispute within 30 calendar days of the delivery of such documentation, and such Recipient believes in good faith and with a reasonable basis that the amounts shown as billed to such Recipient are inaccurate or are otherwise not in accordance with the terms of this Services Agreement, then such Recipient shall have the right, at its own expense, to have any disputed invoice(s) audited as provided in Section 3.6(d).

(d) Any audit pursuant to Section 3.6(c) shall be limited solely to the purpose of verifying the amounts in dispute and shall be made by an independent certified public accounting firm selected and paid for by the Recipient initiating such audit and reasonably satisfactory to the Provider being audited (such accounting firm, the "Independent Accountants"). Any such audit shall be reasonably conducted by the Independent Accountants during the normal business hours of the Provider being audited. Such Provider shall reasonably

cooperate with the Independent Accountants and shall make available to the Independent Accountants all applicable cost and other data as may be reasonably necessary for the sole purpose of verifying the amounts in dispute. The Independent Accountants shall not disclose any of the underlying data and information to said Recipient or to any other Person (except as may be required by Law) and, prior to any such audit the Independent Accountants shall, if requested by the Provider being audited, enter into a confidentiality agreement reasonably acceptable to such Provider. The determination of the Independent Accountants shall be final and binding on the Parties.

#### ARTICLE 4

##### TERM AND TERMINATION

4.1 Term. Except as expressly provided otherwise in this Services Agreement, or with respect to specific services as indicated on the Schedules hereto, the term of this Services Agreement shall be for an initial period commencing at 12:01 a.m. on the date immediately following the date hereof and ending on January 31, 2019 (the "Initial Term"). Effective between the respective Provider and Recipient, the Initial Term may be extended for an additional period ending on the one-year anniversary of the date hereof, or such other period set forth on Schedule A or Schedule B (the "Renewal Term") at the request of a Recipient by written notice from such Recipient to its Provider, with copies to Dover and Apergy; any such notice shall be made not less than two months prior to the end of the Initial Term. The obligation of any Recipient to make a payment for services previously rendered shall not be affected by the expiration of the Initial Term or Renewal Term and shall survive such expiration and continue until full payment is made.

##### 4.2 Termination of Individual Services.

(a) Effective between the respective Provider and Recipient, a Recipient may terminate at any time any individual service provided under this Services Agreement on a service-by-service basis (and/or location-by-location basis where an individual service is provided to multiple locations of a Recipient) upon written notice to such Provider identifying the particular service (or location) to be terminated and the effective date of termination, which date shall not be less than 30 days after receipt of such notice unless such Provider otherwise agrees. The termination of any individual services pursuant to this Section 4.2 shall not affect this Services Agreement with respect to the services not terminated under this Section 4.2. In addition, effective between the respective Provider and Recipient, a Provider may terminate at any time any individual service provided under this Services Agreement upon written notice to its respective Recipient identifying the particular service to be terminated and the effective date of termination if the employee that was providing the applicable service is no longer employed by such Provider (and there is no other employee employed by such Provider at the time that could reasonably provide such service).

(b) The Parties acknowledge and agree that (a) there may be interdependencies among the services being provided under this Services Agreement; (b) upon the request of either Party, the Parties shall cooperate and act in good faith to determine whether (i) any such interdependencies exist with respect to the particular service that a Party is seeking

to terminate pursuant to Section 4.2(a) (the “To-be-Terminated Service”) and (ii) in the case of such termination, the Provider’s ability to provide a particular service in accordance with this Services Agreement would be materially and adversely affected by such termination of another service (the “Adversely Affected Service”); and (c) in the event that the Parties have determined that such interdependencies exist and such termination would materially and adversely affect the Provider’s ability to provide a particular service in accordance with this Services Agreement, the Parties shall negotiate in good faith to amend the Schedules hereto with respect to such Adversely Affected Service, which amendment shall be consistent with the terms of comparable services. If, after such negotiations, the Parties are unable to agree on an amendment with respect to the Adversely Affected Service, the dispute between the Parties shall be resolved in accordance with the terms of Section 9.13, and the Provider’s obligation to provide, and the Recipient’s obligation to pay for, the To-be-Terminated Service and the Adversely Affected Service shall continue until the resolution of such dispute.

4.3 Termination of Agreement. This Services Agreement shall terminate on the earliest to occur of (a) a date mutually agreed in writing by the Parties, (b) the latest date on which any service is to be provided as indicated on Schedule A and Schedule B, (c) the date on which the provision of all services has terminated pursuant to Section 4.2 and (d) the date on which this Services Agreement is terminated in its entirety pursuant to Section 4.4.

4.4 Breach of Agreement. If either Party (or member of its respective Group) shall materially breach any of its obligations under this Services Agreement, including any failure to perform any services or to make payments when due, and such breach is not cured within 30 days after the breaching Party receives written notice thereof from the non-breaching Party, the non-breaching Party may (i) terminate this entire Services Agreement, including the provision of all services pursuant hereto, immediately by providing written notice of termination or (ii) terminate the individual services that are subject to such material breach, immediately by providing notice of such selective termination and identifying the particular services to be so terminated; provided that the non-breaching Party shall not be entitled to terminate this Services Agreement or any individual services, as applicable, if, as of the end of such 30-day period, there remains a good faith dispute between the Parties (undertaken in accordance with Section 9.13) as to whether the other Party (or member of its Group) materially breached this Services Agreement or has cured the applicable breach. If the non-breaching Party decides to terminate individual services in accordance with this Section 4.4 (rather than the entire Services Agreement), such termination of such individual services pursuant to this Section 4.4 shall not affect this Services Agreement with respect to the services not terminated under this Section 4.4. The failure of a Party to exercise its rights hereunder with respect to a breach by the other Party (or member of its Group) shall not be construed as a waiver of such rights nor prevent such Party from subsequently asserting such rights with regard to the same or similar defaults.

4.5 Effect of Termination. Upon the termination of any service pursuant to this Services Agreement, the Provider of such terminated service shall have no further obligation to provide such terminated service. In the event of (a) a termination or expiration of this Services Agreement in its entirety, each Provider shall be entitled to all outstanding amounts due from the applicable Recipient for the provision of services rendered through the date of termination or otherwise payable hereunder or (b) a partial termination of this Services Agreement with respect to individual services in accordance with Section 4.2 or clause (ii) of Section 4.4, the Provider(s)

that were providing the services that are so terminated shall be entitled to all outstanding amounts due from the relevant Recipient(s) of such terminated services for the provision of such services rendered through the date of the termination of such individual service or otherwise payable hereunder. This Section 4.5, Section 5.6, Article 1, Article 7, Article 8 and Article 9 shall survive any termination or expiration of this Services Agreement.

ARTICLE 5  
CERTAIN COVENANTS

5.1 Standard of Services.

(a) Each Provider shall perform the services that it is required to provide to its respective Recipient(s) under this Services Agreement in substantially the same nature, quality, standard of care and service levels at which the same or similar services were performed by or on behalf of Dover or any of its Subsidiaries to Dover or any of its Subsidiaries prior to the Distribution Date. The Parties acknowledge and agree that each Provider (and each member of its Group) makes no representations or warranties (including warranties of merchantability or fitness for a particular use or purpose or the non-infringement of any Intellectual Property rights of Third Parties) or guarantees of any kind, express or implied, either in fact or by operation of law, by statute or otherwise, with respect to any services provided hereunder and that the services to be provided hereunder are furnished “as is,” “where is,” with all faults. Each Party specifically disclaims any other warranties, whether written or oral, or express or implied, including any warranty of quality, merchantability, or fitness for a particular use or purpose or non-infringement of any Intellectual Property rights of Third Parties.

(b) Nothing in this Services Agreement shall require a Provider to perform or cause to be performed any service to the extent the Provider reasonably believes such performance would constitute (i) a violation of applicable Laws or any code of conduct applicable to such Provider or (ii) a breach, violation or infringement of, or a default under, any existing Contract with a Third Party. If a Provider is or becomes aware of any such restriction on such Provider, such Provider shall promptly send a notice to its respective Recipient of any such restriction. The Parties each agree to cooperate in good faith and use commercially reasonable efforts to obtain any necessary Third Party consents required under any existing Contract with a Third Party to allow each Provider to perform or cause to be performed any service in accordance with the standards set forth in this Section 5.1. Any costs and expenses incurred by any Party or any of its Subsidiaries in connection with obtaining any such Third Party consent that is required to allow a Provider to perform or cause to be performed any service shall be the responsibility of the respective Recipient. If, with respect to a service, the Parties, despite the use of such commercially reasonable efforts, are unable to obtain a required Third Party consent or the performance of such service by a Provider would continue to constitute a violation of applicable Laws or any code of conduct applicable to such Provider, such Provider shall use commercially reasonable efforts in good faith to provide such services in a manner as closely as possible to the standards described in this Section 5.1 that would apply absent the exception set forth in the first sentence of this Section 5.1(b).

(c) Notwithstanding anything in this Services Agreement to the contrary, a Provider shall have the right to limit any service in the event a Provider determines after prior consultation with the applicable Recipient, in such Provider's reasonable discretion, that such service creates an unacceptable safety, liability or data security risk to such Provider or any of its Affiliates; provided that if a Provider does so limit the provision of such service, the applicable Recipient shall have no obligation to pay for any such service to the extent not rendered by such Provider. As of the Effective Date, the Parties are not actually aware of any risk described in this Section 5.1(c) that would have been reasonably expected to cause a Provider to limit a service pursuant to this Section 5.1(c).

(d) Nothing in this Services Agreement shall require a Provider to (i) render services in a manner or method different from the manner or method utilized by Providers in performing the services hereunder; (ii) make any change or addition that would require (to be determined in the Provider's sole discretion) any expenditure of additional capital, any expansion or modification to facilities, or any acquisition of additional equipment or software, (iii) make any changes to a Provider's applications to support a Recipient's business processes or otherwise or (iv) make any efforts, in each case beyond commercially reasonable efforts, to provide the services hereunder.

5.2 Transition From Services. It is the express intent of the Parties and the members of their respective Groups that, notwithstanding the terms or schedules for performance of services hereunder, the performance of services are expected to be terminated as soon as possible. Consequently, unless the Parties mutually agree otherwise, each Recipient agrees to use commercially reasonable efforts to reduce or eliminate its dependency on each service provided by each Provider as soon as reasonably practicable, but in any event before the end of the service Term for such service. The Parties will cooperate (acting in good faith and using reasonable commercial efforts) to effect a smooth and orderly transition of the services provided hereunder from the Providers to the respective Recipients.

5.3 Points of Contact. Each Provider and its respective Recipient has named a point of contact as set forth on Schedules A and B. Such points of contact shall be responsible for the implementation of this Services Agreement between the respective Provider and its Recipient, including resolution of any issues which may arise during the performance hereunder on a day to-day basis.

5.4 Personnel. Each Provider, in providing the services, as it deems necessary or appropriate in its sole discretion, may (a) use the personnel of such Provider or its Affiliates (it being understood that such personnel can perform the services on behalf of such Provider on a full-time or part-time basis, as determined by such Provider or its Affiliates) and (b) employ the services of Third Parties to the extent such third party services are routinely utilized to provide similar services to other businesses of such Provider or are reasonably necessary for the efficient performance of any such services. In performing the services, employees and representatives of a Provider shall be under the direction, control and supervision of such Provider (and not its respective Recipient) and such Provider shall have the sole right to exercise all authority with respect to the employment (including termination of employment), assignment and compensation of such employees and representatives (it being understood that no Recipient has any right hereunder to require that any Provider perform the services hereunder with specifically identified



employees and that the assignment of employees to perform such services shall be determined in the sole discretion of the applicable Provider). In addition, no Provider shall be required to provide any service to the extent the provision of such service requires such Provider to hire any additional employees or maintain the employment of any specific employee.

5.5 Further Assurances. From time to time after the date hereof, without further consideration, each Party shall use commercially reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things reasonably necessary, proper or advisable under applicable Laws, and execute and deliver such documents as may be required or appropriate to carry out the provisions of this Services Agreement and to consummate, perform and make effective the transactions contemplated hereby.

5.6 Title to Intellectual Property. Except as expressly provided for under the terms of this Services Agreement, each Recipient acknowledges that it shall acquire no right, title or interest (including any license rights or rights of use) in any Intellectual Property which is owned, licensed or otherwise used by any Provider or any of their respective Affiliates or any Third Party, if applicable, by reason of the provision or receipt of the services provided hereunder. Each Recipient agrees not to remove or alter any copyright, trademark, confidentiality or other proprietary notices that appear on any Intellectual Property owned, licensed or used by any Provider or any of their respective Affiliates or any Third Party, if applicable, and each Recipient agrees to reproduce any such notices on any and all copies thereof. Each Recipient agrees not to attempt to decompile, translate, reverse engineer or disassemble any Intellectual Property owned, licensed or used by any Provider or their respective Affiliates or any Third Party, if applicable, and a Recipient shall promptly notify its respective Provider of any such attempt, including by any employee or representative of such Recipient or by any Third Party, of which such Recipient becomes aware.

5.7 Certain Disbursements/Receipts. The Parties hereto contemplate that, from time to time on or after the Effective Time, a member of a Party's Group (any such member, the "Paying Party"), as a convenience to a member of the other Party's Group (the "Responsible Party"), in connection with the transactions contemplated by this Services Agreement, may make certain payments that are properly the responsibility of the Responsible Party (any such payment made, a "Disbursement"). Similarly, from time to time on or after the Effective Time, a member of a Party's Group (any such member, the "Receiving Party") may receive from Third Parties certain payments to which a member of the other Party's Group is entitled (the "Other Party"), and any such payment received, a "Receipt"). Accordingly, with respect to Disbursements and Receipts (each of which shall be subject to Section 3.4), the Parties hereto agree as follows.

(a) Disbursements.

(i) A Paying Party may request reimbursement for Disbursements made by check within seven Business Days after notice of such Disbursement has been given to the Responsible Party in writing and with mutually acceptable supporting documentation.

(ii) In case of a Disbursement by wire, if notice in writing and with mutually acceptable supporting documentation has been given by 2 p.m. of the Responsible Party's local time at least one Business Day prior to the payment of such Disbursement, the Responsible Party shall reimburse the Paying Party for the amount of such payment (in the local currency equivalent paid by the Paying Party) on the date the Disbursement is made by the Paying Party. If notice as provided above has not been given prior to the payment of such Disbursement, the Responsible Party shall reimburse the Paying Party for the amount of such payment (in the local currency equivalent paid by the Paying Party) within three Business Days after receipt by the Responsible Party of such notice from the Paying Party.

(b) Receipts. A Receiving Party shall remit Receipts to the Other Party (in the same currency as such payment is received) within three Business Days of receipt thereof.

(c) Certain Exceptions. Notwithstanding anything to the contrary set forth above, if, with respect to any particular transaction(s), it is impossible or impracticable under the circumstances to comply with the procedures set forth in subsections (a) and (b) of this Section 5.7 (including the time periods specified therein), the Parties will cooperate to find a mutually agreeable alternative that will achieve substantially similar economic results from the point of view of the Paying Party or the Other Party, as the case may be; provided, however, that if a Receiving Party cannot comply with the procedures set forth in subsection (b) of this Section 5.7 because it does not become aware of a Receipt on behalf of the Other Party in time, such Receiving Party shall remit such Receipt (without interest thereon) to the Other Party within 24 hours after it becomes aware of such Receipt.

5.8 Recipient Obligations. To the extent reasonably required to perform the services and during normal working hours, with advance notice and subject to the Recipients' site safety rules, the Recipients shall (at their own expense) provide the Providers' personnel, agents or contractors and the supervisors of such personnel with reasonable and timely access to the Recipients' office space, plants, equipment, information, premises, personnel, power, telecommunications systems and circuits, computer systems, software and any other areas and equipment. Without limiting the foregoing, the Recipients shall make accessible to the Providers, as needed, the Recipients' key users and other Recipient personnel responsible for the execution, maintenance and enhancement of processes relating to the services.

## ARTICLE 6

### FORCE MAJEURE

6.1 Force Majeure. No Provider (or any Person acting on its behalf) shall bear any responsibility or Liability for any losses arising out of any delay, hindrance, frustration, inability to perform or interruption of its performance of, obligations under this Services Agreement due to any acts or omissions of its respective Recipient or due to events beyond its reasonable control (hereinafter referred to as "Force Majeure") including acts of God, acts of a Governmental Entity, acts of a state or public enemy, acts of war or terrorism, riots, floods, fires, earthquakes, storms, severe or adverse weather conditions, epidemics, explosions, accidents, civil commotion, insurrection, labor shortages or other difficulties, lack of or shortage of electrical power, malfunctions or breakdowns of equipment or software programs, inability to obtain equipment, fuel or other materials, voluntary or involuntary compliance with any Law or

recommendation or request of any Governmental Entity or any other cause beyond the reasonable control of the Party (or member of its Group or Third Party acting on its behalf) whose performance is affected by the Force Majeure event. In such event, the obligations hereunder of such Provider in providing such service, and the obligations of its respective Recipient to pay for any such service, shall be postponed for such time as its performance is suspended or delayed on account thereof. If a Force Majeure event occurs that has an effect on the ability of a Provider to perform its obligations under this Services Agreement, then such Provider shall give prompt written notice to its respective Recipient identifying the nature of the Force Majeure event and the manner in which services will be affected.

ARTICLE 7  
INDEMNITY

7.1 Indemnity.

(a) Determination of the suitability of any services provided hereunder for the use contemplated by Recipients is the sole responsibility of Recipients, and Providers will have no responsibility in connection therewith. The Recipients assume all risk and liability arising from or relating to their use of and reliance upon the services. The liability of any Provider and its Affiliates and their respective officers, employees, directors, agents and other representatives with respect to this Services Agreement, for any act or failure to act in connection with this Services Agreement, or in connection with the performance, delivery, provision or use of any service provided under this Services Agreement, whether in contract, tort (including negligence or strict liability) or otherwise, shall be limited to the Indemnifiable Losses of the applicable Recipient arising from such Provider's willful misconduct or gross negligence; provided that in no event shall the liability exceed the fees previously paid to such Provider by such Recipient in respect of the service from which such liability flows, or to the extent the liability arises out of a Provider breaching this Services Agreement by not providing the services (or level of services) required hereunder, then the liability shall not exceed the higher of the fees previously paid to such Provider by such Recipient in respect of the service from which such liability flows or the amount that such Provider would have been paid by such Recipient for such services for the agreed-upon term of such services (not to exceed six months from the date hereof); provided further that for purposes of this Section 7.1(a), "fees" shall include only the amounts collected and retained by the applicable Provider and shall be exclusive, in each case, of any Third Party costs or fees passed through by the applicable Provider. Notwithstanding the foregoing, the limitations in this Section 7.1(a) shall not apply in respect of any liability arising out of or in connection with either Party's breaches of confidentiality under Article VIII.

(b) Each Recipient hereby agrees to indemnify its respective Provider and Affiliates thereof and their respective representatives from any and all Indemnifiable Losses resulting from an Action relating to such Provider's conduct in connection with the provision of services to such Recipient under this Services Agreement (including reasonable attorneys' fees and expenses of investigation, which fees and expenses shall be paid as incurred) except to the extent such Indemnifiable Losses arise out of the willful misconduct or gross negligence of such Provider or any of its representatives. Subject to the limitations set forth in this Services Agreement, including Section 7.1(a), each Provider hereby agrees to indemnify its respective

Recipient and Affiliates thereof from any and all Indemnifiable Losses to the extent resulting from an Action relating to such Provider's willful misconduct or gross negligence in connection with the provision of services to such Recipient under this Services Agreement. The procedures for indemnification set forth in Sections 6.4 and 6.5 of the Separation Agreement shall govern any and all claims for indemnification under this Services Agreement. The Persons entitled to indemnification pursuant to the foregoing shall be third party beneficiaries of the rights to indemnification described in this Section 7.1(b).

(c) Notwithstanding anything to the contrary contained in this Services Agreement, no Party, Provider, Recipient or any of their respective Affiliates or representatives shall be liable for any special, indirect, incidental, exemplary, punitive, consequential, remote, speculative or similar damages (including loss of profits or revenue, loss of business, interruption of business or otherwise) with respect to its performance or nonperformance hereunder, or the provision of or failure to provide any service hereunder, whether such damages or other relief are sought based on breach of contract, negligence, strict liability or any other legal or equitable relief, and each Party hereby waives on behalf of itself, its Affiliates and its representatives any claim for such damages.

(d) EACH PARTY, IN ITS CAPACITY AS A RECIPIENT, ACKNOWLEDGES (ON BEHALF OF ITSELF AND THE RECIPIENTS THAT ARE MEMBERS OF ITS GROUP) THAT (I) THE PROVIDERS ARE NOT COMMERCIAL PROVIDERS OF THE SERVICES PROVIDED HEREIN AND ARE PROVIDING THE SERVICES AS AN ACCOMMODATION AND AT A COST TO THE APPLICABLE RECIPIENT IN CONNECTION WITH THE SEPARATION AND (II) THIS SERVICES AGREEMENT IS NOT INTENDED BY THE PARTIES TO HAVE ANY APPLICABLE PROVIDER MANAGE AND OPERATE THE APERGY BUSINESS OR DOVER BUSINESS, AS APPLICABLE, IN LIEU OF THE APPLICABLE RECIPIENT. THE PARTIES AGREE THAT THE FOREGOING SHALL BE TAKEN INTO CONSIDERATION IN ANY CLAIM MADE UNDER THIS SERVICES AGREEMENT.

## ARTICLE 8

### CONFIDENTIALITY

8.1 Notwithstanding any termination of this Services Agreement, from and after the Effective Time until the date that is five years after the date of termination of the Services Agreement, the Parties shall hold, and shall cause each of their respective Subsidiaries to hold, and shall each cause their respective directors, officers, employees, agents, consultants, advisors, accountants, attorneys, or other representatives to hold, in strict confidence, and not to disclose or release or, except as otherwise permitted by this Services Agreement, use, including for any ongoing or future commercial purpose, without the prior written consent of the Party to whom the Confidential Information relates (which consent may be withheld in such Party's sole and absolute discretion, except where disclosure is required by applicable Law), any and all Confidential Information concerning the other Party (and the members of its respective Group and Business); provided, that the Parties may disclose, or may permit disclosure of, Confidential Information (i) to their respective employees or agents (including, in the case of any Provider, any Third Party engaged to provide the services hereunder) or consultants who have a need to

know such Confidential Information for the purpose of this Services Agreement and are informed of their obligation to hold such information confidential to the same extent as is applicable to the Parties and in respect of whose failure to comply with such obligations, the applicable Party will be responsible, (ii) if the Parties or any of their respective Subsidiaries are required or compelled to disclose any such Confidential Information by judicial or administrative process or by other requirements of Law or stock exchange rule or (iii) as necessary in order to permit a Party to prepare and disclose its financial statements in connection with any regulatory filings or Tax Returns; provided further, that each Party (and members of its Group as necessary) may use, or may permit use of, Confidential Information of the other Party in connection with such first Party performing its obligations, or exercising its rights, under this Services Agreement. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (ii) above, each Party, as applicable, shall promptly notify (to the extent permitted by applicable Law) the other of the existence of such request or demand and shall provide the other a reasonable opportunity to seek an appropriate protective order or other remedy, which such Parties will cooperate in obtaining to the extent reasonably practicable. In the event that such appropriate protective order or other remedy is not obtained, the Party that faces the disclosure requirement shall furnish, or cause to be furnished, only that portion of the Confidential Information that is legally required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such Confidential Information.

8.2 Notwithstanding anything to the contrary set forth herein, the Parties shall be deemed to have satisfied their obligations hereunder with respect to Confidential Information if they exercise at least the same degree of care that applies to Dover's confidential and proprietary information pursuant to policies in effect as of the Effective Time Upon the written request of a Party, the other Party shall take commercially reasonable actions to promptly (i) deliver to such requesting Party all original Confidential Information (whether written or electronic) concerning such requesting Party and/or its Subsidiaries and (ii) if specifically requested by such requesting Party, destroy any copies of such Confidential Information (including any extracts therefrom); provided, that such first Party may retain one copy of such Information to the extent required by applicable Law or professional standards, and shall not be required to destroy any such Information located in back-up, archival electronic storage. Upon the written request of such requesting Party, the other Party shall cause one of its duly authorized officers to certify in writing to such requesting Party that the requirements of the preceding sentence have been satisfied in full.

## ARTICLE 9

### MISCELLANEOUS

9.1 Complete Agreement; Construction. This Services Agreement, the Separation Agreement and the other Ancillary Agreements, and the exhibits, schedules and annexes hereto and thereto, shall constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter. In the event of any conflict between the terms and conditions of the body of this Services Agreement and the terms and conditions of any Schedule, the terms and conditions of such Schedule shall control.

Notwithstanding anything to the contrary in this Services Agreement, the Separation Agreement or any other Ancillary Agreement, in the case of any conflict between the provisions of the Separation Agreement and the provisions of any Ancillary Agreement, the provisions of the Separation Agreement shall control; provided, however, that in relation to (i) any matters concerning Taxes, the Tax Matters Agreement shall prevail over the Separation Agreement and any other Ancillary Agreement, (ii) any matters governed by the Employee Matters Agreement, the Employee Matters Agreement shall prevail over the Separation Agreement or any other Ancillary Agreement and (iii) the provision of support and other services after the Effective Time by the Apergy Group to the Dover Group, and vice versa, this Services Agreement shall prevail over the Separation Agreement or any other Ancillary Agreement.

9.2 Counterparts. This Services Agreement may be executed in more than one counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each Party and delivered to the other Party. Execution of this Services Agreement or any other documents pursuant to this Services Agreement by facsimile or other electronic copy of a signature shall be deemed to be, and shall have the same effect as, an original signature.

9.3 Survival of Agreements; Performance. Except as otherwise contemplated by this Services Agreement, all covenants and agreements of the Parties contained in this Services Agreement shall survive the Effective Time and remain in full force and effect in accordance with their applicable terms. Each Party shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any Affiliate of such Party, and with respect to any services to be provided hereunder by a Provider through a Third Party, the applicable Provider shall use commercially reasonable efforts to enforce any rights that such Provider has against such Third Party to the extent necessary to ensure that such Third Party performs such services in accordance with the terms of this Services Agreement.

9.4 Notices. All notices, requests, claims, demands and other communications under this Services Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt unless the day of receipt is not a Business Day, in which case it shall be deemed to have been duly given or made on the next Business Day) by delivery in person, by overnight courier service, by e-mail or facsimile with receipt confirmed or by registered or certified mail (postage prepaid, return receipt requested). For purposes of the giving of notice, Recipients and Providers shall be notified at the addresses listed on the Schedules hereto and Dover and Apergy shall be notified at the addresses listed below (which a Party may change by giving notice to the other Party in accordance with this Section 9.4):

If to Dover:

Dover Corporation  
3005 Highland Parkway  
Downers Grove, Illinois 60515  
Attn:  
Facsimile:  
E-Mail:

If to Apergy:

Apergy Corporation  
[address]  
Attn:  
Facsimile:  
E-Mail:

9.5 Waivers. No waiver by any Party of any provision of this Services Agreement shall be effective unless explicitly set forth in writing and executed by the Party so waiving. The failure of any Party to require strict performance by any other Party of any provision in this Services Agreement (or the waiver of a breach of any provisions of this Services Agreement) will not waive or diminish that Party's right to demand strict performance thereafter of that or any other provision hereof or otherwise operate or be construed as a waiver of any other or subsequent breach.

9.6 Amendments. This Services Agreement may not be modified or amended except by an agreement in writing signed by each of the Parties.

9.7 Successors and Assigns.

(a) The provisions of this Services Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors (by merger, acquisition of assets or otherwise) and permitted transferees and assigns to the same extent as if such successor or permitted transferees and assigns had been an original party to this Services Agreement. Notwithstanding the foregoing, this Services Agreement shall not be assignable, in whole or in part, by any Party without the prior written consent of the other Party, and any attempt to assign any rights or obligations arising under this Services Agreement without such consent shall be null and void; provided that (i) a Dover Entity may assign any or all of its rights and obligations under this Services Agreement to a direct or indirect Subsidiary of Dover and an Apergy Entity may assign any or all of its rights and obligations under this Services Agreement to a direct or indirect Subsidiary of Apergy, in each case, for so long as they remain such; provided that no such assignment shall relieve any Party of any of its obligations hereunder and (ii) a Party may assign this Services Agreement in whole in connection with a bona fide Third Party merger transaction in which such Party is not the surviving entity or the sale by such Party of all or substantially all of its Assets, and upon the effectiveness of such assignment under this clause (ii) the assigning Party shall be released from all of its obligations under this Services Agreement if the surviving entity of such merger or the transferee of such Assets shall agree in writing, in form and substance reasonably satisfactory to the other Party, to be bound by the terms of this Services Agreement as if named as a "Party" hereto.

(b) If any Provider or Recipient is not a party to this Services Agreement, then, at the request of any Party hereto, the other Party shall cause such Provider or Recipient, as applicable, to become a party hereto by executing and delivering a counterpart hereof agreeing to be bound as a Provider or Recipient, as applicable, hereunder. The failure of any Person that is receiving benefits or has obligations hereunder to execute a counterpart hereof shall not affect the enforceability of this Services Agreement against such Person or against any other Party hereto.

9.8 Third Party Beneficiaries. Except as specifically provided in this Services Agreement, this Services Agreement is solely for the benefit of the Parties and their respective Affiliates after the Effective Time and their permitted successors and assigns, and is not intended to confer upon any Person except the Parties and their respective Affiliates after the Effective Time, and their permitted successors and assigns, any rights or remedies hereunder; and there are no other third-party beneficiaries of this Services Agreement and this Services Agreement should not be deemed to confer upon Third Parties any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Services Agreement.

9.9 Title and Headings. Titles and headings to Sections and Articles are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Services Agreement.

9.10 Schedules. The Schedules attached hereto are incorporated herein by reference and shall be construed with and as an integral part of this Services Agreement to the same extent as if the same had been set forth verbatim herein.

9.11 Governing Law. This Services Agreement shall be governed by and construed in accordance with the internal Laws, and not the Laws governing conflicts of Laws (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law), of the State of New York.

9.12 Consent to Jurisdiction. Subject to the provisions of Article VIII of the Separation Agreement, each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the United States District Court for the Southern District of New York (the "New York Courts"), for the purposes of any Action to compel arbitration or for provisional relief in aid of arbitration in accordance with Article VIII of the Separation Agreement or for provisional relief to prevent irreparable harm, and to the non-exclusive jurisdiction of the New York Courts for the enforcement of any award issued thereunder. Each of the Parties further agrees that service of any process, summons, notice or document by United States registered mail to such Party's respective address set forth in Section 9.4 shall be effective service of process for any Action in the New York Courts with respect to any matters to which it has submitted to jurisdiction in this Section 9.12. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any Action arising out of this Services Agreement or the transactions contemplated hereby in the New York Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Action brought in any such court has been brought in an inconvenient forum.



9.13 Dispute Resolution; Continuation of Services Pending Outcome of Dispute. Except with respect to disputes covered by Sections 3.6(c) and 3.6(d), the resolution of any dispute between the Parties with respect to this Services Agreement shall be governed by the provisions of the Separation Agreement with respect to the resolution of disputes, including the provisions of Article VIII of the Separation Agreement. Notwithstanding the existence of any dispute between the Parties, no Provider shall discontinue the supply of any service provided for herein, unless so provided in an arbitral determination that the respective Recipient is in default of obligation under this Services Agreement.

9.14 Specific Performance. The Parties agree that irreparable damage would occur in the event that the provisions of this Services Agreement were not performed in accordance with their specific terms. Accordingly, subject to Section 9.13 it is hereby agreed that the Parties shall be entitled to (i) an injunction or injunctions to enforce specifically the terms and provisions hereof in any arbitration in accordance with Article VIII of the Separation Agreement, (ii) provisional or temporary injunctive relief in accordance therewith in any New York Court, and (iii) enforcement of any such award of an arbitral tribunal or a New York Court in any court of the United States, or any other any court or tribunal sitting in any state of the United States or in any foreign country that has jurisdiction, this being in addition to any other remedy or relief to which they may be entitled.

9.15 Waiver of Jury Trial. SUBJECT TO SECTIONS 9.12, 9.13 AND 9.14, EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY COURT PROCEEDING PERMITTED HEREUNDER. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS SEPARATION AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS SEPARATION AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.15.

9.16 Severability. In the event any one or more of the provisions contained in this Services Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and the Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

9.17 Construction. The Parties have participated jointly in the negotiation and drafting of this Services Agreement. This Services Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

9.18 Authorization. Each of the Parties hereby represents and warrants that it has the power and authority to execute, deliver and perform this Services Agreement, that this Services Agreement has been duly authorized by all necessary corporate action on the part of such Party, that this Services Agreement constitutes a legal, valid and binding obligation of each such Party enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting creditors' rights generally and general equity principles.

9.19 Independent Contractors. The Parties each acknowledge that they are separate entities, each of which has entered into this Services Agreement for independent business reasons. The relationships of the Parties hereunder (and the respective Providers and Recipients) are those of independent contractors and nothing contained herein shall be deemed to create a joint venture, partnership or any other relationship. Employees performing services hereunder do so on behalf of, under the direction of, and as employees of, the Provider, and the Recipient shall have no right, power or authority to direct such employees.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the duly authorized officers or representatives of the parties hereto have duly executed this Services Agreement as of the date first written above.

DOVER CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

APERGY CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Transition Services Agreement]

TAX MATTERS AGREEMENT

Between

DOVER CORPORATION

on behalf of itself

and the DOVER AFFILIATES

and

APERGY CORPORATION

on behalf of itself

and the APERGY AFFILIATES

This Tax Matters Agreement (the "Agreement") is entered into as of the [ ] day of [ ], 2018, between Dover Corporation ("Dover"), a Delaware corporation, and Apergy Corporation ("Apergy"), a Delaware corporation.

#### R E C I T A L S:

WHEREAS, the board of directors of Dover has determined that it is appropriate and advisable to: (i) separate the Apergy Business (defined below) from Dover's remaining businesses (the "Separation"), which will include the separation of the assets (including interests in intangible assets and stock of subsidiaries) used in connection with the Apergy Business from the remaining assets of the Dover Group through various contributions and distributions leading to the transfer of such assets to Apergy (the "Contribution"); and (ii) following the Contribution, a distribution, on a pro rata basis, to holders of common shares, par value \$1.00 per share, of Dover of all of the outstanding shares of common stock, par value \$0.01 per share, of Apergy owned by Dover (the "Distribution") (the date of such Distribution, the "Distribution Date");

WHEREAS, Dover and Apergy intend that the Contribution and Distribution and certain other transactions effected as part of the Separation qualify as Tax-free under Sections 355 and 361 of the Internal Revenue Code of 1986, as amended (the "Code") and the treasury regulations thereunder ("Treasury Regulations"), and that certain internal transactions undertaken in anticipation of the Contribution and Distribution qualify for Tax-free status, as set forth in one or more Tax Opinions (defined below) or Tax Rulings (defined below);

WHEREAS, as of the date hereof and prior to the completion of the Distribution, Dover is the common parent of an affiliated group of domestic corporations, including Apergy, that has elected to file consolidated U.S. federal income Tax Returns (defined below) and, as a result of the Distribution, neither Apergy nor any of its Affiliates (defined below) will be a member of such group after the close of the Distribution Date;

WHEREAS, Dover and Apergy desire to allocate the responsibilities for various Taxes (defined below) of the Dover Group (defined below) and the Apergy Group (defined below) for periods prior to and after the Distribution; and

WHEREAS, Dover and Apergy desire to allocate the responsibilities for certain Tax liabilities incurred in connection with the transactions involved in the Separation, Contribution and Distribution, including transactions occurring after the Effective Time.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, Dover and Apergy (each on behalf of itself, each of its Affiliates as of the Effective Time, and its future Affiliates) hereby agree as follows:

#### ARTICLE I

##### DEFINITIONS

Section 1.01 **Definitions**. Reference is made to Section 5.16 of this Agreement regarding the interpretation of certain words and phrases used in this Agreement. Capitalized terms used in this Agreement and not defined in this Section 1.01 shall have the meanings assigned to them in the Distribution Agreement (defined below). In addition, for the purpose of this Agreement, the following terms shall have the meanings set forth below.

“Affiliate” means, when used with respect to a specified Person, a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For the purposes of this definition and the definition of “Subsidiary”, “control” (including the correlative meanings “controlled by” and “under common control with”), when used with respect to any specified Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by Contract or otherwise. From and after the Effective Time, and for purposes of this Agreement and the Ancillary Agreements, no Party or member of its Group shall be deemed to be an Affiliate of the other Party or such other Party’s Group solely by reason of having one or more directors in common or by reason of having been under common control of Dover or Dover’s stockholders prior to, or in the case of Dover’s stockholders, after, the Effective Time.

“After-Tax Amount” means, with respect to any payment under this Agreement, an additional amount necessary to reflect the increase in Tax that would result from the receipt or accrual of any payment, using the maximum statutory rate (or rates, in the case of an item that affects more than one Tax) applicable to the recipient of such payment (as increased by the After-Tax Amount) for the relevant taxable periods, whether or not an actual increase occurs, and reflecting any Tax savings available to the recipient.

“Agreement” has the meaning set forth in the Preamble.

“Ancillary Agreements” shall mean all of the written Contracts or other arrangements (other than this Agreement and other than any Contract to which a Third Party is a party) entered into by any member of the Dover Group, on the one hand, and any member of the Apergy Group, on the other hand, in connection with the Separation, the Distribution or the other transactions contemplated hereby, including the Transfer Documents, the Reorganization Documents, the Distribution Agreement, the Transition Services Agreement, the Employee Matters Agreement and the Continuing Arrangements.

“Apergy” has the meaning set forth in the Preamble.

“Apergy Assets” has the meaning set forth in the Distribution Agreement.

“Apergy Business” has the meaning set forth in the Distribution Agreement.

“Apergy Group” means Apergy and each Person identified on Schedule 1.1(19) of the Distribution Agreement, and each Person who is or becomes an Affiliate of Apergy at or after the Effective Time.

“Apergy Taxes” has the meaning ascribed to such term in Section 2.01(b).

“Applicable Corporation” has the meaning has the meaning ascribed to such term in Section 4.02(a)(iii).

“Business Day” has the meaning set forth in the Distribution Agreement.

“Business Entity” has the meaning set forth in the Distribution Agreement.

“Code” has the meaning ascribed to such term in the second WHEREAS clause hereof.

“Consents” has the meaning set forth in the Distribution Agreement.

“Continuing Arrangements” has the meaning set forth in the Distribution Agreement.

“Contract” has the meaning set forth in the Distribution Agreement.

“Contribution” has the meaning ascribed to such term in the first WHEREAS clause hereof.

“Corresponding Portion of the Tax Detriment” means the product of the Tax Detriment and a fraction the numerator of which is the amount of the related Tax Benefit for a taxable period and the denominator of which is the sum of the related Tax Benefits for all of the relevant taxable periods.

“Covered Transaction Tax” means (i) liabilities sustained by Dover or Apergy as a result of the Distribution failing to qualify as Tax-free to the Dover shareholders pursuant to Section 355(a) of the Code; and (ii) federal, state, local, and foreign Tax imposed by any Tax Authority on Dover or any Dover Affiliate or Apergy or any Apergy Affiliate as a result of (x) the failure of any of the transactions described in any Tax Opinion (including each Internal Distribution) to be treated as provided in such opinion; or (y) the failure of any of the Ruling Transactions to be treated as provided in such rulings; and (iii) any other Indemnifiable Losses incurred by a member of the Dover Group or the Apergy Group (determined after the Separation) in connection with the liabilities or Taxes described in subclauses (i) and (ii) (each of subclauses (i) through (iii), a “Covered Transaction Tax”).

“Determination” means (i) with respect to U.S. federal income Taxes, a “determination” as defined in Section 1313(a) of the Code and, with respect to Taxes other than U.S. federal income Taxes, any decision, judgment, decree or other order by a court of competent jurisdiction that, under applicable Law, is not subject to further appeal, review or modification through proceedings or otherwise; (ii) the execution of an IRS Form 870-AD (or successor form) or other closing agreement or accepted offer in compromise under Sections 7121 or 7122 of the Code, or a comparable agreement under the Laws of a state, local, or foreign taxing jurisdiction; (iii) a final settlement resulting from a competent authority determination; (iv) any other final disposition, by mutual agreement of the Parties or by reason of the expiration of a statute of limitations or period for the filing of claims for refunds, amended Tax Returns, or appeals from adverse determinations; or (v) the payment of, or incurring liability for, Tax with respect to which the Party responsible for such Tax under this Agreement determines that no action should be taken to recoup such payment or contest such liability.

“Distribution” has the meaning ascribed to such term in the first WHEREAS clause hereof.

“Distribution Agreement” means the Separation and Distribution Agreement entered into by and between Dover and Apergy on the date hereof, as the same may be amended.

“Distribution Date” has the meaning ascribed to such term in the first WHEREAS clause hereof.

“Dover” has the meaning set forth in the Preamble.

“Dover Group” means (i) Dover and each of its Subsidiaries immediately following the Effective Time and (ii) each other Person who is or becomes an Affiliate of Dover at or after the Effective Time, in each case, for the avoidance of doubt, other than the members of the Apergy Group.

“EMA” means the Employee Matters Agreement, as defined in the Distribution Agreement.

“Effective Time” has the meaning set forth in the Distribution Agreement.

“Employment Taxes” means withholding, payroll, social security, workers compensation, unemployment, disability, and other similar taxes together with any interest, penalties, additions to tax, or additional amounts with respect thereto imposed by any Tax Authority on any taxpayer or consolidated, combined, or unitary group of taxpayers.

“Filing Group” means (i) the Dover Group in the case of a Tax Return required to be filed by a member of the Dover Group (determined following the Separation) under applicable Law, or (ii) the Apergy Group in the case of a Tax Return required to be filed by a member of the Apergy Group under applicable Law.

“Filing Group Parent” means (i) Dover, in the case the Dover Group is the Filing Group, or (ii) Apergy, in the case the Apergy Group is the Filing Group.

“Group” means the Dover Group or the Apergy Group, as applicable.

“Governmental Entity” has the meaning set forth in the Distribution Agreement.

“Indemnified Party” has the meaning ascribed to such term in Section 5.19(a).

“Indemnifiable Loss” has the meaning set forth in the Distribution Agreement.

“Indemnifying Party” has the meaning ascribed to such term in Section 5.19(a).

“Internal Distribution” means any distribution described in any Tax Ruling or Tax Opinion of the stock of a foreign or U.S. subsidiary, other than the Distribution, for which rulings or opinions were requested and that was purported or intended to qualify, in whole or in part, as tax-free to the distributing corporation under Sections 355(c) and/or Section 361(c) of the Code.

“IRS” means the United States Internal Revenue Service.



“Law” has the meaning set forth in the Distribution Agreement.

“Liabilities” shall mean all obligations, responsibilities, response actions, losses, damages (whether compensatory, punitive, consequential, incidental, treble or other), fines, penalties and sanctions, whether absolute or contingent, matured or unmatured, liquidated or unliquidated, foreseen or unforeseen, reserved or unreserved, joint, several or individual, asserted or unasserted, accrued or unaccrued, known or unknown, determined or determinable, whenever and however arising, including those arising under or in connection with any Law or other pronouncements of Governmental Entities having the effect of Law, Actions, threatened Actions, order or consent decree of any Governmental Entity or any award of any arbitration tribunal, and those arising under any Contract, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, or otherwise, and including any costs, expenses, interest, attorneys’ fees, disbursements and expenses of counsel, expert and consulting fees and costs related thereto or to the investigation or defense thereof, and whether or not the same would be required by generally accepted accounting principles and accounting policies to be reflected in financial statements or disclosed in the notes thereto.

“Non-Filing Group” means (i) the Apergy Group, in the case of a Tax Return required to be filed by a member of the Dover Group (determined following the Separation) under applicable Law, or (ii) the Dover Group, in the case of a Tax Return required to be filed by a member of the Apergy Group under applicable Law.

“Non-Filing Group Parent” means (i) Dover, in the case where the Dover Group is the Non-Filing Group, and (ii) Apergy, in the case where the Apergy Group is the Filing Group.

“Parties” means the parties to this Agreement.

“Past Practices” has the meaning ascribed to such term in Section 2.04(e).

“Person” has the meaning set forth in the Distribution Agreement.

“Post-Distribution Period” means any taxable period or portion of a taxable period beginning after the Distribution Date.

“Pre-Distribution Period” means any taxable period or portion of a taxable period ending on or before the Distribution Date.

“Prime Rate” has the meaning set forth in the Distribution Agreement.

“Privilege” means any privilege that may be asserted under applicable Law, including any privilege arising under or relating to the attorney-client relationship (including the attorney-client and work product privileges), the tax practitioner privilege and any privilege relating to internal evaluation processes.

“PTI” has the meaning ascribed to such term in Section 2.01(b)(i)(B)(II).

“Remitting Party” has the meaning ascribed to such term in Section 5.19(b).

“Reorganization Documents” has the meaning set forth in the Distribution Agreement.

“Responsible Party” has the meaning ascribed to such term in Section 5.19(b).

“Ruling Transactions” means the transactions described in the Tax Rulings.

“Section 336(e) Election” has the meaning set forth in Section 4.04.

“Section 355(e) Event” means, with respect to a member of the Dover Group or the Apergy Group, any event after the Distribution involving a direct or indirect acquisition by one or more Persons of a 50% or greater interest, within the meaning of Section 355(e)(2)(A)(ii), of Stock Interests of any member of the Dover Group or of assets of any member of the Dover Group, or of any member of the Apergy Group or of assets of any member of the Apergy Group, respectively, that causes the Distribution or any Internal Distribution to be a taxable event to any member of the Dover Group as the result of the application of Section 355(e) or (f) of the Code.

“Separation” has the meaning ascribed to such term in the first WHEREAS clause hereof.

“Specified Action” has the meaning ascribed to such term in Section 4.02(a).

“Straddle Period” means any taxable period beginning on or before the Distribution Date and ending after the Distribution Date.

“Stock Interests” means (a) all classes or series of outstanding capital stock or other equity (and instruments treated as equity) of an issuer for U.S. federal income tax purposes, and (b) all options, warrants and other rights to acquire such stock or equity.

“Subsidiary” means with respect to any Person (i) a corporation, fifty percent (50%) or more of the voting or capital stock of which is, as of the time in question, directly or indirectly owned by such Person and (ii) any other Business Entity in which such Person, directly or indirectly, owns fifty percent (50%) or more of the equity or economic interest thereof or has the power to elect or direct the election of fifty percent (50%) or more of the members of the governing body of such entity or otherwise has control over such entity (e.g., as the managing partner of a partnership).

“Tax” means: (i) any income, net income, gross income, gross receipts, profits, capital stock, franchise, property, ad valorem, stamp, excise, severance, occupation, service, sales, use, license, lease, transfer, import, export, customs duties, value added, alternative minimum, estimated or other similar tax (including any fee, assessment, or other charge in the nature of or in lieu of any tax) together with any interest, penalties, additions to tax or additional amounts with respect thereto imposed by any Tax Authority on any taxpayer or consolidated, combined or unitary group of taxpayers; (ii) any Employment Tax; and (iii) any unclaimed property or property subject to escheatment, together with any interest or penalties with respect thereto. For this purpose, “unclaimed property” or “property subject to escheatment” means property subject to custody under any unclaimed property Law including any credit account carried on the books and records of any member of the Dover Group or the Apergy Group including uncashed employee pay checks, uncashed checks to vendors, customer overpayments or credits, unused gift certificates, unidentified remittances, and any other similar account with a credit balance.

“Tax Attributes” means net operating losses, capital losses, earnings and profits, overall foreign losses, previously taxed income, separate limitation losses, and all other tax attributes.

“Tax Authority” means, with respect to any Tax, the Governmental Entity or political subdivision thereof that imposes such Tax, and the agency (if any) charged with the collection of such Tax for such entity or subdivision.

“Tax Benefit” means the reduction in Tax that should result from any item of loss, deduction (including from depreciation or amortization), or credit (or any other item), whether or not an actual reduction in Tax occurs, including any interest with respect thereto or interest that would have been payable but for such item, net of any Tax on such interest. For purposes of calculating the amount of any Tax Benefit, the maximum statutory rate (or rates, in the case of an item that affects more than one Tax) applicable to each item of income, gain, loss, deduction, or credit (or any other item) shall be used.

“Tax Contest” means an audit, review, examination, or any other administrative or judicial proceeding with the purpose or effect of redetermining any Tax (including any administrative or judicial review of any claim for refund).

“Tax Detriment” means the increase in Tax that should result from any item of income or gain (or any other item), whether or not an actual increase in Tax occurs, including any interest with respect thereto, net of any Tax savings attributable to such interest. For purposes of calculating the amount of any Tax Detriment, the maximum statutory rate (or rates, in the case of an item that affects more than one Tax) applicable to each item of income, gain, loss, deduction, or credit (or any other item) shall be used.

“Tax Opinion” means any opinion on the United States federal income taxation of certain matters involved in the Separation, Contribution and the Distribution and related transactions provided by McDermott Will & Emery LLP to Dover.

“Tax Records” means all records relating to any Tax, including Tax Returns, journal vouchers, cash vouchers, general ledgers, material contracts, Tax Return workpapers and schedules, appraisal reports, authorizations for expenditures, and documents relating to rulings or other Determinations by any Tax Authority.

“Tax Return” means any report of Tax due, any claims for refund of Tax paid, any information return with respect to Tax, any election made with respect to Tax, or any other similar report, statement, declaration, or document required to be filed under the Code or other Law with respect to Tax, including any attachments, exhibits, or other materials submitted with any of the foregoing, and including any amendments or supplements to any of the foregoing for any taxpayer or consolidated, combined, or unitary group of taxpayers.

“Tax Ruling” means each ruling issued by a Tax Authority pursuant to a ruling request filed on behalf of Dover and/or an Affiliate of Dover (including for this purpose an member of the Apergy Group) prior to the Effective Time with respect to a transaction or transactions undertaken in connection with the Separation, Contribution and Distribution, together with all supplemental filings and exhibits thereto.

“Third Party” has the meaning set forth in the Distribution Agreement.

“Transfer Documents” has the meaning set forth in the Distribution Agreement.

“Transition Services Agreement” has the meaning set forth in the Distribution Agreement.

“Transition Tax” means any Tax resulting from the treatment of accumulated post-1986 deferred foreign income as Subpart F income pursuant to Section 965 of the Code.

“Treasury Regulations” has the meaning ascribed to such term in the second WHEREAS clause hereof.

## ARTICLE II RESPONSIBILITY FOR TAX

Section 2.01 **Responsibility for Tax**. Subject to the terms and conditions of Schedule 2.01 hereof:

(a) Except as specifically provided in any of the agreements contemplated by the Distribution Agreement, including the EMA with respect to Employment Taxes, Dover shall be responsible for, and shall indemnify and hold harmless the Apergy Group from any liability for (i) any Taxes of Dover or any of its Affiliates (determined before the Separation) for any Pre-Distribution Period and, with respect to a Straddle Period, the portion of such period ending on the Distribution Date; and (ii) any Covered Transaction Tax for which Dover is responsible under Section 3.01(a), in each case other than Taxes or other amounts for which Apergy is responsible under Section 2.01(b).

(b) Except as specifically provided in any of the agreements contemplated by the Distribution Agreement, including the EMA with respect to Employment Taxes, Apergy shall be responsible for, and shall indemnify and hold harmless the Dover Group from any liability for (i) the amount of Taxes attributable to any member of the Apergy Group for any taxable period, including (A) any Tax imposed by any Tax Authority on a member of the Apergy Group for any taxable period including Employment Taxes imposed on Apergy or any Apergy Affiliate as a transferee of employees of any member of the Dover Group in connection with the Separation, and (B) (I) any Transition Tax imposed on the Dover Group resulting from accumulated post-1986 deferred foreign income of non-U.S. members of the Apergy Group; and (II) any Transition Tax imposed on the Dover Group resulting from accumulated post-1986 deferred foreign income of non-U.S. members of the Dover Group that corresponds with previously taxed earnings and profits (within the meaning of Section 959 of the Code) (“PTI”) of such non-U.S. members of the Dover Group allocated to the Apergy Group pursuant to Section 2.02(c)(ii); each of the amounts of Transition Tax described in this Section 2.01(b)(i)(B) shall be determined by Dover in its sole discretion in accordance with general tax principles as provided in Appendix A; (ii) one-half of the aggregate amount of Taxes (including income Taxes) imposed on a member of the Dover Group or the Apergy Group (determined following the Separation) arising from, or attributable to, any direct or indirect transfer of assets (including

stock) or liabilities in the Separation (other than a Covered Transaction Tax) and including such transfers contemplated to occur after the Effective Time other than such amounts recoupable by a member of the Dover Group; (iii) any Covered Transaction Tax for which Apergy is responsible under Section 3.01(b); (iv) any Tax (other than a Covered Transaction Tax) imposed on Dover or a Dover Affiliate as a result of an action undertaken, or a failure to act, by Apergy or a Apergy Affiliate after the Effective Time (other than resulting from a Tax Contest); and (v) except to the extent related to a Covered Transaction Tax, any gain recognized or recapture of income (including under any gain recognition agreement entered into by Dover or any Dover Affiliate in accordance with Treasury Regulations Section 1.367(a)-8) in relation to an action, or failure to act, of a member of the Apergy Group arising under any Tax Law. All items for which Apergy is responsible under this Section 2.01(b) shall be referred to as "Apergy Taxes." For the avoidance of doubt, the inclusion or taking into account of any income or gain by Dover or any Dover Affiliate or Apergy or any Apergy Affiliate under Treasury Regulations Sections 1.1502-13 or 1.1502-19 (or any corresponding provisions of other applicable Tax Laws) as a result of the Separation and Distribution (other than as a result of income or gain arising in a Covered Transaction Tax) shall be considered the occurrence of an event for which the relevant Party is entitled to receive indemnification pursuant to Section 2.01(b)(ii). For purposes of this Section 2.01(b)(i) and (ii), the amount of Taxes for which Apergy is responsible shall not include any amounts that have previously been taken into account as a reduction of the Apergy Assets transferred pursuant to Section 2.2(a) of the Distribution Agreement.

(c) The amount of Taxes attributable to the Apergy Group or the Dover Group (i.e., the Non-Filing Group) in the Tax Return filed by a member of the other group (i.e., the Filing Group) will be determined by treating the Non-Filing Group as if it filed the relevant Tax Return on a standalone basis in a manner consistent with Past Practices, using the maximum statutory tax rate in effect for the taxable period and utilizing only the tax losses and other Tax Attributes of such Non-Filing Group reflected on the Filing Group's Tax Return for the taxable period in question which produces a Tax Benefit during such taxable period to the Filing Group. Notwithstanding the foregoing, for purposes of determining the amount of Taxes attributable to the Apergy Group under Section 2.01(b) upon a Determination (other than as a result of the expiration of the statute of limitations) with respect to any Tax Return for which the Apergy Group is the Non-Filing Group, the amount of such Taxes shall be determined pursuant to Section 2.02(b)(v).

(d) The Tax incurred in Straddle Periods shall be separated into a Pre-Distribution Period and a Post-Distribution Period by treating the day including the Effective Time as the termination of the Pre-Distribution Period and the day immediately following the day including the Effective Time as the commencement of the Post-Distribution Period, whether or not allowed under applicable Law, and the Tax attributable to the Non-Filing Group for the Pre-Distribution Period shall be determined by applying the principles of Section 2.01(c).

#### **Section 2.02 Refunds, Tax Benefits, and Other Allocations**

(a) Refunds and Carrybacks.

(i) Dover Refunds. Except as provided in Section 2.02(a)(iv) below, Dover shall be entitled to all refunds (including refunds paid by means of a credit against other or future Tax liabilities) with respect to any Tax for which Dover is responsible under Section 2.01.

(ii) Apery Refunds. Except as provided in Section 2.02(a)(iv) below, Apery shall be entitled to all refunds (including refunds paid by means of a credit against other or future Tax liabilities) with respect to any Tax for which Apery is responsible under Section 2.01 other than for a Tax Return for a taxable period for which the Dover Group is the Filing Group.

(iii) Payment of Refunds. Except as provided in Section 2.02(a)(iv), Apery shall forward to Dover, or reimburse Dover for, any refunds due Dover (pursuant to the terms of this Section 2.02(a)) after receipt thereof (less any Tax Detriment attributable to such refunds), and Dover shall forward to Apery, or reimburse Apery for, any refunds due Apery (pursuant to the terms of this Section 2.02(a)) after receipt thereof (less any Tax Detriment attributable to such refunds). In the case of a refund received in the form of a credit against other or future Tax liabilities, reimbursement with respect to such refund shall be due in each case within thirty (30) days after the due date for payment of the Tax against which such refund has been credited. Any payment required to be made pursuant to this Section 2.02(a)(iii) shall be made within thirty (30) days of the receipt of the refund. If Dover reasonably so requests, Apery, at Dover's expense, shall file for and pursue any refund to which Dover is entitled under this Section 2.02(a), provided that the foregoing does not have a material adverse impact on the Apery Group, as reasonably determined by Apery. If Apery reasonably so requests, Dover, at Apery's expense, shall file for and pursue any refund to which Apery is entitled under this Section 2.02(a), provided that the foregoing does not have a material adverse impact on the Dover Group, as reasonably determined by Dover. The Party making a payment pursuant to this Section 2.02(a)(iii) must deliver with the payment a statement describing in reasonable detail the basis for the calculation of the amount being paid.

(iv) Carrybacks.

(1) The Non-Filing Group shall be entitled to any refund of, or credit against, the Filing Group's Tax for a Pre-Distribution Period resulting from carrying back any item of loss, deduction or credit that arises in any Post-Distribution Period of the Non-Filing Group only to the extent that (A) the Filing Group has no item of loss, deduction, or credit that can be carried back to such taxable period and (B) such carryback does not have a material adverse impact on the Filing Group, as reasonably determined by the Filing Group. If the Filing Group receives any such refund (or benefit of such credit), it shall pay the portion thereof to which Non-Filing Group is entitled within thirty (30) days of the later of (C) a Determination with respect to the Filing Group's Tax for such Pre-Distribution Period or (D) a Determination with respect to the Non-Filing Group's Tax for the Post-Distribution Period that gave rise to the refund received by the Filing Group (or to the credit against the Filing Group's Tax); provided, however, that if the Non-Filing Group Parent provides the Filing Group Parent with a letter of credit in a form reasonably acceptable to the Filing Group Parent and issued by a major money center commercial bank reasonably acceptable to the Filing Group Parent not expiring before the later of clause (C) or (D) of this Section 2.02(a)(iv)(1), then the Filing Group Parent shall pay to the Non-Filing Group Parent that portion of the refund (or credit against Tax) covered by the letter of credit no later than thirty (30) days after receipt of the refund (or, in the case of a credit, the filing of the Tax Return that includes such credit) or of the letter of credit, whichever is later.

(2) If the Non-Filing Group has a loss or other Tax Attribute for any Post-Distribution Period that is to be carried back to any Pre-Distribution Period, the Non-Filing Group Parent shall notify the Filing Group Parent that such item should be carried back. Such notification shall include a description in reasonable detail of the grounds for the refund and the amount thereof, and a certification by an appropriate officer of the Non-Filing Group Parent setting forth the Non-Filing Group's belief, based on a thorough examination of the facts and Tax Law relating to the intended Tax treatment of such item, that (A) the intended Tax treatment of such item is supported by "substantial authority" within the meaning of Section 6662 of the Code (and the Treasury Regulations thereunder) or, where applicable, any analogous provision of state, local or foreign Law and (B) the transaction has economic substance for purposes of Section 7701 of the Code and any analogous provision of state, local or foreign Law. The Filing Group Parent, at the Non-Filing Group Parent's expense, shall cooperate with the Non-Filing Group in connection with the filing and processing of any Non-Filing Group carryback and shall provide the Non-Filing Group Parent with copies of all correspondence related thereto.

(3) If the Filing Group Parent pays any amount to the Non-Filing Group Parent under Section 2.02(a)(iv)(1) and, as a result of a subsequent Determination, the Non-Filing Group is not entitled to all or any part of such amount, the Filing Group Parent shall notify the Non-Filing Group Parent of the amount to be repaid to the Filing Group Parent and provide a description in reasonable detail of the manner in which such amount was calculated. The Non-Filing Group Parent shall pay such amount to the Filing Group Parent within thirty (30) days of such notification.

(4) Any payment required to be made by the Filing Group Parent pursuant to this Section 2.02(a)(iv) shall bear interest at the Prime Rate plus two percent from the date a refund is received by Filing Group. Any payment required to be made by the Non-Filing Group Parent pursuant to this Section 2.02(a)(iv) shall bear interest at the Prime Rate plus two percent beginning thirty (30) days after the Filing Group Parent notifies the Non-Filing Group Parent of the amount to be repaid. Such interest shall be paid at the same time as the payment to which it relates.

(b) Effect of Audit Adjustments.

Notwithstanding Section 2.01 —

(i) Payments by Apergy to Dover. Except as provided in Section 3.01(b), if as a result of a Determination, any adjustment shall be made to any Tax Return for a taxable period relating, in whole or in part, to Tax for which any member of the Dover Group (determined following the Separation) is responsible, and if such adjustment results in both (x) a Tax Detriment to any member of the Dover Group for the taxable period and (y) a Tax Benefit to any member of the Apergy Group for any taxable period, then Apergy shall pay to Dover an amount equal to the lesser of the Tax Benefit for each taxable period and the Corresponding Portion of the Tax Detriment. For the avoidance of doubt, this Section 2.02(b)(i) shall apply to

any adjustment under Section 482 of the Code or any similar provisions by any Tax Authority increasing the amount of payments received or deemed received by any member of the Dover Group from any member of the Apergy Group. For purposes of determining the Tax Benefit, the Tax Benefit shall be calculated based solely on the Tax Benefit realized by the relevant Apergy Group member directly affected by the Determination.

(ii) Payments by Dover to Apergy. If as a result of a Determination, any adjustment shall be made to any Tax Return for a taxable period relating, in whole or in part, to Tax for which any member of the Apergy Group is responsible, and if such adjustment results in both (x) a Tax Detriment to any member of the Apergy Group for the taxable period and (y) a Tax Benefit to any member of the Dover Group for any taxable period, then Dover shall pay to Apergy an amount equal to the lesser of the Tax Benefit for such taxable period and the Corresponding Portion of the Tax Detriment. For the avoidance of doubt, this Section 2.02(b)(ii) shall apply to any adjustment under Section 482 of the Code or any similar provisions by any Tax Authority increasing the amount of payments received or deemed received by any member of the Apergy Group from any member of the Dover Group. For purposes of determining the Tax Benefit, the Tax Benefit shall be calculated based solely on the Tax Benefit realized by the relevant Dover Group member directly affected by the Determination.

(iii) Payments by Apergy to Dover with respect to a Combined, Unitary, or Similar Tax. Notwithstanding any other provision of this Section 2.02(b), if as a result of a Determination, any member of the Dover Group incurs a Tax Detriment for a taxable period resulting from a combination of one or more members of the Dover Group with one or more members of the Apergy Group in a jurisdiction (for example, through a combined, unitary, or similar Tax), where such members filed (or are deemed to have filed) Tax Returns without such combination in such jurisdiction for such taxable period, then Apergy shall pay Dover the amount of any such Tax Detriment. For purposes of this Section 2.02(b)(iii), Tax Detriment shall be calculated using a "with and without" methodology.

(iv) Timing of Payments. Any payment required to be made pursuant to this Section 2.02(b), shall be made the later of (x) thirty (30) days after the Determination that results in such payment pursuant to this Section 2.02(b) and (y) the earlier of (I) the due date of the Tax Return that includes the Tax Benefit that gives rise to the requirement for such payment and (II) the date the Tax Benefit is recognized in the financial statements of the Party making the payment.

(v) Determination of Tax Detriment. Notwithstanding any other provision of this Agreement (except for Section 2.02(b)(iii)), the amount of a Tax Detriment with respect to income taxes attributable to the Apergy Group as a result of a Determination with respect to a Tax Return for a taxable period that includes both members of the Apergy Group and Dover Group (determined following the Distribution) shall be the aggregate of the adjustments to income of members of the Apergy Group resulting from such Determination (whether positive or negative) multiplied by the maximum statutory tax rate in effect for the taxable period in the relevant jurisdiction also taking into account adjustments of Tax credits in such Determination; provided, however, that (x) in no event shall such Tax Detriment be less than zero and (y) any Tax Detriment to any member of the Apergy Group for a taxable period attributable to a combination of one or more members of the Dover Group with one or more members of the Apergy Group in a jurisdiction, where such members filed Tax Returns without such combination in such jurisdiction for such taxable period, shall be borne by the Apergy Group.



(c) Other Allocations

(i) Research and Experimentation Credit Base Period. Dover shall reasonably make the allocations to Apergy required under Section 41(f)(3) of the Code and inform Apergy of such allocations. Apergy agrees that it shall not file any Tax Return that is inconsistent with the amount of qualified research expenditures and gross receipts allocated to it by Dover.

(ii) Allocation of Earnings and Profits (including PTI). The allocation of earnings and profits (including PTI) between Dover and Apergy in the case of the Distribution and between their Affiliates in the case of any Internal Distribution shall be reasonably determined by Dover pursuant to Section 312(h) of the Code and the relevant Treasury Regulations under the Code. Dover shall provide the allocation of earnings and profits (including PTI) to Apergy within ninety days after the Distribution Date.

(iii) Treatment of Tax Attributes. Dover shall in good faith allocate the Tax Attributes for the Pre-Distribution Period and the Straddle Period between the Dover Group and the Apergy Group in accordance with the Code and Treasury Regulations (and any applicable state, local and foreign Law), and shall in good faith advise Apergy in writing of the portion, if any, of the Tax Attributes which Dover determines shall be allocated or apportioned to the Apergy Group under applicable Law. Apergy and all members of the Apergy Group shall prepare all Tax Returns in accordance with such written notice. In the event that any temporary or final amendments to Treasury Regulations or any other applicable Law are promulgated after the date of this Agreement that provide for any election that would affect the preparation of any Tax Return which affects both a member of the Dover Group and a member of the Apergy Group and applies such regulations retroactively, then any such election shall be made only to the extent that Dover and Apergy collectively agree to make such election. As soon as practicable after receipt of a written request from Apergy, Dover shall provide copies of any studies, reports, and workpapers supporting the Tax Attributes, including earnings and profits, allocable to the Apergy Group. For the avoidance of doubt, Dover shall not be liable to Apergy or any member of the Apergy Group for any failure of any determination under this Section 2.02(c) to be accurate under applicable Law.

(iv) Revised Allocations. The allocations made under this Section 2.02(c) shall be revised by Dover to reflect each subsequent Determination that affects such allocations for any Pre-Distribution Period. Each revised calculation shall be provided to Apergy within 120 days of the Determination to which the revision relates.

(v) Review of Allocations. Apergy shall have the right to review the accuracy, but not the methodology, of any allocation made under this Section 2.02(c). Apergy shall notify Dover of any disagreement within forty-five (45) days of being notified of any allocation. Any dispute shall be resolved pursuant to the procedures provided by this Agreement.

**Section 2.03 Option Deductions.** The member of the Dover Group or the Apergy Group for which the relevant individual is currently employed or, if such individual is not currently employed by a member of either group, was most recently employed, at the time of the vesting, exercise, disqualifying disposition, payment or other relevant taxable event, as appropriate, in respect of equity awards and other incentive compensation of such individual described in the EMA, shall be entitled solely to claim any income Tax deduction in respect of such equity awards and other incentive compensation on its respective Tax Return associated with such event. To the extent any Tax deduction that is described in the first sentence of this Section 2.03 and claimed by any member of the Dover Group is disallowed to any and all members of the Dover Group and a Tax Authority makes a Determination that a member of the Apergy Group is entitled to such deduction, Dover shall notify Apergy of the receipt of such Determination, promptly after receipt thereof, and Apergy shall pay to Dover the lesser of the amount of its Tax Benefit and the amount of the corresponding Tax Detriment in accordance with Section 2.02(b). To the extent any Tax deduction that is described in the first sentence of this Section 2.03 and claimed by any member of the Apergy Group is disallowed to any and all members of the Apergy Group and a Tax Authority makes a Determination that a member of the Dover Group is entitled to such deduction, Apergy shall notify Dover of the receipt of such Determination, promptly after receipt thereof, and Dover shall pay to Apergy the lesser of the amount of its Tax Benefit and the amount of the Corresponding Portion of the Tax Detriment in accordance with Section 2.02(b).

**Section 2.04 Tax Returns.**

(a) Except as provided in Section 2.04(b), Dover shall prepare and timely file all Tax Returns for Pre-Distribution Periods (other than a Straddle Period) for which either the Dover Group or the Apergy Group is the Filing Group and all Tax Returns for Straddle Periods for all members of the Dover Group. In connection with each federal, state, local, and foreign Tax Return that is required under this Agreement to be filed by Dover for taxable periods ending in 2017 and 2018, Apergy shall timely furnish to Dover Tax information and documents as Dover may reasonably request. With respect to any information required to be provided by Apergy pursuant to this Section 2.04(a), (i) Dover shall utilize such information in the preparation of the appropriate Tax Returns as provided by Apergy, except to the extent (a) Apergy provides its prior written consent to change any such information, or (b) Dover determines in good faith that such information is inaccurate or incomplete in a material respect, and (ii) Apergy agrees to indemnify and hold harmless Dover and its Affiliates from and against any Indemnifiable Losses attributable to the misconduct or negligence of Apergy or any of its Affiliates in supplying Dover with inaccurate or incomplete information. An appropriate officer of Apergy shall provide a certification that, to such officer's best knowledge and belief, any and all information provided pursuant to this Section 2.04(a) is accurate and complete. If Apergy fails to provide any information required by this Section 2.04(a) within the time period specified, Dover may file the applicable Tax Returns based on the information available at the time such Tax Returns are due and Apergy shall indemnify and hold harmless Dover and its Affiliates from Taxes or other Indemnifiable Losses imposed on Dover or any of its Affiliates but only to the extent resulting from Apergy's failure to provide such information in a timely manner. In addition, Apergy shall make available employees and officers of Apergy and Apergy Affiliates, as Dover reasonably requests, to prepare and file any Tax Return for any Pre-Distribution Period

or Straddle Period (including any claims for refunds described in Section 2.02(a)) or to conduct any Tax Contest with respect to any such Tax Return. If Apergy is responsible under Section 2.01 for a portion of any Tax reported on a Tax Return prepared under this Section 2.04(a) by Dover, Dover shall provide Apergy with a copy of such Tax Return at least thirty (30) days prior to its due date. Apergy shall notify Dover of any disagreement within 20 days of Apergy's receipt of such Tax Return. Any dispute shall be resolved pursuant to the procedures provided by this Agreement.

(b) Apergy shall be solely responsible for preparing and timely filing all Tax Returns relating to any Taxes that any member of the Apergy Group is required to file under applicable Law for any Post-Distribution Period (other than a Straddle Period) and shall prepare and timely file all Tax Returns for Straddle Periods that a member of the Apergy Group is required to file under applicable Law. If Dover is responsible under Section 2.01(a) for a portion of any Tax reported on a Straddle Period Tax Return prepared by a member of the Apergy Group, Apergy shall provide Dover with a copy of such Tax Return at least thirty (30) days prior to its due date. Dover shall notify Apergy of any disagreement within 20 days of Dover's receipt of such Tax Return. Any dispute shall be resolved pursuant to the procedures provided by this Agreement.

(c) Except for amended Tax Returns resulting from a Determination, no amended Tax Return for any Pre-Distribution Period shall be filed by the Filing Group that includes a member of the Non-Filing Group unless the Non-Filing Group Parent consents, which consent shall not be unreasonably conditioned, denied, or withheld. However, notwithstanding the preceding sentence, no consent is required if either (i) the Filing Group reasonably determines that the amended Tax Return will not result in any increased Tax liability or reduced Tax Attribute of the Non-Filing Group, or (ii) the Filing Group reasonably determines that the amended Tax Return will result in an increased Tax liability or reduced Tax Attribute of the Non-Filing Group but agrees to indemnify the Non-Filing Group for such increased Tax liability or reduced Tax Attribute.

(d) No Tax election may be made with respect to any Tax Return for a Pre-Distribution Period by a member of the Filing Group that would affect a member of the Non-Filing Group unless notice of such Tax election is provided to the affected Non-Filing Group Parent within forty-five (45) days before such Tax Return will be filed. The Non-Filing Group Parent shall have the right to review such elections and request, within 15 days of such notice, that either no election be made or that an alternative election be made as appropriate. The Filing Group shall comply with such request (i) if the Filing Group reasonably determines that not making the election or that such alternative election will not result in any increased Tax liability or reduced Tax Attribute of the Filing Group, or (ii) the Filing Group reasonably determines that the amended Tax Return will result in an increased Tax liability or reduced Tax Attribute of the Filing Group but the Non-Filing Group agrees to indemnify the Filing Group for such increased Tax liability or reduced Tax.

(e) Except as otherwise provided in this Agreement, in the case of any Tax Return for or that includes a Pre-Distribution Period, the Party responsible for preparing and filing such Tax Return pursuant to this Section 2.04 shall prepare (or shall cause the appropriate member of its Group to prepare) such Tax Return in accordance with past practices, accounting

methods, elections or conventions (“Past Practices”) used in preparing and filing the corresponding Tax Return for prior periods and, to the extent any items are not covered by Past Practices, in accordance with reasonable Tax accounting practices. In addition, unless otherwise required by applicable Law, in the preparation and filing of any Tax Return for or that includes a Pre-Distribution Period, the Party responsible for preparing and filing such Tax Return shall not take (or shall cause the appropriate member of its Group not to take) any position (or make any election) that is inconsistent with any position taken or election made by Dover in connection with the preparation and filing of any consolidated U.S. Federal Income Tax Return that includes any Pre-Distribution Period. The Party not responsible for preparing and filing a Tax Return under this Section 2.04 shall cooperate as reasonably necessary to allow the other Party to prepare and file such Tax Return.

**Section 2.05 Cooperation, Exchange of Information, and Tax Records.**

(a) Cooperation and Exchange of Information. Each Party shall provide to the other such cooperation and information as reasonably may be requested in connection with (i) filing any Tax Return, amended return or claim for refund, (ii) determining a liability for Tax or a right to a refund of Tax, or (iii) participating in or conducting any Tax Contest. Such cooperation and information shall include providing copies of relevant Tax Records. Each Party shall devote the personnel and resources necessary in order to carry out this Section 2.05(a) and shall make its employees available on a mutually convenient basis to provide explanations of any documents or information provided hereunder. Each Party shall carry out its responsibilities under this Section 2.05(a) charging to the other only the out-of-pocket costs actually incurred, except that Apergy shall not be entitled to compensation for information provided to Dover pursuant to Section 2.04(a). Apergy shall execute all necessary or appropriate forms, including powers of attorney, reasonably requested by Dover in connection with any action taken by Dover pursuant to this Agreement.

(b) Record Retention. Each of Dover and Apergy shall retain all Tax Records in its possession as of the Effective Time relating to any Pre-Distribution Period that are relevant to the other Party for purposes described in Section 2.05(a) until such time as the other Party shall consent to the disposition of such Tax Records, which consent shall not be withheld unreasonably.

**Section 2.06 Tax Contests.**

(a) Notice. The Indemnified Party shall provide prompt notice to the Indemnifying Party of any pending or threatened Tax audit, assessment, or proceeding, or other Tax Contest, of which it becomes aware, related to Tax for which it is indemnified by the Indemnifying Party hereunder. Such notice shall contain factual information (to the extent known) describing any asserted Tax liability in reasonable detail and shall be accompanied by copies of the relevant sections of any notice and other documents received from any Tax Authority with respect to any such matters. If the Indemnified Party has knowledge of an asserted Tax liability with respect to a matter for which it is to be indemnified hereunder and such Party fails to give the Indemnifying Party prompt notice of such asserted Tax liability, then (i) if the Indemnifying Party is precluded from contesting the asserted Tax liability in any forum as a result of the failure to give prompt notice, the Indemnifying Party shall have no obligation to

indemnify the Indemnified Party for any Tax resulting from such assertion of Tax liability, and (ii) if the Indemnifying Party is not precluded from contesting the asserted Tax liability in any forum, but such failure to give prompt notice results in a monetary detriment to the Indemnifying Party, then any amount that the Indemnifying Party is otherwise required to pay the Indemnified Party pursuant to this Agreement shall be reduced by the amount of such detriment.

(b) Control of Tax Contests.

(i) Apergy. Apergy shall have full responsibility and discretion in conducting, including settling, any Tax Contest involving a Tax Return which includes only members of the Apergy Group (taking into account any adjustment to the entities included on such Tax Return asserted in, or arising from, any Tax Contest) other than a Covered Transaction Tax or any Tax described in Section 2.01(b)(ii). Apergy shall provide notice to Dover and shall consult in good faith with Dover in connection with any Tax Contest in which the outcome is reasonably expected to have an adverse effect on any member of the Dover Group for any Pre-Distribution Period.

(ii) Dover. Dover shall have full responsibility and discretion in conducting, including settling, any Tax Contest that Apergy does not control pursuant to Section 2.06(b)(i). Subject to Section 2.06(b)(iii), Dover shall provide notice to Apergy and shall consult in good faith with Apergy in connection with any Tax Contest in which Apergy is required to make a payment to Dover under this Agreement or to any Tax Authority or any Tax Contest in which the outcome is reasonably expected to have an adverse effect on any member of the Apergy Group for any Post-Distribution Period. For the avoidance of doubt, Dover's obligation to consult with Apergy in good faith shall not limit Dover's discretion in conducting, including settling, any Tax Contest under this Section 2.06(b)(ii).

(iii) Covered Transaction Taxes. Apergy shall have the right to participate in the conduct of a Tax Contest related to Covered Transaction Taxes as a result of the application of Section 355(e) of the Code if, and only if, (x) Apergy has acknowledged in writing its liability for such Covered Transaction Tax if Section 355(e) were determined to apply, (y) Apergy shall have provided Dover with a letter of credit in a form reasonably acceptable to Dover and issued by a major money center commercial bank reasonably acceptable to Dover, not expiring before a Determination has occurred with respect to Dover's Tax for the Post-Distribution Period that gave rise to the Covered Transaction Tax at issue, and in an amount equal to the maximum amount of Covered Transaction Tax at issue in the Tax Contest and (z) no Tax Return of any member of the Dover Group with respect to which any member of the Dover Group may reasonably be viewed as having an actual or potential liability for any Tax not indemnified against by Apergy is held open as a result of such Tax Contest. Dover shall not settle any Tax Contest described in this paragraph (iii) without the consent of Apergy, which consent shall not be unreasonably withheld.

**Section 2.07 Confidentiality.** This Agreement and any information obtained or shared hereunder shall be subject to the terms of Section 7.5 of the Distribution Agreement.

**ARTICLE III**  
**TRANSACTIONS TAX**

**Section 3.01 Transactions Tax.**

(a) **Dover Liability.** Except as otherwise provided in Section 3.01(c), Dover shall be responsible for, and shall indemnify and hold harmless the Apergy Group from any Covered Transaction Tax resulting from (i) any breach by any member of the Dover Group of any of the representations or covenants under Article IV hereof or (ii) any Section 355(e) Event with respect to a member of the Dover Group.

(b) **Apergy Liability.** Except as otherwise provided in Section 3.01(c), Apergy shall be responsible for, and shall indemnify and hold harmless the Dover Group from and against any liability for, any Covered Transaction Tax resulting from (i) any breach by any member of the Apergy Group of any of the representations or covenants under Article IV hereof, (ii) any Specified Action undertaken by any member of the Apergy Group (whether or not Section 4.02(d) is complied with), or (iii) any Section 355(e) Event with respect to a member of the Apergy Group (whether or not such Section 355(e) Event is caused by a Specified Action).

(c) **Joint Fault for Covered Transaction Taxes.** If the liability for Covered Transaction Taxes is attributable (based on the determination of a Tax Authority) to both (i) any item set forth in Section 3.01(a) and (ii) any item set forth in Section 3.01(b), then (x) such liability for any Covered Transaction Taxes will be equally borne by Dover, on the one hand, and Apergy, on the other hand; and (y) each of Dover, on the one hand, and Apergy, on the other hand, will indemnify the other Party against, and hold it harmless from, any Covered Transaction Taxes for which such other Party is not liable under this Section 3.01(c).

(d) **Other Covered Transaction Taxes.** If the liability for Covered Transaction Taxes is attributable to neither (i) any item set forth in Section 3.01(a) nor (ii) any item set forth in Section 3.01(b), then (x) such liability for any Covered Transaction Taxes will be equally borne by Dover, on the one hand, and Apergy, on the other hand; and (y) each of Dover, on the one hand, and Apergy, on the other hand, will indemnify the other Party against, and hold it harmless from, any Covered Transaction Taxes for which such other Party is not liable under this Section 3.01(d).

**ARTICLE IV**  
**REPRESENTATIONS AND COVENANTS**

**Section 4.01 Representations.**

(a) Dover represents that, as of the date of this Agreement, neither it nor any of its Affiliates knows of any fact that would jeopardize the intended Tax treatment of the transactions provided by the Tax Rulings or any Tax Opinion or that otherwise would result in a Covered Transaction Tax.

(b) Apergy represents that, as of the date of this Agreement, neither it nor any of its Affiliates knows of any fact that would jeopardize the intended Tax treatment of the transactions provided by the Tax Rulings or any Tax Opinion, or that otherwise would result in a Covered Transaction Tax.

(c) Dover represents that, as of the date of this Agreement, neither it nor any of its Affiliates has any plan or intention to take any action that is inconsistent with the intended Tax treatment of the transactions provided by the Tax Rulings or any Tax Opinion, or that otherwise would result in a Covered Transaction Tax.

(d) Apergy represents that, as of the date of this Agreement, neither it nor any of its Affiliates has any plan or intention to take any action that is inconsistent with the intended Tax treatment of the transactions provided by the Tax Rulings or any Tax Opinion or that otherwise would result in a Covered Transaction Tax.

#### Section 4.02 Covenants.

(a) Conduct. Apergy covenants and agrees that it shall not take, and it shall cause its Affiliates to refrain from taking, any action that results in, or reasonably may be expected to result in, any Covered Transaction Tax described in Section 3.01(b). This includes taking any action that is inconsistent with the intended Tax treatment of the transactions provided by any Tax Opinion or the Tax Rulings and any action referred to in Section 4.02(a)(i) through (iv) (any such action described in this sentence, a "Specified Action"). Without limiting the generality of the foregoing:

(i) Transactions Affecting Ownership. Any time before the day after the second anniversary of the Distribution Date, Apergy shall not (and shall cause its Affiliates to not) (A) enter into any agreement, understanding, or arrangement as defined in Treasury Regulation Section 1.355-7(h), pursuant to which any Person would (directly or indirectly) acquire, or have the right to acquire, any Apergy Stock Interests or (B) take any action that permits a proposed acquisition of Apergy Stock Interests to occur by means of an agreement to which none of Apergy or any of its Affiliates is a party, including by (x) soliciting any Person to make a tender offer for, or otherwise acquire or sell, Apergy Stock Interests, or approving or otherwise permitting any such transaction, whether for purposes of Section 203 of the Delaware General Corporate Law or any similar corporate statute, any "fair price" or other provision of Apergy's charter or bylaws (and, in each case, any equivalent document thereof) or otherwise, (y) participating in or otherwise supporting any unsolicited tender offer for, or other unsolicited acquisition or disposition of, Apergy Stock Interests, or approving or otherwise permitting any such transaction, or (z) redeeming rights under a shareholder rights plan, making a determination that a tender offer is a "permitted offer" under any such plan or otherwise causing any such plan to be inapplicable or neutralized with respect to any proposed acquisition of Apergy Stock Interests. For these purposes, an acquisition of Apergy Stock Interests will include any recapitalization, repurchase or redemption of Apergy Stock Interests; any adoption, modification or amendment of an employee stock purchase agreement, equity-based compensation plan or other similar agreement, plan or arrangement; any issuance of Apergy Stock Interests (including any nonvoting stock or equity and any class of Apergy Stock Interests) or an instrument exchangeable or convertible into such Stock Interests (whether pursuant to an exercise of stock

options, as a result of a capital contribution, or otherwise); any option grant; any conversion of Apergy Stock Interests into another class of Apergy Stock Interests; or any amendment to the certificate of incorporation (or other organizational document) of Apergy, or any change in the terms of any Apergy Stock Interests or any other action (whether effected through a shareholder vote or otherwise) (including through the conversion of any Stock Interests into another class of Stock Interests) that is treated as increasing a Person's percentage interest for U.S. federal income Tax purposes in Apergy Stock Interests; provided, however, that the following shall not be taken into account: (i) issuances of options, restricted stock and/or deferred stock units and the shares of Apergy Stock Interests issued upon the exercise or vesting, as applicable, of such options, restricted stock and/or deferred stock units, provided that such issuance is described in Safe Harbor VIII of Treasury Regulations Section 1.355-7(d), (ii) issuances or acquisitions of stock that are described in Safe Harbor IX of Treasury Regulations Section 1.355-7(d), or (iii) adoption, amendment, or modification of an employee stock purchase agreement, equity compensation agreement, retirement plan or other compensation arrangement provided that any issuances or acquisitions of Apergy Stock Interests under such arrangement are described in Safe Harbor VIII of Treasury Regulations Section 1.355-7(d) or Safe Harbor IX of Treasury Regulations Section 1.355-7(d). This Section 4.02(a)(i) shall not apply to any proposed transaction (but, for the avoidance of doubt, one or more other clauses of this Section 4.02(a) may still define the proposed transaction as a Specified Action) unless, at the time such transaction would occur, other transactions have occurred that are described in such clauses and that result in one or more Persons acquiring directly or indirectly stock representing, in the aggregate, a 40 percent or greater interest in Apergy (i.e., stock possessing at least 40 percent of the total combined voting power of all classes of stock entitled to vote or at least 40 percent of the total value of shares of all classes of stock). This Section 4.02(a)(i) and the application thereof is intended to monitor compliance with Section 355(e) of the Code and shall be interpreted accordingly. Any clarification of, or change in, the statute or regulations promulgated under Section 355(e) of the Code shall be incorporated in this definition and its interpretation.

(ii) Other Actions. Any time before the day after the second anniversary of the Distribution Date, Apergy shall not (and shall cause its Affiliates to not) (A) merge or consolidate Apergy with or into any corporation where Apergy is not the survivor of such merger or consolidation, or liquidate or partially liquidate Apergy (including any liquidation effected pursuant to a merger, consolidation, or conversion, and including any other transaction that causes Apergy to cease to be treated as a corporation for U.S. federal income tax purposes); (B) sell, exchange, distribute, or otherwise dispose of, other than in the ordinary course of business, more than 25 percent (measured by reference to the fair market value at the time of the Distribution) of the gross assets of any of the trades or businesses relied on to satisfy Section 355(b) of the Code or any comparable provision of state, local or foreign Law with respect to the Distribution; (C) discontinue or cause to be discontinued the active conduct of any of the trades or businesses relied on by Apergy to satisfy Section 355(b) of the Code or any comparable provision of state, local or foreign Law; (D) cause or permit any Subsidiary of Apergy the active business of which was relied on by Apergy to satisfy Section 355(b) of the Code or any comparable provision of state, local or foreign Law to cease to be a member of the Apergy separate affiliated group, as defined in Section 355(b)(3)(B) of the Code; or (E) redeem or otherwise repurchase (directly or through an Affiliate) any Apergy Stock Interests, except to



the extent such repurchases satisfy Section 4.05(1)(b) of Revenue Procedure 96-30 as in effect prior to the amendment of such Revenue Procedure by Revenue Procedure 2003-48 (provided, however, that the fact that any such redemption or repurchase satisfies Section 4.05(1)(b) of Revenue Procedure 96-30 shall not prevent such redemption or repurchase from being considered or taken into account for purposes of determining, pursuant to Section 4.02(a)(i), whether, at the time such transaction would occur, other transactions have occurred that are described Section 4.02(a)(i) and that result in one or more Persons acquiring directly or indirectly stock representing, in the aggregate, a 40 percent or greater interest in Apergy).

(iii) Actions Involving Distributing Corporations or Controlled Corporations. With respect to each Internal Distribution in which a Apergy Affiliate was the “distributing corporation” or the “controlled corporation” within the meaning of Section 355 of the Code (each such corporation, individually, the “Applicable Corporation”), any time before the day after the second anniversary of the date of the Distribution, Apergy shall not (and shall cause its Affiliates to not) (A) merge or consolidate the Applicable Corporation with or into any corporation where the Applicable Corporation is not the survivor of such merger or consolidation, or liquidate or partially liquidate the Applicable Corporation (including any liquidation effected pursuant to a merger, consolidation, or conversion, and including any other transaction that causes the Applicable Corporation to cease to be treated as a corporation for U.S. federal income tax purposes); (B) sell, exchange, distribute, or otherwise dispose of, other than in the ordinary course of business, more than 25 percent (measured by reference to the fair market value at the time of such Internal Distribution) of the gross assets of any of the trades or businesses relied on to satisfy Section 355(b) of the Code or any comparable provision of state, local or foreign Law with respect to such Internal Distribution; (C) discontinue or cause to be discontinued the active conduct of any of the trades or businesses relied on by the Applicable Corporation to satisfy Section 355(b) of the Code or any comparable provision of state, local or foreign Law; (D) cause or permit any Subsidiary of the Applicable Corporation the active business of which was relied on by the Applicable Corporation to satisfy Section 355(b) of the Code or any comparable provision of state, local or foreign Law to cease to be a member of the Applicable Corporation separate affiliated group, as defined in Section 355(b)(3)(B) of the Code; or (E) enter into any agreement, understanding, or arrangement, as defined in Treasury Regulation Section 1.355-7(h), pursuant to which any Person would (directly or indirectly) acquire, or have the right to acquire, any Stock Interests of an Applicable Corporation; provided, however, clause (E) shall not apply to (i) an Applicable Corporation’s issuance of Stock Interests pro rata to the Person(s) that own(s) all of such Applicable Corporation’s outstanding Stock Interests at the time of the Distribution (e.g., in a transaction subject to Section 351(a) of the Code), and (ii) an acquisition of Stock Interests, or right to acquire Stock Interests, of an Applicable Corporation if Apergy owns (directly or indirectly) 100 percent of the Stock Interests of such Applicable Corporation immediately after such acquisition.

(iv) No Inconsistent Actions. Regardless of any change in circumstances, Apergy covenants and agrees that it shall not take any action (and it shall cause its Affiliates to refrain from taking any action) that is inconsistent with any factual statements or representations made in connection with any Tax Opinion or the Tax Rulings on or before the day after the second anniversary of the Distribution Date other than as permitted in this Section 4.02. For this purpose an action is considered inconsistent with a representation if the representation states that there is no plan or intention to take such action.

(b) Amended or Supplemental Rulings. Apergy covenants and agrees that it shall refrain from filing, and it shall cause its Affiliates to refrain from filing, a request for any amendment or supplement to the Tax Rulings subsequent to the Distribution Date without the consent of Dover, which consent shall not be unreasonably withheld.

(c) Tax Returns. Each of Dover and Apergy covenants and agrees that it shall refrain from taking, and it shall cause its Affiliates to refrain from taking, any position on a Tax Return that is inconsistent with (i) the intended Tax treatment of the transactions provided by any Tax Opinion, (ii) the Contribution (and the contributions with respect to the Internal Distributions, if any) qualifying for Tax-free treatment under Section 361 of the Code, (iii) the intended Tax treatment of the transactions provided by the Tax Rulings, or (iv) the documents effecting any transaction undertaken in connection with the Separation that is not addressed by any Tax Ruling or any Tax Opinion.

(d) Exception. Notwithstanding the foregoing, Apergy shall be permitted to take an action inconsistent with Section 4.02(a), if, prior to taking such action, Apergy provides advance notification to Dover of its plans with respect to such action and promptly responds to any inquiries by Dover following such notification, and (unless Dover agrees otherwise in writing) either:

(i) In case of an action affecting the intended Tax treatment of transactions described in any Tax Opinion, Apergy obtains:

(1) a ruling with respect to the action from the relevant Tax Authority that is reasonably satisfactory to Dover (except that Apergy shall not submit any supplemental ruling request if Dover determines in good faith that filing such request could have a materially adverse effect on Dover or any of its Affiliates), or

(2) an opinion, in form and in substance acceptable to Dover in its sole and absolute discretion, which discretion shall be exercised in good faith solely to preserve the intended Tax treatment of such transactions, of an independent nationally recognized Tax counsel, reasonably acceptable to Dover, on the basis of facts and representations consistent with the facts at the time of such action, that such action will not affect the intended Tax treatment of the transactions provided by the Tax Opinion (in determining whether an opinion is satisfactory, Dover may consider, among other factors, the appropriateness of any underlying assumptions and management's representation if used as a basis for the opinion and Dover may determine that no opinion would be acceptable to Dover), or

(ii) In case of an action affecting the intended Tax treatment of the Ruling Transactions, Apergy obtains:

(1) a ruling with respect to the action from the relevant Tax Authority that is reasonably satisfactory to Dover (except that Apergy shall not submit any supplemental ruling request if Dover determines in good faith that filing such request could have a materially adverse effect on Dover or any of its Affiliates), or

(2) an opinion, in form and in substance acceptable to Dover in its sole and absolute discretion, which discretion shall be exercised in good faith solely to preserve the intended Tax treatment of such transactions, of an independent Tax counsel, reasonably acceptable to Dover, on the basis of facts and representations consistent with the facts at the time of such action, that such action will not affect the intended Tax treatment of the transactions provided by the Tax Rulings (in determining whether an opinion is satisfactory, Dover may consider, among other factors, the appropriateness of any underlying assumptions and management's representation if used as a basis for the opinion and Dover may determine that no opinion would be acceptable to Dover). Notwithstanding anything to the contrary in this Agreement, Apergy shall be responsible for, and shall indemnify Dover and hold Dover harmless from, any Covered Transaction Tax resulting from a Specified Action of Apergy or any Apergy Affiliate, regardless of whether the exception of this Section 4.02(d) is satisfied with respect to such act.

(e) Duty to Mitigate Recognition or Recapture of Income. Prior to any event that may result in recognition or recapture of income (including under any gain recognition agreement entered into pursuant to Treasury Regulations Section 1.367(a)-8), Dover and Apergy shall use (and shall cause the members of the Dover Group and Apergy Group, respectively, to use) all commercially reasonable efforts to eliminate such gain recognition or recapture of income or otherwise avoid or minimize the impact thereof to the other party, including by the execution of an appropriate gain recognition agreement pursuant to Treasury Regulations Section 1.367(a)-8.

(f) Dover shall provide to Apergy true and complete copies of all ruling requests, rulings, tax opinions, tax opinion representation letters and any supplement of such documents (including all exhibits and attachments thereto) provided to or received from a Tax Authority or Tax counsel in connection with the Separation and Distribution by the later of (i) the Distribution Date or (ii) thirty (30) days of providing or receiving such document; provided, however, that (i) Dover shall not be required to provide to Apergy drafts of any such documents; (ii) in no event shall Dover be required to provide Apergy or any other Person access to or copies of any information if such action could reasonably be expected to result in the waiver of any Privilege; and (iii) in the event that Dover determines that the provision of any information to Apergy would be commercially detrimental in any material respect, violate any Law or Contract with a Third Party or waive any Privilege, the Parties shall take all reasonable measures (and, to the extent applicable, shall use commercially reasonable efforts to obtain the Consent from any Third Party required to make such disclosure without violating a Contract with a Third Party) to permit compliance with its obligations under this Section 4.02 in a manner that avoids any such harm, violation or consequence.

#### Section 4.03 **No Continuing Liability for Former Members.**

(a) Dover Affiliates. If a Dover Affiliate ceases to be a member of the Dover Group as a result of a sale or exchange of all of the stock of such member, other than an exchange for which the consideration received by Dover is the stock of Dover or a Dover Affiliate, the departing Dover Affiliate shall be released from its obligations under this Agreement upon its departure from the Dover Group.

(b) Apergy Affiliates. If a Apergy Affiliate ceases to be a member of the Apergy Group as a result of a sale or exchange of all of the stock of such member, other than an exchange for which the consideration received by Apergy is the stock of Apergy or a Apergy Affiliate, the departing Apergy Affiliate shall be released from its obligations under this Agreement upon its departure from the Apergy Group.

Section 4.04 **Section 336(e) Election.** Pursuant to Treasury Regulation Sections 1.336-2(h)(1)(i) and 1.336-2(j), Dover and Apergy agree that Dover shall make timely protective elections under Section 336(e) of the Code and the Treasury Regulations issued thereunder with respect to the Distribution for Apergy and with respect to the Internal Distributions, to the extent determined by Dover in its sole discretion, for each Apergy Subsidiary that is a domestic corporation for U.S. federal income tax purposes (a "Section 336(e) Election"). To the extent, pursuant to a Determination, the Distribution constitutes a "qualified stock disposition," as defined in Treasury Regulation Section 1.336-1(b)(6), the Parties shall not, and shall not permit any of their respective Subsidiaries to, take any position for Tax purposes inconsistent with the relevant Section 336(e) Election, except as may be required pursuant to a Determination. If and to the extent that the Tax-free status of the Distribution does not apply with respect to the Distribution, and any resulting Taxes (including any Taxes attributable to the Section 336(e) Election) are considered Taxes for which Dover is responsible under this Agreement, then, to that extent, Dover will be entitled to quarterly payments from Apergy of the actual Tax savings arising from the step-up in Tax basis resulting from the Section 336(e) Election, determined using a "with and without" methodology; provided, however, that, if Taxes are imposed on Dover (or any of its Subsidiaries) or Apergy (or any of its Subsidiaries) and liability for such Taxes is borne equally by Dover and Apergy pursuant to Section 3.01(c) or Section 3.01(d) hereof, then Apergy will pay to Dover each quarter fifty percent of the Tax savings; and provided, further, however, that all payments made to Dover under this Section 4.04 will be reduced by a reasonable charge for administrative expenses and other reasonable out-of-pocket expenses of Apergy (and its Subsidiaries) that are necessary to secure the Tax savings, including expenses paid or incurred in connection with a Tax Contest or to amend a Tax Return. Nothing in this Section 4.04 shall prevent Dover and Apergy from reaching an agreement on an alternative method for Dover's recoupment of the Tax savings attributable to the step-up in basis (e.g., through a single payment using a negotiated discount rate).

## ARTICLE V

### MISCELLANEOUS PROVISIONS

#### Section 5.01 **Counterparts; Entire Agreement; Corporate Power; Facsimile Signatures.**

(a) Counterparts. This Agreement may be executed in more than one counterparts, all of which shall be considered one and the same agreement, and, except as otherwise expressly provided in Section 1.3 of the Distribution Agreement, shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to the other Parties. Execution of this Agreement or any other documents pursuant to this Agreement by facsimile or other electronic copy of a signature shall be deemed to be, and shall have the same effect as, executed by an original signature.

(b) Entire Agreement. This Agreement, including the Exhibits and Schedules, and the Ancillary Agreements (and the exhibits and schedules thereto) shall constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter. In the event of any conflict between the terms and conditions of the body of this Agreement and the terms and conditions of any Schedule, the terms and conditions of such Schedule shall control. Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreement, in the case of any conflict between the provisions of the Distribution Agreement and the provisions of any Ancillary Agreement, the provisions of the Distribution Agreement shall control; provided, however, that in relation to (i) any matters concerning Taxes, this Agreement shall prevail over the Distribution Agreement and any other Ancillary Agreement, (ii) any matters governed by the EMA, the EMA shall prevail over this Agreement or any other Ancillary Agreement, and (iii) the provision of support and other services after the Effective Time by the Apergy Group to the Dover Group, and vice versa, the Transition Services Agreement shall prevail over this Agreement or any other Ancillary Agreement. It is the intention of the Parties that the Transfer Documents shall be consistent with the terms of this Agreement and the other Ancillary Agreements. The Parties agree that the Transfer Documents are not intended and shall not be considered in any way to enhance, modify or decrease any of the rights or obligations of Dover, Apergy or any member of their respective Groups from those contained in this Agreement and the other Ancillary Agreements.

(c) Corporate Power. Each of the Parties hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such Party, that this Agreement constitutes a legal, valid and binding obligation of each such Party enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting creditors' rights generally and general equity principles.

Section 5.02 **Governing Law.** This Agreement shall be governed by and construed in accordance with the internal Laws, and not the Laws governing conflicts of Laws (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law), of the State of New York.

Section 5.03 **Consent to Jurisdiction.** Subject to the provisions of Section 5.18 of this Agreement, each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the United States District Court for the Southern District of New York (the "New York Courts"), for the purposes of any suit, action or other proceeding to compel arbitration or for provisional relief in aid of arbitration in accordance with Section 5.18 or for provisional relief to prevent irreparable harm, and to the non-exclusive jurisdiction of the New York Courts for the enforcement of any award issued thereunder. Each of the Parties further agrees that service of any process, summons, notice or document by United States registered mail to such Party's respective address set forth in Section

5.08 hereof shall be effective service of process for any action, suit or proceeding in the New York Courts with respect to any matters to which it has submitted to jurisdiction in this Section 5.03. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the New York Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 5.04 **Specific Performance.** The Parties agree that irreparable damage may occur in the event that the provisions of this Agreement, including Section 4.02, were not performed in accordance with their specific terms. Accordingly, it is hereby agreed that the Parties shall be entitled to seek (i) an injunction or injunctions to enforce specifically the terms and provisions hereof, including Section 4.02, in any arbitration in accordance with Article VIII of the Distribution Agreement, (ii) provisional or temporary injunctive relief in accordance therewith in any New York Court, and (iii) enforcement of any such award of an arbitral tribunal or a New York Court in any court of the United States, or any other any court or tribunal sitting in any state of the United States or in any foreign country that has jurisdiction, this being in addition to any other remedy or relief to which they may be entitled.

Section 5.05 **Waiver of Jury Trial.** SUBJECT TO SECTION 5.18 AND SECTIONS 5.03 AND 5.04 HEREIN, EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY COURT PROCEEDING PERMITTED HEREUNDER. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 5.05.

Section 5.06 **Assignment.** The provisions of this Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors (by merger, acquisition of assets or otherwise) and permitted transferees and assigns to the same extent as if such successor or permitted transferees and assigns had been an original party to the Agreement. Notwithstanding the foregoing, this Agreement shall not be assignable, in whole or in part, by any Party without the prior written consent of the other Party, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be null and void; provided, that (i) a Party may assign any or all of its rights and obligations under this Agreement to any of its Affiliates, but no such assignment shall release the assigning Party from any liability or obligation under this Agreement and (ii) a Party may assign this Agreement in whole in connection with a bona fide third party merger transaction in which such Party is not the surviving entity or the sale by such Party of all or substantially all of its Assets, and upon the effectiveness of such assignment under this clause (ii) the assigning Party shall be released from all of its obligations under this Agreement if the surviving entity of such merger or the transferee of such Assets shall agree in writing, in form and substance reasonably satisfactory to the other Party, to be bound by the terms of this Agreement as if named as a "Party" hereto.

Section 5.07 **Third Party Beneficiaries.** Except as specifically provided in this Agreement, this Agreement is solely for the benefit of the Parties and their respective Affiliates after the Effective Time, and their permitted successors and assigns, and is not intended to confer upon any Person except the Parties and their respective Affiliates after the Effective Time, and their permitted successors and assigns, any rights or remedies hereunder; and there are no other third-party beneficiaries of this Agreement and this Agreement should not be deemed to confer upon Third Parties any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

Section 5.08 **Notice.** All notices, requests, claims, demands and other communications under this Agreement and, to the extent applicable and unless otherwise provided therein, under each of the Ancillary Agreements, as between the Parties, shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt unless the day of receipt is not a Business Day, in which case it shall be deemed to have been duly given or made on the next Business Day) by delivery in person, by overnight courier service, by facsimile or email with receipt confirmed or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 5.08):

If to Dover:

Dover Corporation  
3005 Highland Parkway  
Downers Grove, Illinois 60515  
Attn:  
Facsimile:  
Email:

With a copy to:

Dover Corporation  
3005 Highland Parkway  
Downers Grove, Illinois 60515  
Attn:  
Facsimile:  
Email:

If to Apergy:

Apergy Corporation  
[address]  
Attn:  
Facsimile:  
Email:

With a copy to:

Apergy Corporation  
[address]  
Attn:  
Facsimile:  
Email:

Section 5.09 **Severability**. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and the Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 5.10 **No Set Off**. Except as otherwise mutually agreed to in writing by the Parties, neither Party nor any of its Affiliates shall have any right of set off or other similar rights with respect to (a) any amounts received pursuant to this Agreement; or (b) any other amounts claimed to be owed to the other Party or any of its Affiliates arising out of this Agreement.

Section 5.11 **Headings**. Titles and headings to Sections and Articles are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

Section 5.12 **Survival of Agreements**. Except as otherwise contemplated by this Agreement or any Ancillary Agreement, all covenants and agreements of the Parties contained in this Agreement and each Ancillary Agreement shall survive the Effective Time and remain in full force and effect in accordance with their applicable terms.

Section 5.13 **Affiliates**. Each of the Parties shall cause (or with respect to an Affiliate that is not a Subsidiary, shall use commercially reasonable efforts to cause) to be performed all actions, agreements and obligations set forth herein to be performed by any Subsidiary or Affiliate of such Party or by any Business Entity that becomes a Subsidiary or Affiliate of such Party on and after the Effective Time.

Section 5.14 **Waivers of Default**. The failure of any Party to require strict performance by any other Party of any provision in this Agreement will not waive or diminish that Party's right to demand strict performance thereafter of that or any other provision hereof.

Section 5.15 **Amendments**. This Agreement may not be modified or amended except by an agreement in writing signed by each of the Parties.

Section 5.16 **References; Interpretation**. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Any action to be taken by the Board of Directors of a Party may be taken by a committee of the Board of Directors of such Party if properly delegated by the Board of Directors of a Party to such committee. Unless the context otherwise requires:

(i) the words "include", "includes" and "including" when used in this Agreement shall be deemed to be followed by the phrase "without limitation";



(ii) references in this Agreement to Articles, Sections, Annexes, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Annexes, Exhibits and Schedules to, this Agreement;

(iii) the words “hereof”, “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement;

(iv) the words “written request” when used in this Agreement shall include email;

(v) references in this Agreement to any time shall be to New York City, New York time unless otherwise expressly provided herein; and

(vi) as described in Section 5.01(b), to the extent that the terms and conditions of any Schedule hereto conflicts with the express terms of the body of this Agreement, the terms of such Schedule shall control; it being understood that the Parties intend to include in the Schedules hereto any exceptions to the general rules described in the body of this Agreement and to give full effect to such exceptions, with respect to the matters expressly set forth therein; and

(vii) to the extent that this Agreement refers to the Distribution Agreement and the applicable section of the Distribution Agreement provides that such section of the Distribution Agreement shall not apply to the extent it conflicts with this Agreement, such section shall be read without regard to such exception.

**Section 5.17 Advisors.** Dover has selected McDermott Will & Emery LLP and Simpson Thacher & Bartlett LLP as counsel in connection with the Distribution. Apergy acknowledges, for itself and each Apergy Affiliate, that McDermott Will & Emery LLP and Simpson Thacher & Bartlett LLP are acting in the capacity as counsel only to Dover in connection with this Agreement and the provisions contemplated herein.

**Section 5.18 Dispute Resolution.** Any and all disputes between Dover and Apergy arising out of any provision of this Agreement shall be resolved through the procedures provided in Article VIII of the Distribution Agreement.

**Section 5.19 Payments.**

(a) Procedure for Requesting and Making Indemnification Payments. On the occurrence of an event for which a Party is entitled to receive indemnification hereunder, such Party (the “Indemnified Party”) shall send the other Party (the “Indemnifying Party”) an invoice requesting payment accompanied by a statement describing in reasonable detail the amount owed and the particulars relating thereto. Unless a provision in this Agreement specifically provides a different time for payment, the Indemnifying Party shall pay to the Indemnified Party any payment it owes to the Indemnified Party under this Agreement within thirty (30) days after the receipt of the invoice for such payment.

(b) Procedure for Making Other Payments. If a Party is responsible for any Tax under Section 2.01 (the “Responsible Party”) and such Tax must be remitted by the other Party (the “Remitting Party”), the Remitting Party shall send the Responsible Party an invoice requesting payment accompanied by a statement describing in reasonable detail the amount owed and the particulars relating thereto. Unless a provision in this Agreement specifically provides a different time for payment, the Responsible Party shall pay to the Remitting Party any payment it owes to the Remitting Party under this Agreement no later than thirty (30) days before the Remitting Party must remit the Tax to the appropriate Tax Authority.

(c) Character of Payments. For Tax purposes, the Parties agree to treat any payment pursuant to this Agreement in the same manner as a capital contribution by Dover to Apergy or an adjustment to the Contribution made in the last taxable period beginning before the Distribution (or corresponding treatment with respect to any Internal Distribution) and, accordingly, as not includible in the gross income of the recipient and not deductible by the payor to the extent allowed under Law. If pursuant to a Determination it is determined that the receipt or accrual of any payment made under this Agreement is subject to any Tax, the Party making such payment shall be responsible for the After-Tax Amount with respect to such payment. The failure of a Party to include an After-Tax Amount in a demand for payment pursuant to this Agreement shall not be deemed a waiver by the Party of its right to receive an After-Tax Amount with respect to such payment.

(d) Interest on Late Payments. Unless a provision in this Agreement specifically provides otherwise, any payment required to be made pursuant to this Agreement that is not made on or before the due date for such payment shall bear interest from the date after the due date to and including the date of payment at the Prime Rate plus two percent. Such interest shall be paid at the same time as the payment to which it relates. Any interest payable pursuant to this paragraph that is not paid when due shall bear interest at the Prime Rate plus two percent.

Section 5.20 **No Duplication.** Any indemnification provided under this Agreement shall be determined without duplication of recovery whether by operation of this Agreement, the Distribution Agreement or any other agreement entered into in connection with the Separation.

Section 5.21 **Mutual Drafting.** The Parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

\* \* \* \* \*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

DOVER CORPORATION

APERGY CORPORATION.

By: \_\_\_\_\_  
Name: Ivonne M. Cabrera  
Title: Senior Vice President, General  
Counsel & Secretary

By: \_\_\_\_\_  
Name: [INSERT]  
Title: [INSERT]

*[Signature Page to Tax Matters Agreement]*

EMPLOYEE MATTERS AGREEMENT

BY AND BETWEEN

DOVER CORPORATION

AND

APERGY CORPORATION

DATED AS OF

[•], 2018

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## EMPLOYEE MATTERS AGREEMENT

THIS EMPLOYEE MATTERS AGREEMENT is entered into as of [•], 2018, by and between Dover Corporation, a Delaware corporation (“Dover”), and Apergy Corporation, a Delaware corporation (“Apergy” and together with Dover, the “Parties” and each, a “Party”).

### RECITALS

WHEREAS, the board of directors of Dover has determined that it is in the best interests of Dover and its shareholders to create a new publicly traded company which shall operate the Apergy Business;

WHEREAS, in furtherance thereof, Dover and Apergy have entered into that certain Separation and Distribution Agreement dated [•], 2018 (the “Separation Agreement”); and

WHEREAS, as contemplated by the Separation Agreement, Dover and Apergy desire to enter into this Agreement to provide for the allocation of Assets, Liabilities, and responsibilities with respect to certain matters relating to Employees (including employee compensation and benefit plans and programs) between them.

NOW, THEREFORE, the Parties, intending to be legally bound, agree as follows:

### ARTICLE I

#### DEFINITIONS

1.1 Definitions. As used in this Agreement, the following terms shall have the meanings set forth in this Section 1.1. Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Separation Agreement.

“Adjusted Dover Option” has the meaning set forth in Section 5.2(a).

“Adjusted Dover RSU” has the meaning set forth in Section 5.3(a).

“Adjusted Dover SSAR” has the meaning set forth in Section 5.2(a).

“Agreement” means this Employee Matters Agreement, together with all schedules hereto and all amendments, modifications, and changes hereto entered into pursuant to Section 7.12.

“Apergy” has the meaning set forth in the preamble to this Agreement.

“Apergy 401(k) Plan” means the Wellsite 401(k) Savings Plan, a tax-qualified 401(k) defined contribution savings plan established by a member of the Apergy Group effective as of the Plan Separation Date.

“Apergy Employee” means any individual who, as of the applicable date of determination, is either actively employed by or then on a leave of absence (including maternity, paternity, family, sick, short-term or long-term disability leave, qualified military service under the Uniformed Services Employment and Reemployment Rights Act of 1994, and leave under the Family Medical Leave Act or other applicable Law and other approved leaves) from any member of the Apergy Group.

“Apergy FSAs” has the meaning set forth in Section 4.3.

“Apergy Long Term Incentive Plan” means the Apergy Corporation 2018 Equity and Cash Incentive Plan adopted by Apergy prior to the Effective Time under which the Apergy equity-based awards and long term cash incentive awards described in Article V shall be issued.

“Apergy Participant” means any individual who is an Apergy Employee, a Former Apergy Employee, a member of or other participant in an Apergy Benefit Plan, or a beneficiary, dependent, alternate payee, or other person participating in an Apergy Benefit Plan in respect of any of the foregoing persons.

“Apergy Pension Plan” has the meaning set forth in Section 3.2(b).

“Apergy Ratio” has the meaning set forth in Section 5.2(b)(i).

“Benefit Plan” when immediately preceded by “Dover,” means any plan, policy, program, payroll practice, on-going arrangement, Contract, trust, insurance policy, or other agreement or funding vehicle (including a Health and Welfare Plan) for which the eligible classes of participants include employees or former employees (and their respective eligible dependents) of a member of the Dover Group or, prior to the applicable Plan Separation Date only, a member of the Apergy Group, and when immediately preceded by “Apergy,” means any plan, policy, program, payroll practice, on-going arrangement, Contract, trust, insurance policy, or other agreement or funding vehicle (including a Health and Welfare Plan) which is sponsored exclusively by the members of the Apergy Group or for which the eligible classes of participants exclusively include employees or former employees (and their respective eligible dependents) of members of the Apergy Group.

“COBRA” means the continuation coverage requirements for “group health plans” under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and as codified in Code Section 4980B and ERISA Sections 601 through 608.

“Dover” has the meaning set forth in the preamble to this Agreement.

“Dover 401(k) Plan” means the Dover Corporation Retirement Savings Plan.

“Dover Deferred Compensation Plan” means the Dover Corporation Deferred Compensation Plan, as amended and restated as of January 1, 2009.

“Dover Employee” means any individual who, as of the applicable date of determination, is either actively employed by or then on a leave of absence (including maternity, paternity, family, sick, short-term or long-term disability leave, qualified military service under the Uniformed Services Employment and Reemployment Rights Act of 1994, and leave under the Family Medical Leave Act or other applicable Law and other approved leaves) from any member of the Dover Group, but does not include any Apergy Employee.



“Dover Equity Plan” means the Dover Corporation 2012 Equity and Cash Incentive Plan, the Dover Corporation 2005 Equity and Cash Incentive Plan, and any other equity incentive plan sponsored or maintained by Dover immediately prior to the Effective Time, each as amended from time to time.

“Dover FSAs” has the meaning set forth in Section 4.3.

“Dover Participant” means any individual who is a Dover Employee, a Former Dover Employee, or a beneficiary, dependent, alternative payee, or other person participating in a Dover Benefit Plan in respect of either of the foregoing.

“Dover Pension Replacement Plan” means the Dover Corporation Pension Replacement Plan, as amended and/or restated from time to time.

“Dover Performance Share” means a performance share granted pursuant to any Dover Equity Plan.

“Dover Ratio” has the meaning set forth in Section 5.2(a)(i).

“Dover U.S. Pension Plan” means the Dover Corporation Pension Plan, a U.S. defined benefit pension plan.

“Employee” means any Dover Employee or Apergy Employee.

“ERISA” means the U.S. Employee Retirement Income Security Act of 1974, as amended. Reference to a specific provision of ERISA also includes any proposed, temporary, or final regulations in force under that provision.

“Estimated Pension Plan Transfer Amount” has the meaning set forth in Section 3.2(c)(ii)(B).

“Final Pension Plan Transfer Amount” has the meaning set forth in Section 3.2(c)(ii)(D).

“Final Transfer Date” has the meaning set forth in Section 3.2(c)(ii)(E).

“Former Apergy Employee” means, as of the applicable date of determination, any individual whose employment with either Party or any of its respective Subsidiaries and Affiliates terminated for any reason before such applicable date, and who primarily worked for an Apergy Business at the time of termination of his or her employment.

“Former Dover Employee” means, as of the applicable date of determination, any individual whose employment with either Party or any of its respective Subsidiaries and Affiliates terminated for any reason before such applicable date, other than a Former Apergy Employee.

“Former Norris USW Employee” means a Former Apergy Employee who has an accrued benefit under the Dover U.S. Pension Plan as a result of participating in the Dover U.S. Pension Plan pursuant to a collective bargaining agreement with the United Steelworkers of America covering employees of Dover’s Norris division.

“Health and Welfare Plans” means, when immediately preceded by “Dover,” the health and welfare plans established and sponsored by any member of the Dover Group, and when immediately preceded by “Apergy,” the health and welfare plans exclusively sponsored and maintained by the Apergy Group prior to or after the applicable Plan Separation Date, in each case excluding any governmental plans.

“HIPAA” means the Health Insurance Portability and Accountability Act of 1996, as amended, and the regulations promulgated thereunder.

“Incentive Stock Option” means an option which qualifies as an incentive stock option under the provisions of Section 422 of the Code.

“Initial Transfer Amount” has the meaning set forth in Section 3.2(c)(ii)(C).

“IRS” means the Internal Revenue Service.

“Local Agreement” means any local transfer agreement that provides for the transfer of Assets and the assumption of Liabilities relating to, arising out of or resulting from the transactions contemplated by the Separation Agreement.

“New York Courts” has the meaning set forth in Section 7.9.

“Norris USW Employee” means an Apergy Employee as of the Effective Time who has an accrued benefit under the Dover U.S. Pension Plan as a result of participating in the Dover U.S. Pension Plan pursuant to a collective bargaining agreement with the United Steelworkers of America covering employees of Dover’s Norris division.

“Norris USW Participant” means any individual who is a Norris USW Employee, a Former Norris USW Employee, or a beneficiary, alternate payee, or other person participating in the Dover U.S. Pension Plan in respect of any of the foregoing persons.

“Option” when immediately preceded by “Dover,” means an option (either nonqualified or an Incentive Stock Option) to purchase shares of Dover Common Stock pursuant to a Dover Equity Plan and, when immediately preceded by “Apergy,” means an option (either nonqualified or an Incentive Stock Option) to purchase shares of Apergy Common Stock, which option is granted pursuant to the Apergy Long Term Incentive Plan as set forth in Section 5.2.

“Participating Company” means (a) Dover, (b) any Person (other than an individual) that Dover has approved for participation in, and which is a participating employer in, a Benefit Plan, and (c) any Person (other than an individual) which, by the terms of such a Benefit Plan, is a participating employer in such Benefit Plan.

“Party” or “Parties” has the meaning set forth in the preamble to this Agreement.

“Plan Separation Date” means January 1, 2018.

“Post-Distribution Price” with respect to a share of common stock, means the average closing price for such common stock for the five (5) consecutive trading days immediately following the Distribution Date.

“Post-Effective Time Transfer Individual” has the meaning set forth in Section 2.10.

“Pre-Distribution Price” with respect to a share of common stock, means the average closing price for such common stock trading on the “regular way” basis on the NYSE for the five (5) consecutive trading days immediately preceding (and including) the Distribution Date.

“RSU” when immediately preceded by “Dover,” means a unit granted or provided by Dover pursuant to a Dover Equity Plan or the Dover Deferred Compensation Plan, representing a general unsecured promise by Dover to deliver a share (or cash in respect of a share) of Dover Common Stock, and when immediately preceded by “Apergy,” means a unit granted by Apergy representing a general unsecured promise by Apergy to deliver a share of Apergy Common Stock, which unit is granted pursuant to the Apergy Long Term Incentive Plan as set forth in Section 5.3.

“Separation Agreement” has the meaning set forth in the recitals to this Agreement.

“SSAR” when immediately preceded by “Dover,” means a right to receive a payment in shares of Dover Common Stock equal in value to the increase in value in a share of Dover Common Stock over a designated strike price pursuant to a Dover Equity-Based Plan and, when immediately preceded by “Apergy,” means a right to receive a payment in shares of Apergy Common Stock equal in value to the increase in value in a share of Apergy Common Stock over a designated strike price, which right is granted pursuant to the Apergy Long Term Incentive Plan as set forth in Section 5.2.

“True-Up Amount” has the meaning set forth in Section 3.2(c)(ii)(E).

“U.S.” means the United States of America.

## ARTICLE II

### GENERAL PRINCIPLES; EMPLOYMENT TERMS

2.1 General Principles. All provisions herein shall be subject to the requirements of all applicable Law and any collective bargaining, works council, or similar Contract or arrangement with any labor union. The provisions of this Agreement shall apply in respect of all jurisdictions wherever situated in accordance with applicable Law. Notwithstanding the foregoing, to the extent the provisions of this Agreement conflict with the provisions of a Local Agreement or, in respect of jurisdictions outside of the U.S., with the terms of an offer letter or other Contract entered into with an Apergy Employee or a Dover Employee, the terms of such Local Agreement, offer letter or other Contract, as applicable, shall govern.

## 2.2 Continuation or Transfer of Employment.

(a) *Continuation or Transfer of Employment of Apergy Employees.* Except as otherwise set forth in this Agreement, effective no later than immediately prior to the Effective Time, the employment of each Apergy Employee shall be continued by a member of the Apergy Group or shall be assigned and transferred to a member of the Apergy Group (in each case, with such member as determined by Apergy), or the Apergy Employee shall be engaged as a service provider to the Apergy Group. Apergy or another member of the Apergy Group confirms that it is a successor employer to Dover or a member of the Dover Group under all applicable employment and labor standards Laws. The Parties shall use their reasonable efforts to effect the provisions of this Agreement with respect to the compensation and benefits of such Apergy Employees following such continuation or transfer, as applicable.

(i) For Employees in the jurisdictions where the transfer of employment is by way of employer substitution, Apergy or its relevant Subsidiary or Affiliate shall effectuate an employer substitution, unless the Parties agree otherwise, no later than immediately prior to the Effective Time with respect to each such Employee, in accordance with applicable Law, pursuant to which each relevant Subsidiary or Affiliate will employ such Employee.

(ii) For Employees in the jurisdictions where the transfer is by way of termination/resignation and re-hire, Apergy or its relevant Subsidiary or Affiliate shall offer employment to each such Employee effective no later than immediately prior to the Effective Time, or as otherwise agreed between the Parties, and Dover or its relevant Subsidiary or Affiliate shall terminate such Employees but only then in accordance with applicable Law.

(b) *Continuation or Transfer of Employment of Dover Employees.* Except as otherwise set forth in this Agreement, effective no later than immediately prior to the Effective Time, the employment of each Dover Employee shall be continued by a member of the Dover Group or shall be assigned and transferred to a member of the Dover Group (in each case, with such member as determined by Dover). The Parties shall use their reasonable efforts to effect the provisions of this Agreement with respect to the compensation and benefits of such Dover Employees following such continuation or transfer, as applicable.

(i) For Employees in the jurisdictions where the transfer of employment is by way of employer substitution, Dover or its relevant Subsidiary or Affiliate shall effectuate an employer substitution, unless the Parties agree otherwise, no later than immediately prior to the Effective Time with respect to each such Employee, in accordance with applicable Law, pursuant to which each relevant Subsidiary or Affiliate will employ such Employee.

(ii) For Employees in the jurisdictions where the transfer is by way of termination/resignation and re-hire, Dover or its relevant Subsidiary or Affiliate shall offer employment to each such Employee effective no later than immediately prior to the Effective Time, or as otherwise agreed between the Parties, and Apergy or its relevant Subsidiary or Affiliate shall terminate such Employees but only then in accordance with applicable Law.

### 2.3 Assumption and Retention of Liabilities.

(a) *Apergy Liabilities.* Dover and Apergy intend that all employment, compensation, and employee benefits-related Liabilities associated with Apergy Participants are to be assumed by Apergy or another member of the Apergy Group (as determined by Apergy), except as specifically set forth herein. Except as expressly provided in this Agreement, as of the Effective Time, (i) Apergy hereby retains or assumes and agrees to (or shall cause another member of the Apergy Group to) pay, perform, fulfill, and discharge, (ii) Dover shall have no further Liability with respect to, and (iii) Apergy shall indemnify Dover with respect to the following Liabilities, in all events whether arising prior to, as of, or following the Effective Time: (A) all Liabilities arising under or related to Apergy Benefit Plans, (B) all employment (including workers' compensation), compensation (including wages, salaries, commissions, bonuses, fees, all unused entitlements to vacation earned by the Apergy Participant, and payment and withholding of social security and similar Taxes and contributions), employee benefits, or service-related Liabilities (including moving, relocation, repatriation, and immigration-related obligations), in each case, with respect to (x) all Apergy Participants as of the Effective Time and (y) any individual who is, or was, a dependent or independent contractor, temporary employee, temporary service worker, consultant, freelancer, agency employee, leased employee, on-call worker, incidental worker, or non-payroll worker or in any other employment or similar relationship primarily connected to a member of the Apergy Group, including Liabilities relating to adopting and maintaining any policies or practices necessary to comply with employment-related Laws and requirements relating to the employment of Apergy Employees or such individuals described in the foregoing clause (y), (C) all Liabilities with respect to any and all collective bargaining agreements, collective agreements, trade union, or works council agreements entered into between any member of the Dover Group and any union, works council, or other body representing exclusively Apergy Employees, (D) all Liabilities and obligations whatsoever with respect to claims made by or with respect to any Apergy Participants in connection with any Apergy Benefit Plan, program, or policy not otherwise retained or assumed by any member of the Dover Group pursuant to this Agreement or otherwise, including such Liabilities relating to actions or omissions of or by any member of the Dover Group or any officer, director, employee or agent thereof as of or prior to the Effective Time, (E) all Liabilities retained or assumed by Apergy or another member of the Apergy Group pursuant to the terms of the Local Agreements, and (F) all Liabilities expressly transferred to a member of the Apergy Group under this Agreement.

(b) *Dover Liabilities.* Dover and Apergy intend that all employment, compensation, and employee benefits-related Liabilities associated with Dover Participants are to be assumed by Dover or another member of the Dover Group (as determined by Dover), except as specifically set forth herein. Except as expressly provided in this Agreement, as of the Effective Time, (i) Dover hereby retains or assumes and agrees to (or shall cause another member of the Dover Group to) pay, perform, fulfill, and discharge, (ii) Apergy shall have no further Liability with respect to, and (iii) Dover shall indemnify Apergy with respect to the following Liabilities, in all events whether arising prior to, as of or following the Effective Time: (A) all Liabilities arising under or related to Dover Benefit Plans, (B) all employment (including workers' compensation), compensation (including wages, salaries, commissions, bonuses, fees, all unused entitlements to vacation earned by the Apergy Participant, and payment and withholding of social security and similar Taxes and contributions), employee benefits, or

service-related Liabilities (including moving, relocation, repatriation, and immigration-related obligations), in each case, with respect to (x) all Dover Participants as of the Effective Time and (y) any individual who is, or was, a dependent or independent contractor, temporary employee, temporary service worker, consultant, freelancer, agency employee, leased employee, on-call worker, incidental worker, or non-payroll worker or in any other employment or similar relationship primarily connected to a member of the Dover Group, including Liabilities relating to adopting and maintaining any policies or practices necessary to comply with employment-related Laws and requirements relating to the employment of Dover Employees or such individuals described in the foregoing clause (y), (C) all Liabilities and obligations whatsoever with respect to claims made by or with respect to any Dover Participants in connection with any Dover Benefit Plan, program or policy not otherwise retained or assumed by any member of the Apergy Group pursuant to this Agreement or otherwise, including such Liabilities relating to actions or omissions of or by any member of the Apergy Group or any officer, director, employee, or agent thereof as of or prior to the Effective Time, (D) all Liabilities retained or assumed by Dover or another member of the Dover Group pursuant to the terms of the Local Agreements, and (E) all Liabilities expressly transferred to a member of the Dover Group under this Agreement.

(c) *General.* All Liabilities retained or assumed by or allocated to (i) Apergy or any other member of the Apergy Group pursuant to this Agreement shall be deemed to be Apergy Liabilities for purposes of Article VIII (and related sections) of the Separation Agreement and (ii) Dover or any other member of the Dover Group pursuant to this Agreement shall be deemed to be Dover Liabilities for purposes of Article VIII (and related sections) of the Separation Agreement.

2.4 Assumption of Employee Liabilities. Apergy shall assume and be solely responsible for the administration of severance, notice or pay in lieu of notice, indemnity or other termination pay, or other similar benefits in accordance with applicable Law or the terms and conditions of the applicable offer letter, Contract, severance plan, or policy in effect as of the date of the applicable termination of employment (i) relating to or resulting from (A) the Apergy Group's failure to continue the employment of any Apergy Employee following the Effective Time, (B) the Apergy Group's failure to continue employment on terms and conditions which would preclude any claims of constructive dismissal or similar claims under any applicable Law, or (C) any failure by the Apergy Group to comply with the terms of this Agreement as of or prior to the Effective Time or (ii) where such severance, notice or pay in lieu of notice, indemnity or termination pay, or other benefits are required to be paid under applicable Law, the terms and conditions of the applicable offer letter, Contract, a Dover Benefit Plan, or an Apergy Benefit Plan, as applicable, upon the applicable date of any Apergy Employee's transfer without regard to such terms and conditions or such continuation of employment.

2.5 Cessation as Participating Companies. No later than the Effective Time: (i) each member of the Apergy Group shall have ceased to be a Participating Company in any Dover Benefit Plan, (ii) each member of the Dover Group shall have ceased to be a Participating Company in any Apergy Benefit Plan, and (iii) Dover and Apergy shall have taken all necessary action to effectuate such cessations as Participating Companies.

**2.6 No Duplication of Benefits; Service and Other Credit and No Expansion of Participation.** Dover and Apergy shall have adopted, or caused to have been adopted, all reasonable and necessary amendments and procedures to prevent Apergy Participants from receiving duplicative benefits pursuant to the Dover Benefit Plans and the Apergy Benefit Plans. With respect to Apergy Participants, except as otherwise provided in this Agreement, each Apergy Benefit Plan shall provide that for purposes of determining eligibility to participate, vesting, and entitlement to benefits, service prior to the applicable Plan Separation Date with a member of the Dover Group shall be treated as service with a member of the Apergy Group in accordance with the terms of the corresponding Dover Benefit Plan. Notwithstanding anything to the contrary, in connection with any Apergy Employee's break in service, any determination as to service credit shall be made under and in accordance with the applicable Apergy Benefit Plan document, the terms of which shall control in the case of any conflict with this Section 2.6 unless otherwise provided under applicable Law. The Parties shall use their reasonable efforts so that such service also shall apply for purposes of satisfying any waiting periods, evidence of insurability requirements or the application of any pre-existing condition limitations under any Apergy Benefit Plan. Each Apergy Benefit Plan shall, to the extent practicable, waive pre-existing condition limitations with respect to Apergy Participants, to the extent such pre-existing condition limitations were waived with respect to such Apergy Participants under the corresponding Dover Benefit Plan as of immediately prior to the Effective Time. Except (i) as otherwise expressly provided in this Agreement, (ii) as otherwise determined or agreed to by Dover and Apergy, (iii) as required by applicable Law, or (iv) as explicitly set forth in an Apergy Benefit Plan, an Apergy Participant shall be entitled to participate in an Apergy Benefit Plan only to the extent that such Apergy Participant was entitled to participate in the corresponding Dover Benefit Plan as in effect immediately prior to the Effective Time. It is the intent of the Parties that this Agreement does not result in any expansion of (A) the number of Apergy Participants in the Apergy Benefit Plans as compared to the number of such Apergy Participants in the corresponding Dover Benefit Plans or (B) the Apergy Participants' participation rights in Apergy Benefit Plans as compared to such Apergy Participants' participation rights in the corresponding Dover Benefit Plans, in each case, as of prior to the Effective Time.

**2.7 Reimbursements.** From time to time after the Effective Time, the Parties shall promptly reimburse one another, upon reasonable request of the Party requesting reimbursement and the presentation by such Party of such substantiating documentation as the other Party shall reasonably request, for the cost of any Liabilities satisfied or assumed by the Party requesting reimbursement or any of its Subsidiaries or Affiliates that are made, pursuant to this Agreement, the responsibility of the other Party or any of its Subsidiaries or Affiliates.

**2.8 Labor Relations.** To the extent required by applicable Law or any Contract or arrangement with a labor union, works council, or similar employee organization, Apergy shall (or shall cause another member of the Apergy Group to) provide notice, engage in consultation, and take any similar action which may be required on its part in connection with the actions contemplated in this Agreement or the Distribution and shall fully indemnify each member of the Dover Group against any Liabilities arising from its failure (or the failure of the applicable member of the Apergy Group) to comply with such requirements.

2.9 Plan Administration. The Parties acknowledge that the Dover Group or the Apergy Group may provide administrative services for certain of the Apergy Group's benefit programs or the Dover Group's benefit programs, respectively, for a transitional period under the terms of the Transition Services Agreement. The Parties agree to enter into a business associate agreement (if required by HIPAA or other applicable health information privacy Laws) in connection with such Transition Services Agreement.

2.10 Special Provisions. Notwithstanding any other provision in this Agreement to the contrary, the Senior Vice President & Chief Financial Officer, Senior Vice President, General Counsel & Secretary, and Senior Vice President, Human Resources, and each of them individually, of Dover shall have the discretion, power, and authority to adopt and implement special provisions, rules, or procedures applicable to the employment, compensation, and benefit arrangements of one or more individuals as are deemed necessary or advisable to give effect to the intentions of this Agreement, including special provisions relating to: (i) different equitable adjustments from those set forth in Article V, in the case of a grantee who has outstanding equity-based awards granted under any of the Dover Equity Plans or the Dover Deferred Compensation Plan to the extent that any such officer deems such different treatment to be equitable, necessary or advisable, based on the advice of counsel, (ii) errors in the timing of employment transfers, (iii) issues pertaining to immigration Law requirements, and (iv) any transfer of employment or service of any individuals to a member of the Apergy Group following the Effective Time (each such individual, a "Post-Effective Time Transfer Individual"). To the extent that any such special provisions, rules, or procedures are adopted or implemented with respect to any such Post-Effective Time Transfer Individual, such officer shall use best efforts to treat each such Post-Effective Time Transfer Individual in the same manner as if such Post-Effective Time Transfer Individual's employment or service was continued, assigned, or transferred, as applicable, to a member of the Apergy Group as of no later than immediately prior to the Effective Time in accordance with Section 2.2(a).

### ARTICLE III

#### **DEFINED CONTRIBUTION, DEFINED BENEFIT, AND NON-QUALIFIED DEFERRED COMPENSATION PLANS IN THE U.S.**

##### 3.1 Defined Contribution Plan.

(a) *Establishment of Apergy 401(k) Plan and Trust*. Effective as of the Plan Separation Date, Apergy established the Apergy 401(k) Plan and any trust agreements or other plan documents reasonably necessary, and caused trustees to be appointed for such plan.

(b) *Assumption of Liabilities and Transfer of Assets*. In accordance with applicable Law, Dover and Apergy caused the accounts under the Dover 401(k) Plan of each Apergy Employee to be transferred to the Apergy 401(k) Plan as soon as practicable after the Plan Separation Date in the following manner: (i) Dover caused the accounts (including any outstanding loan balances) of each Apergy Employee as of the Plan Separation Date in the Dover 401(k) Plan to be transferred as soon as practicable after the Plan Separation Date to the Apergy 401(k) Plan and its related trust, (ii) the Apergy 401(k) Plan assumed and became solely responsible for all Liabilities relating to the accounts that were so transferred to the Apergy 401(k) Plan and its related trust as of the time of such transfer, and (iii) Apergy caused such transferred accounts to be accepted by the Apergy 401(k) Plan and its related trust and caused the Apergy 401(k) Plan to satisfy all protected benefit requirements under the Code and applicable Law with respect to the transferred accounts.



(c) *Establishment of Apergy 401(k) Plan Employer Securities Fund.* Effective as of the Plan Separation Date, Dover and Apergy established a Dover employer securities fund under the Apergy 401(k) Plan. Shares of Dover Common Stock held in the Dover 401(k) Plan were transferred in kind to the new Dover employer securities fund under the Apergy 401(k) Plan pursuant to Section 3.1(b). Effective as of the Plan Separation Date, Apergy Participants in the Apergy 401(k) Plan have been and are prohibited from increasing their holdings in the Dover employer securities fund and may elect to liquidate their holdings in such Dover employer securities fund and invest the proceeds in any other investment fund under the Apergy 401(k) Plan.

(d) *Employer Securities.* Dover and Apergy each presently intend to preserve the right of Dover Participants and Apergy Participants to receive distributions in kind of employer securities from, respectively, the Dover 401(k) Plan and the Apergy 401(k) Plan, if, and to the extent, investments under such plans are comprised of Apergy Common Stock or Dover Common Stock, respectively; provided, that, Dover shall cause the Dover 401(k) Plan to provide that, no later than twelve (12) months following the Effective Time, the Dover 401(k) Plan shall hold no separate investment fund comprised of Apergy Common Stock and Apergy shall cause the Apergy 401(k) Plan to provide that, no later than twelve (12) months following the Effective Time, the Apergy 401(k) Plan shall not hold a separate investment fund comprised of Dover Common Stock. Each of Dover and Apergy shall authorize the appropriate plan fiduciary to determine, in its discretion, the extent to which and when Dover Common Stock (in the case of the Apergy 401(k) Plan) and Apergy Common Stock (in the case of the Dover 401(k) Plan) shall cease to be investment alternatives thereunder.

### 3.2 U.S. Defined Benefit Plans.

(a) *Dover U.S. Pension Plan.* No Apergy Participant shall accrue any additional benefits under the Dover U.S. Pension Plan for services performed following the Effective Time. Effective as of the Effective Time, each Apergy Participant in the Dover U.S. Pension Plan who is not a Norris USW Participant shall become fully vested in such Apergy Participant's accrued benefit provided under such plan. Following the Effective Time, Dover shall retain and be solely responsible for all Dover U.S. Pension Plan Liabilities and obligations other than those Liabilities and obligations transferred to the Apergy Pension Plan pursuant to Section 3.2(c), and accordingly, there shall be no transfer of Assets or Liabilities among Dover, Apergy or any of their respective Subsidiaries, Affiliates, or plans in respect of the Dover U.S. Pension Plan with respect to each Apergy Participant except as set forth in Section 3.2(c).

(b) *Establishment of Apergy Pension Plan.* No later than the Effective Time, Dover and Apergy shall have adopted, or caused to have been adopted, a defined benefit pension plan (such new defined benefit pension plan, the "Apergy Pension Plan") that is intended to meet the requirements of Section 401(a) of the Code and related trust that is intended to meet the requirements of Section 501(a) of the Code to provide retirement benefits to the Norris USW Participants who immediately prior to the Effective Time were participants in the Dover U.S. Pension Plan. Apergy shall be responsible for taking all necessary, reasonable, and appropriate

actions to maintain and administer the Apergy Pension Plan so that it is qualified under Section 401(a) of the Code and that the related trust thereunder is exempt under Section 501(a) of the Code, including promptly seeking and obtaining a favorable determination letter from the IRS as to such qualification. Apergy (acting directly or through another member of the Apergy Group) shall be responsible for any and all Liabilities (including Liability for funding) and other obligations with respect to the Apergy Pension Plan.

(c) *Norris USW Participants.*

(i) Assumption of Dover U.S. Pension Plan Liabilities. Effective as of the Effective Time, Apergy (acting directly or through another member of the Apergy Group) agrees to cause the Apergy Pension Plan to assume, fully perform, pay, and discharge all Liabilities and obligations under the Dover U.S. Pension Plan relating to all benefits accrued under the Dover U.S. Pension Plan by Norris USW Participants solely as a result of participating in such plan pursuant to a collective bargaining agreement with the United Steelworkers of America covering employees of Dover's Norris Division as of the Effective Time.

(ii) Transfer of the Dover U.S. Pension Plan Assets.

(A) The Parties intend that the portion of the Dover U.S. Pension Plan covering Norris USW Participants which represents benefits accrued under the Dover U.S. Pension Plan solely as a result of such Norris USW Participants' participation in such plan pursuant to a collective bargaining agreement with the United Steelworkers of America covering employees of Dover's Norris Division shall be transferred to the Apergy Pension Plan in accordance with Section 414(l) of the Code, Treasury Regulation Section 1.414(l)-1, and Section 208 of ERISA. It is intended that the transfers of Assets and Liabilities relating to the Norris USW Participants shall satisfy the *de minimis* rule of Treasury Regulations Section 414(l)-1(n)(2) and shall be deemed to comply with Section 414(l) of the Code so that no IRS Form 5310-A shall be filed with respect to such transfers.

(B) Prior to the Effective Time (or such later time as mutually agreed by the Parties), Dover shall cause the Dover U.S. Pension Plan actuary to determine the estimated value, as of the Effective Time, of the Assets from the trust of the Dover U.S. Pension Plan to be transferred to the trust of the Apergy Pension Plan (the "Estimated Pension Plan Transfer Amount").

(C) As of the Effective Time (or such later time as mutually agreed by the Parties), Dover and Apergy shall cooperate in good faith to cause an initial transfer of Assets from the trust of the Dover U.S. Pension Plan to the trust of the Apergy Pension Plan in an amount to be approximately ninety percent (90%) of the Estimated Pension Plan Transfer Amount (such amount, the "Initial Transfer Amount"). Assets may be transferred in cash, cash equivalents, securities, Assets in kind or in a combination thereof, as determined by Dover in its sole discretion.

(D) Within ninety (90) days (or such later time as mutually agreed by the Parties) following the Effective Time, Dover shall cause the Dover U.S. Pension Plan actuary to provide Apergy with a revised calculation of the value, as of the Effective Time, of the Assets from the trust of the Dover U.S. Pension Plan to be transferred to the trust of the Apergy Pension Plan. This revised value, as of the Effective Time, of the Assets from the trust of the Dover U.S. Pension Plan to be transferred to the trust of the Apergy Pension Plan as determined in accordance with this Section 3.2(c)(ii)(D) shall be referred to herein as the “Final Pension Plan Transfer Amount.”

(E) Within ten (10) days (or such later time as mutually agreed by the Parties) following the determination of the Final Pension Plan Transfer Amount, Dover shall cause the trust of the Dover U.S. Pension Plan to transfer to the trust of the Apergy Pension Plan (the date of such transfer, the “Final Transfer Date”) the amount, in cash, cash equivalents, securities, other Assets in kind or in a combination thereof, as determined by Dover in its sole discretion, equal to (i) the Final Pension Plan Transfer Amount minus (ii) the Initial Transfer Amount (such difference, as adjusted to reflect fees or charges paid or incurred and earnings or losses as determined based on the actual rate of return of the trust of the Dover U.S. Pension Plan for the period commencing as of the Effective Time and ending on a commercially reasonable date in advance of the Final Transfer Date, the “True-Up Amount”); provided, that in the event the True-Up Amount is negative, Dover shall not be required to cause any such additional transfer and instead Apergy shall be required to cause a transfer of cash, cash equivalents, or securities (or, in its discretion, if acceptable to Dover, Assets in kind) from the trust of the Apergy Pension Plan to the trust of the Dover U.S. Pension Plan, as required, in an amount equal to the absolute value of the True-Up Amount. The Parties acknowledge that the transfer of the True-Up Amount from the trust of the Dover U.S. Pension Plan to the trust of the Apergy Pension Plan, if applicable, shall be in full settlement and satisfaction of the obligations of Dover to cause the transfer of, and the trust of the Dover U.S. Pension Plan to transfer, Assets to the trust of the Apergy Pension Plan pursuant to this Section 3.2(c)(ii)(E). In the event that Apergy is obligated to cause the trust of the Apergy Pension Plan to reimburse the trust of the Dover U.S. Pension Plan pursuant to this Section 3.2(c)(ii)(E), such reimbursement shall be performed in accordance with the same principles set forth herein with respect to the payment of the True-Up Amount from the trust of the Apergy Pension Plan to the trust of the Dover U.S. Pension Plan. The Parties acknowledge that the transfer of such reimbursement amount from the trust of the Apergy Pension Plan to the trust of the Dover U.S. Pension Plan, if applicable, shall be in full settlement and satisfaction of the obligations of Apergy to cause the transfer of, and the trust of the Apergy Pension Plan to transfer, Assets to the trust of the Dover U.S. Pension Plan pursuant to this Section 3.2(c)(ii)(E).

### 3.3 Non-Qualified Deferred Compensation Plans.

(a) *Dover Deferred Compensation Plan.* No Apergy Participant shall defer any compensation under the Dover Deferred Compensation Plan attributable to services performed on or following the Plan Separation Date. For the avoidance of doubt, the account balance of each Apergy Participant under the Dover Deferred Compensation Plan shall continue to change based on such Apergy Participant's individual investment elections. Effective as of the Effective Time, a member of the Apergy Group shall assume all Dover Deferred Compensation Plan Liabilities determined as of immediately prior to the Effective Time, with respect to each Apergy Participant who is an Apergy Employee as of the Effective Time.

(b) *Dover Pension Replacement Plan.* No later than the Effective Time, Dover shall amend the Dover Pension Replacement Plan to (i) freeze benefit accruals under the Dover Pension Replacement Plan effective as of immediately prior to the Effective Time with respect to Apergy Participants who are actively accruing a benefit under the Dover Pension Replacement Plan immediately prior to the Effective Time, (ii) convert the benefit determined under clause (i) to an account balance effective as of immediately prior to the Effective Time, and (iii) reduce the amount determined under clause (ii) by any Taxes the Apergy Participant would be required to pay as a result of the conversion described in clause (ii) as permitted under Treasury Regulation Section 1.409A-3(j)(4)(vii). Effective as of the Effective Time, a member of the Apergy Group shall assume all Dover Pension Replacement Plan Liabilities determined pursuant to the preceding sentence with respect to each Apergy Participant who is an Apergy Employee as of the Effective Time.

(c) *Establishment of Apergy Deferred Compensation Plan.* Prior to the Effective Time, a member of the Apergy Group shall have adopted, or caused to have been adopted, a non-qualified deferred compensation benefit plan, which will serve as the plan document for the Dover Pension Replacement Plan Liabilities and Dover Deferred Compensation Plan Liabilities assumed by a member of the Apergy Group in accordance with Sections 3.3(a) and 3.3(b).

(d) *Harbison-Fischer Manufacturing Company Restoration of Income Plan and Harbison-Fischer Manufacturing Company Deferred Compensation Agreement.* As of and following the Effective Time, Apergy (or another applicable member of the Apergy Group) shall retain all Liabilities and the administration of the Harbison-Fischer Manufacturing Company Restoration of Income Plan and the Harbison-Fischer Manufacturing Company Deferred Compensation Agreement.

## ARTICLE IV

### HEALTH AND WELFARE PLANS

4.1 Cessation of Participation in Dover Health and Welfare Plans. Effective as of the Plan Separation Date, Apergy established Apergy Health and Welfare Plans which generally correspond to the Dover Health and Welfare Plans which provide group health, life, dental, accidental death and dismemberment, health care reimbursements, dependent care assistance and disability benefits in which certain Apergy Participants participated immediately prior to the Plan

Separation Date. Effective as of immediately prior to the Plan Separation Date, such Apergy Participants ceased to participate in the Dover Health and Welfare Plans in which they participated and effective as of the Plan Separation Date commenced participation in the corresponding Apergy Health and Welfare Plans. Apergy caused those Apergy Participants who participated in Dover Health and Welfare Plans immediately prior to the Plan Separation Date to be automatically enrolled as of the Plan Separation Date in the Apergy Health and Welfare Plans corresponding to the Dover Health and Welfare Plans in which such Apergy Participants participated immediately prior to the Plan Separation Date. The transfer of employment from a member of the Dover Group to a member of the Apergy Group prior to or as of the Effective Time shall not be treated as a “status change” with respect to any Apergy Employee under the Dover Health and Welfare Plans or the Apergy Health and Welfare Plans.

#### 4.2 Allocation of Health and Welfare Plan Liabilities.

(a) *Health and Welfare Claims.* Except as set forth in Section 4.2(b), Dover shall retain and be solely responsible for all outstanding Liabilities relating to, arising out of, or resulting from health and welfare coverage or claims incurred by Apergy Participants under the Dover Health and Welfare Plans prior to the Plan Separation Date.

(b) *Short-Term and Long-Term Disability Coverage Liabilities.* From and after the Effective Time, Apergy shall, or shall cause another member of the Apergy Group to, accept, assume (or, as applicable, retain) and perform, discharge and fulfill, all Liabilities relating to, arising out of, or resulting from short-term or long-term disability coverage for Apergy Participants under the Dover Health and Welfare Plans, in each case, regardless of (i) when or where such Liabilities arose or arise, (ii) where or against whom such Liabilities are asserted or determined and (iii) whether the facts on which they are based occurred prior to, on or after the date hereof.

4.3 Flexible Spending Plan Treatment in the U.S. Effective as of the Plan Separation Date, Apergy established a dependent care spending account and a medical care spending account under a cafeteria plan meeting the requirements of Section 125 of the Code (collectively, the “Apergy FSAs”), which Apergy FSAs have terms that are substantially identical to the analogous Dover cafeteria plan and dependent care and medical care flexible spending accounts (collectively, the “Dover FSAs”) as were in effect immediately prior to the Plan Separation Date. As of the Plan Separation Date, Dover transferred the account balances (if any) under the Dover FSAs of each Apergy Employee who elected to participate therein to the corresponding Apergy FSAs. The Apergy FSAs assumed responsibility as of the Plan Separation Date for all outstanding dependent care and medical care claims under the Dover FSAs of each Apergy Employee and assumed and agreed to perform the obligations from and after the Plan Separation Date. On and following the Plan Separation Date, the contribution elections (if any) of each Apergy Employee as in effect immediately prior to the Plan Separation Date shall remain in effect under the applicable Apergy FSA. As of the Plan Separation Date, Dover transferred to Apergy an amount equal to the total contributions made to the Dover FSAs by Apergy Employees in respect of the plan year immediately prior to the plan year in which the Plan Separation Date occurs, reduced by an amount equal to the total claims already paid to Apergy Employees in respect of such immediately preceding plan year, if any. From and after the Plan Separation Date, Dover has provided and shall provide Apergy with such information that any member of the Apergy Group may reasonably request to enable it to verify any claims information pertaining to a Dover FSA.

#### 4.4 Workers' Compensation Liabilities.

(a) *Apergy Liabilities.* All workers' compensation Liabilities relating to, arising out of or resulting from any claim by Apergy Employees or Former Apergy Employees that result from an accident or from an occupational disease which is incurred or becomes manifest, as the case may be, as of or prior to the Effective Time and while such individual was employed by either Party or its respective Subsidiaries or Affiliates shall be assumed, or retained as the case may be, by Apergy as of the Effective Time. Each member of the Apergy Group shall also be solely responsible for all workers' compensation Liabilities relating to, arising out of, or resulting from any claim incurred for a compensable injury sustained by an Apergy Employee or Former Apergy Employee that results from an accident or from an occupational disease which is incurred or becomes manifest, as the case may be, after the Effective Time. Effective as of the Effective Time, Apergy, acting through the applicable member of the Apergy Group employing each Apergy Employee, will be responsible for obtaining workers' compensation insurance, including providing all collateral required by the insurance carriers. To the extent that such insurance coverage cannot be either assigned to or obtained by Apergy or another member of the Apergy Group, in respect of claims and Liabilities otherwise to be assumed by Apergy or another member of the Apergy Group pursuant to Section 2.3(a) and this Section 4.4(a), Dover shall remain primarily liable for such claims and Liabilities, but Apergy shall indemnify and hold harmless Dover for any such claims and Liabilities. If the preceding sentence applies, then at one or more mutually agreed upon dates, Dover will determine the present value of such claims and Liabilities and Apergy shall reimburse Dover for that amount.

(b) *Assignment of Contribution Rights.* Dover will transfer and assign (or cause a member of the Dover Group to transfer and assign) to a member of the Apergy Group all rights to seek contribution or damages from any applicable third party (such as a third party who aggravates an injury to a worker who makes a workers' compensation claim) with respect to any workers' compensation claim for which Apergy is responsible pursuant to Section 2.3(a) and this Article IV. Apergy will transfer and assign (or cause a member of the Apergy Group to transfer and assign) to a member of the Dover Group all rights to seek contribution or damages from any applicable third party (such as a third party who aggravates an injury to a worker who makes a workers' compensation claim) with respect to any workers' compensation claim for which Dover is responsible pursuant to Section 2.3(b).

(c) *Collateral.* As of and after the Effective Time, Apergy (acting directly or through another member of the Apergy Group) shall be responsible for providing all collateral required by insurance carriers in connection with workers' compensation claims for which Liability is allocated to the Apergy Group under Section 2.3(a) and this Article IV. Dover (acting directly or through another member of the Dover Group) shall be responsible for providing all collateral required by insurance carriers in connection with workers' compensation claims for which Liability is allocated to the Dover Group under Section 2.3(b).

4.5 Payroll Taxes and Reporting. To the fullest extent permitted by applicable Law, Dover and Apergy shall, to the extent practicable, (i) treat Apergy (or another member of the Apergy Group designated by Apergy) as a "successor employer" and Dover (or the appropriate member of the Dover Group) as a "predecessor," within the meaning of Sections 3121(a)(1) and 3306(b)(1) of the Code (or analogous terms under applicable Law, including the Employment

Insurance and Quebec Parental Insurance Plan and the Canada Pension Plan and Quebec Pension Plan), with respect to Apergy Employees for purposes of Taxes imposed under the U.S. Federal Unemployment Tax Act or the U.S. Federal Insurance Contributions Act or other applicable Laws, and (ii) cooperate with each other to avoid, to the extent possible, the filing of more than one IRS Form W-2 with respect to each Apergy Employee for the year in which the Effective Time occurs. Without limiting in any manner the obligations and Liabilities of the Parties under the Tax Matters Agreement, each member of the Dover Group and each member of the Apergy Group shall each bear its responsibility for payroll Tax obligations and for the proper reporting to the appropriate Governmental Entities of compensation earned by their respective employees after the Effective Time, including compensation related to the exercise of stock options or the vesting or exercise of other equity awards.

4.6 COBRA Compliance in the U.S. As of the Plan Separation Date, Apergy assumed responsibility for and has been and is responsible for administering compliance with the health care continuation requirements of COBRA, in accordance with the provisions of the Apergy Health and Welfare Plans, with respect to Apergy Participants who incurred a COBRA qualifying event under the Dover Health and Welfare Plans at any time prior to the Plan Separation Date. Apergy also has been and is responsible for administering compliance with the health care continuation requirements of COBRA and the corresponding provisions of the Apergy Health and Welfare Plans with respect to Apergy Employees and their covered dependents who incur a COBRA qualifying event under the Apergy Health and Welfare Plans at any time on or after the Plan Separation Date.

4.7 Vacation, Holidays, Approved Leaves of Absence, and Paid Time Off. As of or prior to the Effective Time, the applicable member of the Apergy Group shall have credited each Apergy Employee with the unused vacation days, holidays, annual leave, or other approved leave of absence, and personal, and sickness days that such Apergy Employee has accrued immediately prior to the Effective Time (not previously paid or required to be paid) in accordance with the vacation and personnel policies applicable to such Apergy Employee immediately prior to the Effective Time.

## ARTICLE V

### **INCENTIVE COMPENSATION, EQUITY AND EQUITY-BASED COMPENSATION, AND OTHER BENEFITS**

#### 5.1 Cash-Based Incentives.

(a) *Annual Cash Incentives and Commissions.* At the regularly scheduled payment date, Apergy shall pay each Apergy Employee, and Dover shall pay each Dover Employee, in each case, who is participating in an annual cash incentive bonus or commission program of a member of the Apergy Group or a member of the Dover Group, as applicable, such Apergy Employee's and such Dover Employee's, as applicable, annual incentive bonus or commission under the applicable plan, based on actual performance for 2018.

(b) *Long-term Cash Incentives*. Each Dover long-term cash incentive award that is held by an Apergy Employee with a performance period that extends beyond the Effective Time will be cancelled and forfeited as of the Effective Time.

## 5.2 Stock Options and SSARs.

(a) *Dover Options and SSARs*. Each Dover Option and Dover SSAR that is outstanding immediately prior to the Effective Time and that is held by a Dover Employee or a Former Dover Employee shall be adjusted as of the Effective Time (and shall thereafter be referred to as an “Adjusted Dover Option” or “Adjusted Dover SSAR,” as applicable) as follows:

(i) The number of shares of Dover Common Stock subject to each Adjusted Dover Option and each Adjusted Dover SSAR, as applicable, shall be equal to the product (rounded down to the nearest whole share on an aggregated basis for all Dover Options held by such Dover Employee or Former Dover Employee and for all Dover SSARs held by such Dover Employee or Former Dover Employee, as applicable) of (A) the number of shares of Dover Common Stock subject to the corresponding Dover Option or Dover SSAR, as applicable, immediately prior to the Effective Time and (B) a fraction, the numerator of which is the Pre-Distribution Price of a share of Dover Common Stock and the denominator which is the Post-Distribution Price of a share of Dover Common Stock (such fraction, the “Dover Ratio”).

(ii) The exercise price per share for each Adjusted Dover Option and the strike price per share for each Adjusted Dover SSAR, as applicable, shall be equal to (A) the exercise price or strike price (as the case may be) of the corresponding Dover Option or Dover SSAR, as applicable, immediately prior to the Effective Time divided by (B) the Dover Ratio, rounded up to the nearest whole cent.

(iii) Each Adjusted Dover Option and Adjusted Dover SSAR shall otherwise be subject to the same terms, vesting conditions, exercise procedures, expiration dates, and termination provisions and other terms and conditions as were in effect immediately prior to the Effective Time for the corresponding Dover Option and Dover SSAR, as applicable.

(b) *Apergy Options and SSARs*. Each Dover Option and Dover SSAR that is outstanding immediately prior to the Effective Time and that is held by an Apergy Employee shall, as of the Effective Time, be cancelled and immediately replaced with an Apergy Option or an Apergy SSAR, as applicable, as follows:

(i) The number of shares of Apergy Common Stock subject to each Apergy Option and each Apergy SSAR, as applicable, shall be equal to the product (rounded down to the nearest whole share on an aggregated basis for all Apergy Options held by such Apergy Employee and all Apergy SSARs held by such Apergy Employee, as applicable) of (A) the number of shares of Dover Common Stock subject to the corresponding Dover Option or Dover SSAR, as applicable, immediately prior to the Effective Time and (B) a fraction, the numerator of which is the Pre-Distribution Price of a share of Dover Common Stock and the denominator of which is the Post-Distribution Price of a share of Apergy Common Stock (such fraction, the “Apergy Ratio”).



(ii) The exercise price per share for each Apergy Option and strike price per share for each Apergy SSAR, as applicable, shall be equal to (A) the exercise price or strike price (as the case may be) of the corresponding Dover Option or Dover SSAR, as applicable, immediately prior to the Effective Time divided by (B) the Apergy Ratio, rounded up to the nearest whole cent.

(iii) Each Apergy Option and Apergy SSAR shall otherwise be subject to the same terms, vesting conditions, exercise procedures, expiration dates, and termination provisions and other terms and conditions as were in effect immediately prior to the Effective Time for the corresponding Dover Option and Dover SSAR, as applicable.

### 5.3 Restricted Stock Units.

(a) *Dover RSUs.* Each Dover RSU that is outstanding immediately prior to the Effective Time and that is held by a Dover Employee, a Former Dover Employee or a non-employee director shall be adjusted as of the Effective Time (and shall thereafter be referred to as an “Adjusted Dover RSU”) as follows:

(i) the number of shares of Dover Common Stock subject to each Adjusted Dover RSU shall be equal to the product (rounded down to the nearest whole share on an aggregated basis) of (A) the number of shares of Dover Common Stock subject to the corresponding Dover RSU immediately prior to the Effective Time and (B) the Dover Ratio.

(ii) Each Adjusted Dover RSU shall be subject to the same terms, vesting conditions, issuance dates and method of distribution and other terms and conditions as were in effect immediately prior to the Effective Time for the corresponding Dover RSU.

(b) *Apergy RSUs.* Each Dover RSU that is outstanding immediately prior to the Effective Time and that is held by an Apergy Employee shall, as of the Effective Time, be cancelled and immediately replaced with an Apergy RSU, as follows:

(i) The number of shares of Apergy Common Stock subject to each Apergy RSU shall be equal to the product (rounded down to the nearest whole share on an aggregated basis) of (A) the number of shares of Dover Common Stock subject to the corresponding Dover RSU immediately prior to the Effective Time and (B) the Apergy Ratio.

(ii) Each Apergy RSU shall be subject to the same terms, vesting conditions, issuance dates and method of distribution and other terms and conditions that were in effect immediately prior to the Effective Time for the corresponding Dover RSU, and as of the Effective Time, Apergy shall assume all Liabilities with respect to any dividend equivalents that have been credited in respect of such corresponding Dover RSU, as of the Effective Time.

(c) *Dover Performance Shares Held by Apergy Employees*. Immediately prior to the Effective Time: (i) each ongoing performance period related to an outstanding Dover Performance Share held by an Apergy Employee shall be terminated and (ii) each such outstanding Dover Performance Share held by an Apergy Employee that relates to a performance period ending after the Effective Time shall be cancelled.

5.4 General. All of the adjustments described in this Article V shall be effected in accordance with Sections 424 and 409A of the Code, to the extent subject thereto.

5.5 Non-U.S. Grants/Awards. In making the adjustments as described in this Article V, the Parties shall use commercially reasonable efforts to preserve, at and after the Effective Time, the value and tax treatment accorded each equity award granted to non-U.S. employees under the Dover Equity Plans and the Apergy Long Term Incentive Plan, as applicable.

5.6 Adoption of Plan. Prior to the Effective Time, Apergy shall have adopted, or shall have caused a member of the Apergy Group to have adopted, the Apergy Long Term Incentive Plan.

5.7 Administration. Each of Dover and Apergy shall establish an appropriate administration system in order to handle exercises and delivery of shares of common stock in an orderly manner and provide reasonable levels of service for equity award holders.

5.8 Registration. The Parties shall use commercially reasonable efforts to maintain effective registration statements with the Commission with respect to the awards described in this Article V, to the extent any such registration statement is required by applicable Law.

5.9 No Effect on Subsequent Awards. The provisions of this Article V shall have no effect on the terms and conditions of equity and equity-based awards granted following the Effective Time by Dover or Apergy, including any such equity and equity-based awards granted pursuant to any Dover Equity Plan or the Apergy Long Term Incentive Plan, as applicable.

## ARTICLE VI

### GENERAL AND ADMINISTRATIVE

6.1 Sharing of Participant Information. To the maximum extent permitted under applicable Law, Dover and Apergy shall share, and shall cause the members of its respective Group to share, with each other and their respective agents and vendors all participant information reasonably necessary for the efficient and accurate administration of each of the Dover Benefit Plans and the Apergy Benefit Plans. Dover and Apergy and their respective authorized agents shall, subject to applicable laws on confidentiality, be given reasonable and timely access to, and may make copies of, all information relating to the subjects of this Agreement in the custody of the other Party or any member of its Group, to the extent necessary for such administration. Until the Plan Separation Date, all participant information was provided

in the manner and medium applicable to Participating Companies in the Dover Benefit Plans generally, and thereafter until the time at which the Parties subsequently determine, all participant information has been and shall be provided in a manner and medium that are compatible with the data processing systems of Dover as in effect as of the Plan Separation Date, unless otherwise agreed to by Dover and Apergy.

6.2 Audit Rights with Respect to Information Provided. Each of Dover and Apergy, and their respective duly authorized representatives, shall have the right to conduct reasonable audits with respect to all information provided to it by the other Party. The Parties shall cooperate to determine the procedures and guidelines for conducting audits under this Section 6.2, which shall require reasonable advance notice by the auditing party. The auditing Party shall have the right to make copies of any records at its expense, subject to applicable Law.

6.3 Fiduciary Matters. Dover and Apergy each acknowledge that actions required to be taken pursuant to this Agreement may be subject to fiduciary duties or standards of conduct under ERISA or other applicable Law, and no Party shall be deemed to be in violation of this Agreement if it fails to comply with any provisions hereof based upon its good faith determination (as supported by advice from counsel experienced in such matters) that to do so would violate such a fiduciary duty or standard. Each Party shall be responsible for taking such actions as are deemed necessary and appropriate to comply with its own fiduciary responsibilities and shall fully release and indemnify the other party for any Liabilities caused by the failure to satisfy any such responsibility.

6.4 Consent of Third Parties. If any provision of this Agreement is dependent on the consent of any Third Party (such as a vendor or Governmental Entity) and such consent is withheld, Dover and Apergy shall use commercially reasonable efforts to implement the applicable provisions of this Agreement to the full extent practicable. If any provision of this Agreement cannot be implemented due to the failure of such Third Party to consent, Dover and Apergy shall negotiate in good faith to implement the provision in a mutually satisfactory manner. The phrase “commercially reasonable efforts” as used herein shall not be construed to require the incurrence of any non-routine or unreasonable expense or liability or the waiver of any right.

6.5 Confidentiality of Employee Information. Except as otherwise set forth in this Agreement, all records, information and data relating to Employees shall, in each case, be subject to the confidentiality provisions of the Separation Agreement and any other applicable agreement and applicable Law, and the provisions of this Section 6.5 shall be in addition to, and not in derogation of, the provisions of the Separation Agreement governing Confidential Information, including Sections 7.5 and 8.6 of the Separation Agreement.

6.6 Cooperation. The Parties agree to use commercially reasonable efforts to cooperate with respect to sharing, retaining, and maintaining data and records that are necessary or appropriate to further the purposes of this Section 6.6 and to administer its respective Benefit Plans to the extent consistent with this Agreement and applicable Law, and the Parties agree to cooperate as long as is reasonably necessary to further the purposes of this Section 6.6. No Party shall charge another Party a fee for such cooperation.

6.7 Subsequent Transfers of Employment. To the extent that the employment of any individuals transfers between any member of the Dover Group and any member of the Apergy Group in the twenty-four (24) month period following the Effective Time, the Parties shall use their reasonable efforts to effect the provisions of this Agreement with respect to the compensation and benefits of such individuals following such transfer, it being understood that (i) it may not be possible to replicate the effect of such provisions under such circumstances and (ii) neither Dover nor Apergy shall be bound by the provisions of this Section 6.7 to assume any Liabilities or transfer any Assets. Notwithstanding the foregoing, for compensation subject to the provisions of Section 409A of the Code, any such subsequent transfer shall be a separation from service from the applicable employer for purposes of such compensation, and the consequences of such separation from service shall be determined in accordance with the terms of the applicable plan or agreement.

**ARTICLE VII**  
**GENERAL PROVISIONS**

7.1 Complete Agreement. This Agreement, the Separation Agreement and the other Ancillary Agreements, and the exhibits, schedules, and annexes hereto and thereto, shall constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and shall supersede all previous negotiations, commitments, and writings with respect to such subject matter. In the event of any conflict between the terms and conditions of the body of this Agreement and the terms and conditions of any Schedule, the terms and conditions of such Schedule shall control. Notwithstanding anything to the contrary in this Agreement, the Separation Agreement, or any other Ancillary Agreement, in the case of any conflict between the provisions of the Separation Agreement and the provisions of any Ancillary Agreement, the provisions of the Separation Agreement shall control; provided, however, that in relation to (i) any matters concerning Taxes, the Tax Matters Agreement shall prevail over the Separation Agreement and any other Ancillary Agreement, (ii) any matters governed by this Agreement, this Agreement shall prevail over the Separation Agreement or any other Ancillary Agreement, and (iii) the provision of support and other services after the Effective Time by the Apergy Group to the Dover Group, and vice versa, the Transition Services Agreement shall prevail over the Separation Agreement or any other Ancillary Agreement. It is the intention of the Parties that the Transfer Documents shall be consistent with the terms of this Agreement, the Separation Agreement and the other Ancillary Agreements. The Parties agree that the Transfer Documents are not intended and shall not be considered in any way to enhance, modify or decrease any of the rights or obligations of Dover, Apergy, or any member of their respective Groups from those contained in this Agreement, the Separation Agreement, and the other Ancillary Agreements.

7.2 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to the other Party. Execution of this Agreement or any other documents pursuant to this Agreement by facsimile or other electronic copy of a signature shall be deemed to be, and shall have the same effect as, executed by an original signature.

7.3 Survival of Agreements. Except as otherwise contemplated by this Agreement, all covenants and agreements of the Parties contained in this Agreement shall survive the Effective Time and remain in full force and effect in accordance with their applicable terms.

7.4 Notices. All notices, requests, claims, demands, and other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt unless the day of receipt is not a Business Day, in which case it shall be deemed to have been duly given or made on the next Business Day) by delivery in person, by overnight courier service, by facsimile, or by email with receipt confirmed or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 7.4):

If to Dover:

Dover Corporation  
3005 Highland Parkway  
Downers Grove, Illinois 60515

Attn:

Facsimile:

Email:

If to Apergy:

Apergy Corporation  
[address]

Attn:

Facsimile:

Email:

7.5 Termination. Notwithstanding any provision to the contrary, this Agreement shall be of no further force and effect and shall be null and void *ab initio* if the Separation Agreement is terminated at any time prior to the Effective Time in accordance with Section 10.10 thereof. In the event of such termination, no Party, nor any of its officers, directors, or employees shall have any liability to any other Party or any other Person. After the Effective Time, this Agreement may not be terminated except by an agreement in writing signed by each of the Parties.

7.6 Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and the Parties shall endeavor in good-faith negotiations to replace the invalid, illegal, or unenforceable provisions with valid, legal, and enforceable provisions, the economic effect of which comes as close as possible to that of the invalid, illegal, or unenforceable provisions.

7.7 Assignment; No Third-Party Beneficiaries. The provisions of this Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors (by merger, acquisition of assets or otherwise) and permitted transferees and assigns to the same extent as if such successors or permitted transferees and assigns had been an original party to the Agreement. Notwithstanding the foregoing, this Agreement shall not be assignable, in whole or in part, by any Party without the prior written consent of the other Party, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be null and void; provided, that (i) a Party may assign any or all of its rights and obligations under this Agreement to any of its Affiliates, but no such assignment shall release the assigning Party from any liability or obligation under this Agreement, and (ii) a Party may assign this Agreement in whole in connection with a bona fide third-party merger transaction in which such Party is not the surviving entity or the sale by such Party of all or substantially all of its Assets, and upon the effectiveness of such assignment under this clause (ii), the assigning Party shall be released from all of its obligations under this Agreement if the surviving entity of such merger or the transferee of such Assets shall agree in writing, in form and substance reasonably satisfactory to the other Party, to be bound by the terms of this Agreement as if named as a "Party" hereto. This Agreement is solely for the benefit of the Parties and their respective Affiliates after the Effective Time and their respective permitted successors and assigns, and is not intended to confer upon any Person except the Parties and their respective Affiliates after the Effective Time, and their respective permitted successors and assigns, any rights or remedies hereunder, and there are no third-party beneficiaries of this Agreement and nothing in this Agreement, express or implied, (A) shall confer upon Third Parties any remedy, claim, liability, reimbursement, cause of action, or other right in excess of those existing without reference to this Agreement, (B) shall confer any right to employment or continued employment for any period or terms of employment, (C) shall be interpreted to prevent or restrict the Parties from modifying or terminating any Apergy Benefit Plan or Dover Benefit Plan or the employment or terms of employment of any Apergy Employee or Dover Employee, or (D) shall establish, modify or amend any Apergy Benefit Plan or Dover Benefit Plan covering an Apergy Participant or Dover Participant, any collective bargaining agreements, national collective bargaining agreements, or the terms and conditions of employment applicable to an Apergy Employee or a Dover Employee.

7.8 Governing Law. This Agreement shall be governed by and construed in accordance with the internal Laws, and not the Laws governing conflicts of Laws (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law), of the State of New York.

7.9 Consent to Jurisdiction. Subject to the provisions of Article VIII of the Separation Agreement, each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the U.S. District Court for the Southern District of New York (together, the "New York Courts"), for purposes of any Action to compel arbitration or for provisional relief in aid of arbitration in accordance with Article VIII of the Separation Agreement or for provisional relief to prevent irreparable harm, and to the non-exclusive jurisdiction of the New York Courts for the enforcement of any award issued thereunder. Each of the Parties further agrees that service of any process, summons, notice, or document by U.S. registered mail to such Party's respective address set forth in

Section 7.4 shall be effective service of process for any Action in the New York Courts with respect to any matters to which it has submitted to jurisdiction in this Section 7.9. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any Action arising out of this Agreement or the transactions contemplated hereby in the New York Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Action brought in any such court has been brought in an inconvenient forum.

7.10 Dispute Resolution. The resolution of any dispute between the Parties with respect to this Agreement shall be governed by the provisions of the Separation Agreement with respect to the resolution of disputes, including the provisions of Article VIII of the Separation Agreement.

7.11 Specific Performance. The Parties agree that irreparable damage may occur in the event that the provisions of this Agreement were not performed in accordance with their specific terms. Accordingly, it is hereby agreed that the Parties shall be entitled to seek (i) an injunction or injunctions to enforce specifically the terms and provisions hereof in any arbitration in accordance with Article VIII of the Separation Agreement, (ii) provisional or temporary injunctive relief in accordance therewith in any New York Court, and (iii) enforcement of any such award of an arbitral tribunal or a New York Court in any court of the U.S., or any other any court or tribunal sitting in any state of the U.S. or in any foreign country that has jurisdiction, this being in addition to any other remedy or relief to which they may be entitled.

7.12 Amendment. This Agreement may not be modified or amended except by an agreement in writing signed by each of the Parties. The failure of any Party to require strict performance by any other Party of any provision in this Agreement will not waive or diminish that Party's right to demand strict performance thereafter of that or any other provision hereof.

7.13 Rules of Construction.

References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Any action to be taken by the board of directors of a Party may be taken by a committee of the board of directors of such Party if properly delegated by the board of directors of such Party to such committee. Unless the context otherwise requires:

(i) the words "include", "includes" and "including" when used in this Agreement shall be deemed to be followed by the phrase "without limitation",

(ii) references in this Agreement to Articles, Sections, Annexes, Exhibits, and Schedules shall be deemed references to Articles and Sections of, and Annexes, Exhibits, and Schedules to, this Agreement,

(iii) the words "hereof", "hereby" and "herein" and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section, or provision of this Agreement,

(iv) the words “written request” when used in this Agreement shall include email,

(v) the term “commercially reasonable efforts” means efforts which are commercially reasonable to enable a Party, directly or indirectly, to satisfy a condition to, or otherwise assist in, the consummation of a desired result and which do not require the performing Party to expend funds or assume Liabilities other than expenditures and Liabilities which are customary and reasonable in nature and amount in the context of a series of related transactions similar to the Distribution,

(vi) the words “shall” and “will” are used interchangeably and have the same meaning,

(vii) the word “or” shall not be exclusive,

(viii) relative to the determination of any period of time, “from” means “from and including,” “to” means “to, but excluding” and “through” means “through and including”,

(ix) whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified,

(x) reference to any Law (including statutes and ordinances) means such Law (including any and all rules and regulations promulgated thereunder) as amended, modified, codified, or reenacted, in whole or in part, and in effect at the time of determining compliance or applicability,

(xi) references in this Agreement to any time shall be to New York City, New York time unless otherwise expressly provided herein, and

(xii) as described in Section 7.1, to the extent that the terms and conditions of any Schedule hereto conflicts with the express terms of the body of this Agreement, the terms of such Schedule shall control; it being understood that the Parties intend to include in the Schedules hereto any exceptions to the general rules described in the body of this Agreement and to give full effect to such exceptions, with respect to the matters expressly set forth therein.

The Parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

7.14 Authorization. Each of the Parties hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such Party, that this Agreement constitutes a legal, valid, and binding obligation of each such Party enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights generally and general equity principles.



7.15 Schedules. The Schedules attached hereto are incorporated herein by reference and shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

7.16 Subsidiaries. Each of the Parties shall cause (or with respect to an Affiliate that is not a Subsidiary, shall use commercially reasonable efforts to cause) to be performed, and hereby guarantee the performance of, all actions, agreements and obligations set forth herein to be performed by any Subsidiary or Affiliate of such Party or by any Business Entity that becomes a Subsidiary or Affiliate of such Party at and after the Effective Time. This Agreement is being entered into by Dover and Apergy on behalf of themselves and the members of their respective Groups (*i.e.*, the Dover Group and the Apergy Group, respectively). This Agreement shall constitute a direct obligation of each such entity and shall be deemed to have been readopted and affirmed on behalf of any Business Entity that becomes a Subsidiary or Affiliate of such Party at and after the Effective Time. Either Party shall have the right, by giving notice to the other Party, to require that any Subsidiary of the other Party execute a counterpart to this Agreement to become bound by the provisions of this Agreement applicable to such Subsidiary.

7.17 No Circumvention. The Parties agree not to directly or indirectly take any actions, act in concert with any Person who takes an action, or cause or allow any member of any such Party's Group to take any actions (including the failure to take a reasonable action) intended to, or such that the resulting effect is to, materially undermine the effectiveness of any of the provisions of this Agreement, the Separation Agreement, or any other Ancillary Agreement (including adversely affecting the rights or ability of any Party to successfully pursue indemnification, contribution, or payment pursuant to Article VI of the Separation Agreement).

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in their names by a duly authorized officer as of the date first written above.

**DOVER CORPORATION**

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page to Employee Matters Agreement]*

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**APERGY CORPORATION**

By: \_\_\_\_\_

Name:

Title:

*[Signature Page to Employee Matters Agreement]*

**Apergy Corporation has requested confidential treatment of this registration statement and associated correspondence pursuant to Rule 83 of the Securities and Exchange Commission.**

**Exhibit 99.1**



Dear Dover Corporation Stockholder:

I am pleased to inform you that on \_\_\_\_\_, the Board of Directors of Dover Corporation approved the distribution of all of the shares of common stock of Apergy Corporation, a wholly-owned subsidiary of Dover, to Dover stockholders. Apergy holds a substantial portion of our upstream energy businesses within our Energy segment. Upon completion of the spin-off, Apergy will be a stand-alone, publicly traded company that is a leading provider of highly engineered technologies that help companies drill for and produce oil and gas efficiently and safely around the world. Dover will remain a market leader in delivering innovative equipment and components, specialty systems, consumable supplies, software and digital solutions, and support services.

We believe the separation will enhance the long-term performance of both businesses and create lasting value for our stockholders. The transaction furthers Dover's strategy to streamline our portfolio and focus and invest in our core platforms of market-leading businesses competing in attractive industrial markets that offer lower volatility and strong growth prospects. At the same time, as a pure-play upstream energy business with dedicated leadership, Apergy will be well positioned to leverage its already strong businesses and trusted brands, take advantage of favorable industry fundamentals and growth opportunities within its markets, and align its structure and capital allocation strategy with a dedicated investor base.

The separation will be in the form of a pro rata distribution of all of the outstanding shares of Apergy's common stock to holders of Dover's common stock. Each Dover stockholder will receive one share of Apergy's common stock for every \_\_\_\_\_ shares of Dover's common stock held as of the close of business on \_\_\_\_\_, the record date for the distribution. Stockholder approval of the distribution is not required, and you do not need to take any action to receive shares of Apergy's common stock to which you are entitled as a Dover stockholder as of the record date. In addition, you do not need to pay any consideration or surrender or exchange your Dover common stock in order to receive shares of Apergy's common stock.

We expect that, for U.S. federal income tax purposes, the distribution of shares of Apergy's common stock in the separation will be tax-free to Dover stockholders, except with respect to cash received in lieu of fractional shares.

I encourage you to read the attached information statement, which is being provided to all holders of Dover's common stock as of the close of business on \_\_\_\_\_. The information statement describes the separation in detail and contains important business and financial information about Apergy.

As ever, we remain committed to working on building long-term stockholder value. This spin-off is a positive step for our businesses, our stockholders and our customers.

Sincerely,

Robert A. Livingston  
President and Chief Executive Officer  
Dover Corporation

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**Apergy Corporation has requested confidential treatment of this registration statement and associated correspondence pursuant to Rule 83 of the Securities and Exchange Commission.**

Dear Future Apergy Stockholder:

I am delighted to welcome you as a future stockholder of our company, Apergy Corporation, which will soon begin independently operating as a leading provider of highly engineered technologies that help companies drill for and produce oil and gas efficiently and safely around the world.

As part of Dover, we have built Apergy into a set of businesses that we believe are among the leaders in their markets, differentiated by their technology and commitment to innovation, customer service and trusted brands. As an independent company, we believe we are well positioned for continued success, benefiting from favorable industry trends; substantial presence in growing basins, segments and regions; recurring revenue enhancing the stability of our results; a proven business model driving strong relative performance across market cycles; a strong brand portfolio and reputation for quality, performance and service; and a dedicated management team with a proven track record of success.

I encourage you to learn more about Apergy by reading the attached information statement. Apergy intends to apply to have its common stock listed on the New York Stock Exchange under the symbol “ .”

Although we will be operating independently, we are very proud of our historical connection to Dover, and excited about the great future we see ahead of us as a stand-alone entity. We are truly excited with our prospects and believe that we will continue to create value for our customers and our new stockholders.

Sincerely,

Sivasankaran Somasundaram  
President & Chief Executive Officer  
Apergy Corporation

Information contained herein is subject to completion or amendment. A Registration Statement on Form 10 relating to these securities has been filed with the U.S. Securities and Exchange Commission under the U.S. Securities Exchange Act of 1934, as amended.

Apergy Corporation has requested confidential treatment of this registration statement and associated correspondence pursuant to Rule 83 of the Securities and Exchange Commission.

Preliminary and Subject to Completion, dated February 7, 2018

## INFORMATION STATEMENT

# Apergy Corporation

This information statement is being furnished in connection with the distribution by Dover Corporation (“Dover”) to its stockholders of all of the outstanding shares of common stock of Apergy Corporation (“Apergy”), a wholly owned subsidiary of Dover that will hold directly or indirectly certain assets and liabilities comprising a substantial portion of Dover’s upstream energy businesses within its Energy segment. To implement the distribution, Dover will distribute all of the shares of Apergy common stock on a pro rata basis to the Dover stockholders in a manner that is intended to be tax-free in the United States, except to the extent of cash received in lieu of fractional shares.

If you are a holder of Dover common stock as of the close of business on \_\_\_\_\_, the record date for the distribution, you will be entitled to receive one share of Apergy common stock for every \_\_\_\_\_ shares of Dover common stock that you hold as of such record date. The distribution of shares will be made in book-entry form only. Dover will not distribute any fractional shares of Apergy common stock. Instead, the distribution agent will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate net cash proceeds from the sales pro rata to each holder who would otherwise have been entitled to receive a fractional share in the spin-off. Apergy expects the shares of its common stock to be distributed by Dover to you after the close of trading on the New York Stock Exchange on \_\_\_\_\_. We refer to the effective time of the distribution as the “distribution date.” Immediately after the distribution becomes effective, Apergy will be an independent, publicly traded company.

**No vote of Dover stockholders is required for the distribution. Therefore, you are not being asked for a proxy, and you are requested not to send Dover a proxy, in connection with the distribution.** You do not need to pay any consideration, exchange or surrender your existing common stock of Dover or take any other action to receive your shares of Apergy common stock.

There is no current trading market for Apergy common stock, although Apergy expects that a limited market, commonly known as a “when-issued” trading market, will develop at least one trading day prior to the record date for the distribution, and Apergy expects “regular-way” trading of Apergy common stock to begin on the first trading day following the completion of the separation. As discussed under “The Separation and Distribution—Trading Between the Record Date and Distribution Date,” if you sell your Dover common stock in the “regular-way” market after the record date and before the Apergy distribution, you also will be selling your right to receive shares of Apergy common stock in connection with the distribution. Apergy intends to apply to have its common stock authorized for listing on the New York Stock Exchange under the symbol \_\_\_\_\_.

We are an “emerging growth company” as defined under the Federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements for future filings. See “Summary—Implications of Being an Emerging Growth Company.”

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**In reviewing this information statement, you should carefully consider the matters described under the caption “[Risk Factors](#)” beginning on page 36.**

**Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.**

**This information statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.**

**The date of this information statement is \_\_\_\_\_.**

A Notice of Internet Availability of Information Statement Materials containing instructions describing how to access this Information Statement was first mailed to Dover stockholders on or about \_\_\_\_\_.

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**Apergy Corporation has requested confidential treatment of this registration statement and associated correspondence pursuant to Rule 83 of the Securities and Exchange Commission.**

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**Presentation of Information**

Unless otherwise indicated or context otherwise requires, all references in this information statement to “Apergy Corporation,” “Apergy,” “we,” “us,” “our” and “our company” refer (i) prior to the consummation of the reorganization described herein, to the Apergy businesses, consisting of operations, assets and liabilities comprising a substantial portion of Dover’s upstream energy businesses within its Energy segment and reflected in the combined financial statements included herein; and (ii) after the reorganization, to Apergy Corporation (f/k/a Wellsite Corporation) and its consolidated subsidiaries. References in this information statement to “Dover” refer to Dover Corporation, a Delaware corporation, and its consolidated subsidiaries (other than Apergy Corporation and its combined subsidiaries), unless the context otherwise requires or as otherwise specified herein.

This information statement is being furnished solely to provide information to Dover stockholders who will receive shares of Apergy common stock in the distribution. It is not and is not to be construed as an inducement or encouragement to buy or sell any of Apergy’s securities or any securities of Dover. This information statement describes Apergy’s business, Apergy’s relationship with Dover and how the spin-off affects Dover and its stockholders, and provides other information to assist you in evaluating the benefits and risks of holding or disposing of Apergy common stock that you will receive in the distribution. You should be aware of certain risks relating to the spin-off, Apergy’s business and ownership of Apergy common stock, which are described under the section entitled “Risk Factors.”

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**SUMMARY**

*The following is a summary of information discussed in this information statement. This summary may not contain all the details concerning the separation or other information that may be important to you. To better understand Apergy's separation from Dover and Apergy's businesses and financial position, you should carefully review this entire information statement. This information statement describes the businesses to be transferred to Apergy by Dover in the separation as if the transferred businesses were Apergy's businesses for all historical periods described. References in this information statement to Apergy's historical assets, liabilities, products, businesses or activities are generally intended to refer to the historical assets, liabilities, products, businesses or activities of the transferred businesses as the businesses were conducted as part of Dover and its subsidiaries (or any prior owners) prior to the separation.*

**Apergy**

Apergy is a leading provider of highly engineered technologies that help companies drill for and produce oil and gas efficiently and safely around the world. Our products include a full range of equipment and technologies that enable efficient drilling and safe and efficient production throughout the lifecycle of a well. Our principal products consist of artificial lift equipment and solutions, including electric submersible pump systems ("ESP"), rod pumping systems ("Rod Lift"), gas lift systems, progressive cavity pump systems ("PCP") and plunger lift systems, as well as polycrystalline diamond cutters ("PDCs") for drilling. We also provide a comprehensive automation offering consisting of equipment, software and Industrial Internet ("IIoT") solutions for downhole monitoring, wellsite productivity enhancement and asset integrity management. Our expansive automation offering includes quartz pressure transducers and hybrid electronics, artificial lift controllers and optimization software, monitoring and predictive diagnostic instruments, and software for reciprocating machinery. Our products and technologies enhance our customers' drilling and production economics.

Apergy's products are used by a broad spectrum of customers in the global oil and gas industry, including national oil and gas companies, large integrated and independent oil and gas companies, all of the major oilfield equipment and services providers, and pipeline companies. We compete across major oil and gas markets globally with a particular strength in the North American onshore market. Our products are particularly well suited for unconventional/shale oil and gas markets. While our products are used in both the oil and gas markets, over 75% of our revenues come from oil markets.

The quality, innovative technology and performance of our technologies drive improved cost-effectiveness, productivity, efficiency and safety for our customers. We believe our strong market share in our core markets and our long-term customer relationships are due to our focus on technological advancement, product reliability and our commitment to superior customer service across the organization. Our long-term customer relationships and the consumable nature of many of our products also enable us to benefit from recurring revenues throughout the lifecycle of a producing well. We believe we are also differentiated from competitors through our proven business model focused on high customer intimacy, innovative technology and application engineering.

**Our Industry**

We principally operate in the oil and gas drilling and production industry and provide a broad range of technologies and products that enhance oilfield efficiency, improve productivity, maximize reserve recovery and increase asset value. Demand for our products is impacted by overall global demand for oil and gas, which is expected to benefit from a variety of long-term fundamental trends.



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According to the U.S. Energy Information Administration's International Energy Outlook 2017 (the "EIA International Energy Outlook"), global economic expansion, coupled with a growing population, will help drive up global energy consumption by about 41% by the year 2050. The majority of this growth is forecast to come from China, India and other Asian nations. Increasing urbanization and a significant expansion of the middle class globally is expected to contribute to higher personal and commercial transportation needs, rising electricity in homes and greater industrial energy demand. For these reasons, the EIA International Energy Outlook projects that demand for petroleum and other liquid fuels will grow by 28% from 2015 through 2050, while demand for natural gas will increase by 69% and natural gas will overtake coal as the world's second largest fuel source during this period.

As new technology has unlocked resources previously considered too costly to produce, unconventional oil and natural gas reservoirs, particularly in the United States, have become a larger part of the global energy supply landscape. Technological developments in horizontal drilling and hydraulic fracturing have enabled exploration and production ("E&P") companies to access the vast hydrocarbon reserves contained in the unconventional oil and natural gas reservoirs of the United States. In addition, North America is expected to become the largest liquefied natural gas ("LNG") exporter due to growing demand for LNG from Asia and Europe. As a result, the United States, an oil importer for decades, is on pace to become a net exporter of oil in the near-term.

The oil and gas industry has traditionally been volatile and is influenced by long-term, short-term and cyclical trends, including oil and gas supply and demand, current and projected oil and gas prices, and the level of upstream spending by E&P companies. As a result, demand for our technologies and products depends primarily upon the level of expenditures by our customers in the oil and natural gas industry, particularly those within the United States. A rapid increase in supply over a seven year period from 2008 to 2015 contributed to a decline in oil and gas prices and reduced customer spending levels from year-end 2014 through 2016. In November 2016, May 2017 and November 2017, certain oil producing nations and the Organization of the Petroleum Exporting Countries ("OPEC") agreed to limit production of crude oil with the goal of raising oil prices. The agreement has been extended most recently through the end of 2018. Oil prices have rebounded meaningfully in 2017 and have begun to stabilize, resulting in an increase in our customers' spending and demand for Apergy's technologies and products. Although there remains a risk that oil prices and activity levels could deteriorate from current levels, we believe that the outlook for our businesses over the long-term is favorable. Increasing global demand for oil and gas as well as continued depletion of existing reservoirs will drive continued investment in the drilling and completion of new wells. In addition, productivity and efficiency are becoming increasingly important in the oil and gas industry as operators focus on improving per-well economics, driven by a flattening of the West Texas Intermediate crude oil ("WTI") forward price curve, and the North American onshore oil and gas industry moving from an exploration phase into a more mature production phase.

Technology has become increasingly critical to oil and natural gas producers as a result of the maturity of the world's oil and natural gas reservoirs, the acceleration of production decline, the focus on complex well designs and the oil and gas industry's aging workforce. While the aggregate number of wells drilled per year has fluctuated relative to market conditions, E&P companies, on a proportional basis, have increased expenditures on technology in an effort to improve reservoir performance, increase oil and gas recovery and lower the cost per barrel produced over the life of a well. Our customers continue to seek, test and use production-enabling technologies at an increasing rate. We have invested substantially in building our technology offerings, which help us to provide more efficient tools and solutions to produce oil and natural gas. Apergy's portfolio of data collection, automation, and remote monitoring solutions are intended to improve reliability and drive down costs. We believe our efficiency enhancing products contribute to a reduction in the breakeven cost of unconventional development for our E&P customers. We believe our business will benefit as operators increasingly focus on optimizing production and improving per-well economics.

**Apergy Corporation has requested confidential treatment of this registration statement and associated correspondence pursuant to Rule 83 of the Securities and Exchange Commission.**

**Business Segments**

Our business is organized into two reportable segments: Production & Automation Technologies and Drilling Technologies. The following chart provides an overview of our two segments.

| <b>Apergy Segments</b>       |   |  |   |                                      |
|------------------------------|---|--|---|--------------------------------------|
|                              | <b>Production &amp; Automation Technologies</b> |  |   | <b>Drilling Technologies</b>         |
|                              | <small>Artificial Lift Technologies</small>     | <small>Automation Technologies</small> | <small>Other Production Equipment</small> | <small>Drilling Technologies</small> |
| <b>2016 Sales</b>            | <b>\$638m</b>                                   |  |   | <b>\$113m</b>                        |
| <b>Our Brands</b>            |   |  |   |                                      |
| <b>Illustrative Products</b> |   |  |   |                                      |

**Production & Automation Technologies**

Our Production & Automation Technologies segment generated revenues of \$638.0 million in 2016, representing 85% of our total 2016 revenues. Production & Automation Technologies facilitates the efficient, safe and cost effective extraction of oil and gas. We design, manufacture, market and service a full range of artificial lift equipment and automation solutions, as well as other production equipment. A portion of Production & Automation Technologies revenue is derived from activity-based consumable products, as customers routinely replace items such as sucker rods, plunger lifts and pump parts. We believe that the combination of our artificial lift equipment and our end-to-end proprietary automation solutions helps oil and gas operators lower production costs and optimize well efficiency by enabling them to monitor, predict and optimize performance. Our products are sold under a collection of premier brands, which we believe are recognized by customers as leaders in their market spaces, including Harbison-Fischer, Norris, Alberta Oil Tool, Oil Lift Technology, PCS Ferguson, Pro-Rod, Upco, Accelerated, Norriseal-Wellmark, Quartzdyne, Spirit, Theta, Timberline and Windrock.

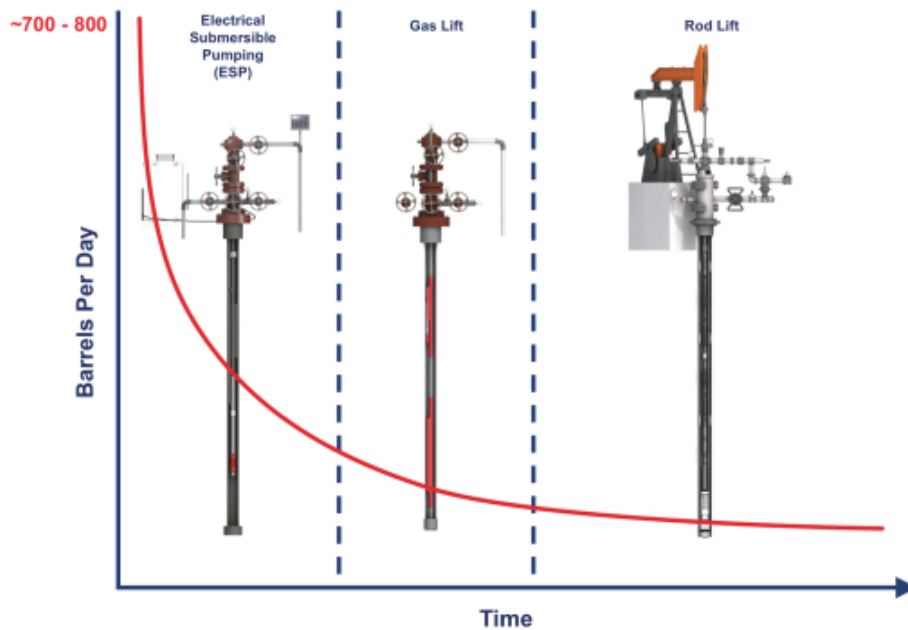
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Within our Production & Automation Technologies segment, we offer artificial lift technologies, automation technologies and other production equipment.

*Artificial Lift Technologies*

We believe artificial lift equipment is mission-critical to oil and gas operators as a means to increase pressure within the reservoir and improve oil and gas production. Artificial lift is a key technology for increasing oil and gas production throughout the lifecycle of a producing well and is therefore directly linked to operator economics. Apergy offers a full suite of artificial lift solutions to meet the varying needs of operators as oil production volume levels decline over the lifecycle of a producing well, as demonstrated in the figure below. Apergy’s comprehensive offering provides our customers with cost effective solutions tailored to a well’s specific characteristics and production volumes. Apergy is particularly strong within key U.S. basins where artificial lift technologies are prevalent. According to Spears & Associates (“Spears”), an industry research consultant, the U.S. is the world’s largest lift market, followed by Canada, and artificial lift technologies are used in approximately 95% of all producing wells in North America. We believe that our offerings also have significant international potential, as production rates continue to decline in existing wells in regions such as the Middle East, South America and Eastern Europe. Our artificial lift technologies represented approximately 78% of our Production & Automation Technologies segment revenues in 2016.

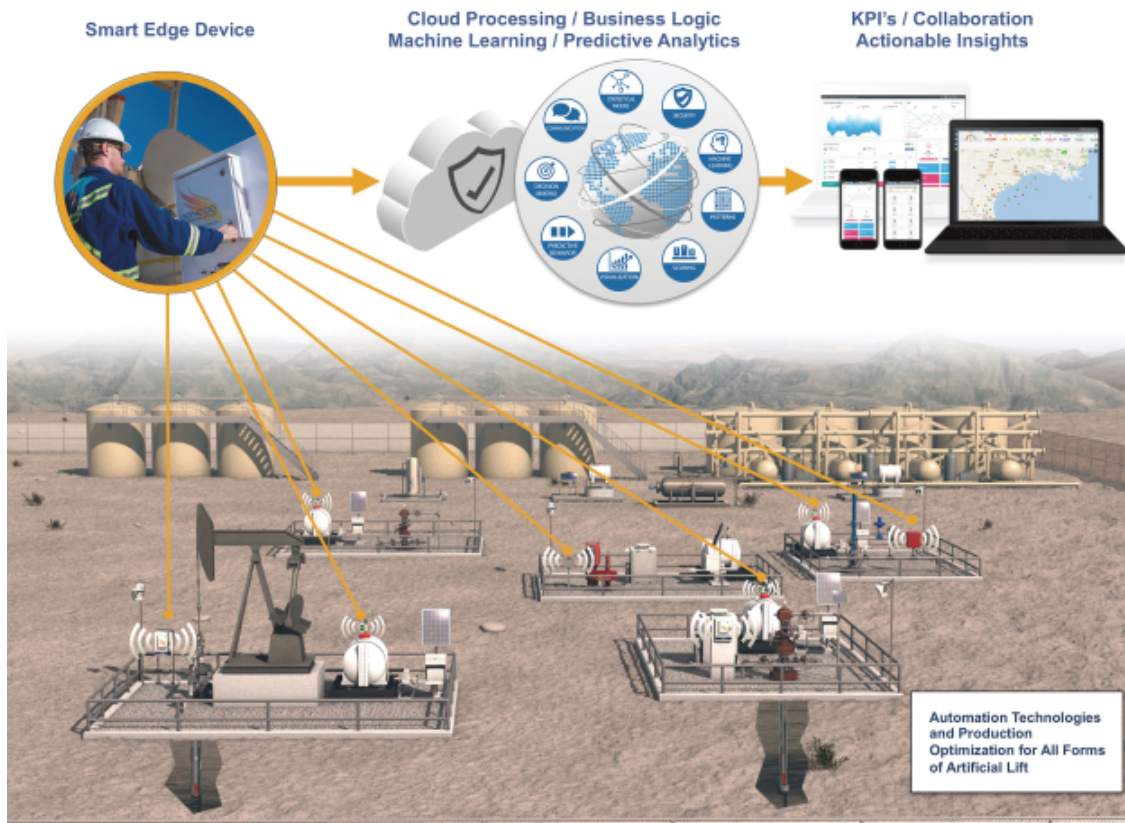
**Artificial Lift: Life of Well Solutions**  
*Full portfolio of artificial lift technologies to drive productivity through life of well*



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*Automation Technologies*

Our proprietary automation solutions are aimed at creating an end-to-end production optimization platform that enables oil and gas operators to monitor, predict and optimize well performance and drive improved return on investment during the production process. Apergy is a leading provider of productivity tools and performance management software for artificial lift and asset integrity management. Our software has modular architecture that enables specific solutions to be tailored to meet exact customer needs. Real-time data is used by our customers to drive decisions, enhance well servicing and obtain an accurate picture of the well's functioning over time, resulting in a more connected, digital wellsite that not only operates more efficiently but is also safer and more secure. Our automation technologies represented approximately 10% of our Production & Automation Technologies segment revenues in 2016.



Automation solutions touch multiple parts of the wellsite and allow an operator centralized monitoring and control. Smart instrumentation and hardware at the wellsite have sensing capabilities that allow the capture of data. Once captured, that data is communicated to a cloud based IIoT infrastructure platform where it can be analyzed and used to drive insights for customers. We believe that the combination of Apergy's automation technologies and its strong artificial lift presence enables Apergy to drive the continued adoption of automation

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technologies by its customers. Apergy sees automation adoption as a key secular trend in the oil and gas industry, particularly in the current lower oil price environment where operators are focused on lowering the cost per barrel produced over the lifecycle of a well.

Automation technologies bring together multiple layers of equipment, sensors and software. A site may employ a full-scale solution (e.g., a fully connected wellsite using Apergy equipment and software) or a more application specific solution (e.g., a controller used for diagnostics on an ESP lift).

*Other Production Equipment*

Apergy also offers other production equipment including chemical injection systems, flow control valves, oil and water separation, gas conditioning, process heating and pressure vessel products. These products are complementary to our artificial lift and automation technologies offerings and are used by customers in the production of oil and gas. Apergy's other production equipment allows Apergy to build its share of customers' wallets and enhances our ability to cross-sell products across the production equipment portfolio. Our other production equipment represented approximately 12% of our Production & Automation Technologies segment revenues in 2016.

*Drilling Technologies*

Our Drilling Technologies segment generated revenues of \$113.3 million in 2016, representing 15% of our total 2016 revenues. In operation for over 30 years, Drilling Technologies provides highly specialized products used in drilling oil and gas wells. We design, manufacture and market PDCs for use in oil and gas drill bits under the US Synthetic brand. Our proprietary PDCs are based on years of innovation and intellectual property development in material science applications including the production of highly stable synthetic diamonds, known as "polycrystalline diamonds." US Synthetic has historically filed new patents at a rate of over 50 patents per year and has previously received the prestigious Shingo Prize for operational excellence. We believe our highly engineered PDCs are distinguished by their quality, rate of penetration and longevity. PDCs are a relatively small cost to the oil and gas operator in the context of overall drilling costs, but are critical to successful drilling. As a result, we believe our customers value the quality and performance of US Synthetic PDCs over less expensive alternatives because a lower quality PDC can cause unnecessary and expensive drilling delays. Over 95% of our PDCs are custom designed to meet unique customer requirements and are finished to exact customer specification to ensure optimal performance. PDCs are utilized in both vertical and horizontal drilling and need to be replaced as they wear out during the drilling process.

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The following graphic illustrates where they key products of our Production & Automation Technologies and Drilling Technologies segments are used at a wellsite.

**Production & Automation Technologies:**  
Facilitating the efficient, safe and effective extraction of oil and gas through a suite of premier brands.

**Drilling Technologies:**  
Providing highly specialized, innovative, and proprietary products used in drilling oil and gas wells.

| Production & Automation Technologies:   |  |   | Drilling Technologies:  |
|---|--|---|---|
| <p><b>Artificial Lift Technologies</b></p> <ol style="list-style-type: none"> <li>1. Progressive Cavity Pumps</li> <li>2. Rod Lift</li> <li>3. Plunger Lift</li> <li>4. ESP</li> <li>5. Gas Lift</li> </ol> | <p><b>Automation Technologies</b></p> <ol style="list-style-type: none"> <li>6. IIoT Enabled Technologies</li> <li>7. Optimization Software</li> <li>8. Remote Monitoring</li> </ol> | <p><b>Other Production Equipment</b></p> <ol style="list-style-type: none"> <li>9. Well Head Production Equipment</li> <li>10. Chemical Injection</li> <li>11. Flow Control Valves</li> </ol> | <p><b>Drilling Technologies</b></p> <ol style="list-style-type: none"> <li>12. PDC Cutters</li> <li>13. Diamond Bearings</li> </ol> |

**Apergy’s Strengths**

We believe that the following strengths position us well to achieve our primary business objective of creating value for all of our stakeholders, including our customers, employees and stockholders:

**Attractive businesses benefiting from favorable industry trends in oil and gas.**

We believe that increasing global demand for oil and gas and steady depletion of existing reservoirs will continue to drive investment in the drilling and completion of new wells, despite the current oversupply. The EIA International Energy Outlook forecasts that global tight gas, shale gas and coalbed methane production will grow by 3.6% per annum through 2050, driven primarily by the United States. Additionally, the EIA International Energy Outlook projects that global tight oil production will more than double between 2015 and 2040, growing from 5.0 million barrels of oil per day (“Mmb/d”) in 2015 to 10.3 Mmb/d in 2040. At the same time, we believe the current oil price environment supports increased investment to maximize productivity from existing oil fields and increase the efficiency of oilfield operations.

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We believe operators' continued focus on improving per-well economics, driven by a flattening of the WTI forward price curve, and the North American onshore oil and gas industry moving from an exploration phase into a more mature production phase, will increase demand for our artificial lift and wellsite automation solutions.

***Substantial presence in growing basins, segments and regions.***

82% of our revenue for the year ended December 31, 2016 was generated in North America, where the onshore rig activity was the highest growth region in the oil and gas industry in 2017, achieving a 70% year-over-year increase. Onshore unconventional oil and gas production is expected to continue to grow in North America through 2050, according to the U.S. Energy Information Administration's 2017 Annual Outlook (the "EIA Annual Outlook"). Apergy has established positions in key North American unconventional basins, such as the Permian, Eagle Ford and Bakken, that are expected to experience continued growth in the coming years. We have also been expanding our presence in key international markets, including the Middle East, Latin America and Australia.

***Significant recurring revenue enhances the stability of our results.***

Historically, approximately 40% of our revenue is recurring. This includes replacement hardware, such as rod pumps and sucker rods, which replace previously deployed equipment in established producing wells. It also includes equipment service revenue, as well as ongoing revenue connected with our automation offering, particularly subscription-based revenue for automated well monitoring and management. We believe this recurring revenue enhances the predictability and stability of our revenue and cash flow, and helps to mitigate the impact of down market cycles.

***Proven business model driving strong relative performance across market cycles.***

We have built our business through differentiated technology and application engineering, high customer intimacy and superior customer service, continuous new product innovation and a culture of continuous improvement. We have also focused on delivering products and solutions that are non-commoditized and that we believe are critical to an oil or gas producer's efficiency and profitability. Through this consistent approach, we have achieved strong relative operating results across market cycles, especially during down cycles, demonstrating the resilience of our business model. Despite the recent oil and gas market downturn, we achieved significant adjusted free cash flow (a non-GAAP measure) during 2015 and 2016, in part through proactive working capital management. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview and Outlook—Key Performance Indicators and Other Performance Measures" for a definition of adjusted free cash flow.

***Industry leadership with strong brand portfolio and reputation for quality, performance and service.***

Our products are sold under a collection of premier brands with strong reputations for quality, performance and service in the industry. These brands include Norris, Harbison-Fischer, Accelerated, PCS Ferguson, Oil Lift Technology, Norriseal-Wellmark, Spirit, Quartzdyne, Theta, Windrock and US Synthetic. Our heritage in the oil field equipment industry extends over 60 years. We believe the quality of our brands has enabled us to achieve a strong Net Promoter Score (a measure of customer satisfaction based on customer surveys), which we believe is among the highest in the artificial lift market.

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***Comprehensive artificial lift portfolio in an attractive market segment.***

Artificial lift is one of the fastest growing segments in oilfield equipment, as spending for artificial lift per well has outpaced other areas of growth. According to Spears, the global artificial lift market was approximately \$8.3 billion in 2016 and is expected to grow 5% in 2017. During the previous oil and gas upcycle from 2009 to 2014, the artificial lift market grew at an average annual rate of approximately 19%, according to Spears. Additionally, according to Spears, artificial lift spending per active rig has grown at an average annual rate of almost 8% between 2006 and 2017. We believe we are well positioned to benefit from this favorable trend with a broad portfolio of artificial lift solutions to drive productivity throughout the lifecycle of the well, including ESP, Rod Lift, PCP, plunger lift, hydraulic and jet lift systems.

***Our automation business is well positioned to capitalize on increasing adoption of digital applications by our customers.***

As our customers increasingly focus on maximizing the productivity and efficiency of existing wells, we believe they will continue to adopt automation technologies at the wellsite and that our business is well positioned to capitalize on this trend. We believe technology has become increasingly important to the oil and natural gas marketplace as a result of the maturity of the world's oil and natural gas reservoirs, the acceleration of production decline, the focus on complex well designs and the oil and gas industry's aging workforce. In the current lower oil price environment, our customers are focused on lowering the cost per barrel produced over the lifecycle of a well and have begun to seek, test and use production-enabling technologies at an increasing rate. We believe that our strong domain expertise, customer access and innovative hardware and proprietary optimization software offer advantages in this regard.

***We are an award-winning global leader in PDCs for oil and gas drilling and an important partner to customers in achieving drilling productivity.***

Our US Synthetic business has over thirty years of experience in the development and production of PDCs and has achieved a strong leadership position in the industry primarily due to our expertise in diamond science technology and our ongoing commitment to innovation, quality and superior customer service. We custom design PDCs to the specific characteristics of the unique geological formations in which our customers are drilling. We are able to analyze the needs of our customers and deliver customized solutions in a reliable and timely manner, enabling our customers to operate more efficiently and reduce their total drilling costs. US Synthetic is a recognized leader in lean manufacturing and engineering. Currently US Synthetic remains the only upstream oilfield equipment company to receive the Shingo Prize for operational excellence.

***Strong operating system that delivers sustainable performance.***

We utilize an operating system that we believe distinguishes us from our peers. Our operating system is built on a foundation of a strong Continuous Improvement ("CI") program that drives relentless focus on business process improvements and eliminating waste. Key focus areas of our operating system include strategic planning, organic growth, pricing, productivity, strategic sourcing and talent management. Our operating system has enabled us to deliver attractive margin and cash flow performance. We also believe this operating system allows us to integrate new businesses effectively and deliver value.

***Executive management team with proven track record of success.***

Our senior management team will be led by Sivasankaran ("Soma") Somasundaram, who will serve as our President and Chief Executive Officer ("CEO"). Our senior management team consists of proven industry



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operators, with an average of \_\_\_\_\_ years of relevant experience. We believe our senior leadership team has the extensive operational, financial and managerial experience needed to effectively navigate the key opportunities and challenges facing our business today and have been responsible for developing and executing our success to date.

**Apergy's Strategies**

Our goal is to continue to create stockholder value and to become the leader at the wellsite, driving customer productivity and efficiency. We intend to achieve this goal by executing the following strategies:

***Expand market coverage and increase market share in growing unconventional basins.***

Onshore unconventional oil and gas production is expected to continue to grow in North America. The EIA International Energy Outlook projects global tight gas, shale gas and coalbed methane production to grow by 3.6% per annum through 2050, driven primarily by the United States. According to the EIA Annual Outlook, shale output in the U.S. is expected to double over this period, while U.S. tight oil output will grow by approximately 28%. As a result, North America is projected to become a major exporter of natural gas during this period. Apergy has established positions in key North American unconventional basins, such as the Permian, Eagle Ford and Bakken, that are expected to experience continued growth in the coming years. We intend to expand our market coverage and increase our share in these markets by leveraging our existing customer relationships, sales and service infrastructure and new product initiatives. Key elements of the strategy will include expanding sales coverage, key account management to drive cross selling, targeted product launches to capture market share, data analytics to drive increased customer penetration opportunities and educational programs to drive awareness of our technology differentiation.

***Capitalize on increasing customer adoption of automation solutions to drive wellsite productivity.***

We believe our customers will increasingly adopt automation solutions to drive productivity and efficiency in the coming years. Technology has become increasingly critical to the oil and natural gas marketplace as a result of the maturity of the world's oil and natural gas reservoirs, the acceleration of production decline, the focus on complex well designs and the oil and gas industry's aging workforce. While the aggregate number of wells being drilled per year has fluctuated relative to market conditions, E&P companies have increased expenditures on technology in an effort to improve reservoir performance, increase oil and gas recovery and to lower the cost per barrel produced over the life of a well. Customers continue to seek, test and use production-enabling technologies at an increasing rate. We have invested a substantial amount of our time and resources into building our technology offerings, which help us to provide our customers with more efficient tools to produce oil and natural gas. Apergy's proprietary automation solutions improve reliability and drive down costs. We offer a full range of automation solutions consisting of equipment, software and full end-to-end IIoT solutions to meet specific customer needs. We believe our automation solutions contribute to a reduction in the breakeven cost of unconventional development, improving the efficient use of capital and operating budgets of our E&P customers. We believe our business will benefit as operators increasingly focus on optimizing production and improving per-well economics. We intend to leverage our extensive customer access and deep domain expertise in these applications to capitalize on this growth trend.

***Continue to innovate and expand our product offerings.***

We intend to continue our strong track record of developing and launching new and innovative products that drive improved cost-effectiveness, productivity, efficiency and safety for our customers. We operate in a market that is characterized by rapidly changing technology and frequent new product introductions. As a result, we

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maintain an active research, development and engineering program with a focus on solving customer challenges and developing innovative technologies to improve customer efficiency and profitability. We believe maintaining a robust innovation pipeline will allow us to continue to win market share and increase our penetration in key markets and with key customers. In the near-term, we expect to launch several new products that will help our customers gain efficiency, reduce operating costs and improve safety. Key focus areas for innovation and new product launches include increasing the performance of our artificial lift systems, developing new digital platforms for our production management and asset integrity management solutions, increasing the drilling productivity of our PDC cutters and developing diamond bearings for new applications.

***Continue to expand our global reach.***

As producing wells in the Middle East continue to age and deplete and shale-based production continues to expand in areas like South America, our globally recognized brands, market ready products and application knowledge offer the opportunity for international market penetration and growth. We believe there will be a substantial opportunity in the coming years to leverage our technologies currently used in unconventional oil and gas production in North America in targeted international markets. To capitalize on these opportunities, we are focused on expanding our operations and capabilities in targeted global markets such as the Middle East, Latin America and Australia, regions which we believe have aging wells and significant unconventional resource development potential. For example, we recently completed an acquisition in Argentina that will give us access to the market and enable us to capitalize on shale developments in that country. We have begun to win tenders in these markets and we expect to continue to build on these successes in the future, especially as these international markets move towards adopting artificial lift and automation technologies.

***Continue to drive margin expansion and adjusted free cash flow generation through operational excellence.***

We remain focused on driving margin expansion and adjusted free cash flow generation as the oil and gas markets continue to recover. We have a demonstrated track record of strong relative performance through market cycles, including remaining adjusted free cash flow positive throughout the recent oil and gas downturn. We are committed to continuing operational excellence and driving strong performance by utilizing our differentiated operating system. We plan to achieve this through a rigorous focus on improving productivity in our facilities, reducing material costs by strategic sourcing in best value countries, reducing working capital through effective inventory, receivables and payables management and eliminating waste in our processes through lean and CI principles. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview and Outlook—Key Performance Indicators and Other Performance Measures” for a definition of adjusted free cash flow.

***Expand our technology and product portfolio through selective acquisitions.***

In addition to our organic growth initiatives, we may choose to pursue select strategic acquisition opportunities as part of our growth strategy. We benefit from a track record of successfully growing our earnings and technology offering through selective acquisitions. For example, over the last cycle, we expanded our comprehensive artificial lift platform through several acquisitions, including Harbison-Fischer, Oil Lift Technology, PCS Ferguson, and Accelerated. Most recently, we completed the acquisition of an Argentina-based supplier of progressive cavity pump products and services in October of 2017. We have historically employed a disciplined approach to acquisitions focused on opportunities where we believe we can achieve an attractive return on our investment. These have included opportunities that (i) increased our exposure to the most important growth trends in the industry, (ii) added key products and technologies, (iii) enhanced our market position, (iv) expanded our geographic scope and/or (v) provided the opportunity to realize synergies while strengthening

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our capabilities. To the extent we choose to pursue acquisition opportunities, as part of our disciplined approach, we intend to focus on those that we believe will be accretive to earnings while consistent with our goal to maintain a strong and flexible balance sheet and healthy credit profile. In order to preserve the tax-free nature of the spin-off, we must execute any such transactions in compliance with the tax matters agreement. As a result, the ability of Apergy to engage in, among other things, certain mergers and equity transactions could be limited or restricted for a two-year period following the spin-off. See “Risk Factors—Risks Related to the Separation—Apergy may not be able to engage in certain corporate transactions after the separation.”

**Summary Risk Factors**

There are a number of risks related to Apergy’s business and the spin-off and related transactions, including:

- Trends in oil and natural gas prices may affect the drilling and production activity, profitability and financial stability of Apergy’s customers and therefore the demand for, and profitability of, Apergy’s products and services, which could have a material adverse effect on Apergy’s business, results of operations and financial condition.
- Apergy might be unable to compete successfully with other companies in its industry.
- If Apergy is unable to develop new products and technologies, its competitive position may be impaired, which could materially and adversely affect its sales and market share.
- Apergy could lose customers or generate lower revenue, operating profits and cash flows if there are significant increases in the cost of raw materials (including energy) or if Apergy is unable to obtain raw materials.
- Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing and the potential for related litigation could result in increased costs and additional operating restrictions or delays for Apergy’s customers, which could reduce demand for Apergy’s products and negatively impact Apergy’s business, financial condition and results of operations.
- Apergy’s growth and results of operations may be adversely affected if it is unsuccessful in its capital allocation and acquisition program.
- Apergy’s products are used in operations that are subject to potential hazards inherent in the oil and natural gas industry and, as a result, Apergy is exposed to potential liabilities that may affect its financial condition and reputation.
- Apergy’s customers’ industries are undergoing continuing consolidation that may impact Apergy’s results of operations.
- Apergy is subject to information technology, cybersecurity and privacy risks.
- Apergy and its customers are subject to extensive environmental and health and safety laws and regulations that may increase Apergy’s costs, limit the demand for Apergy’s products and services or restrict Apergy’s operations. In addition, future regulations, or more stringent enforcement of existing regulations, could increase those costs and liabilities, which could adversely affect Apergy’s results of operations.
- Apergy is subject to risks relating to its existing international operations and expansion into new geographical markets.
- Apergy’s business, profitability and reputation could be adversely affected by domestic and foreign governmental and public policy changes, risks associated with emerging markets, changes in statutory tax rates and unanticipated outcomes with respect to tax audits.

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- Failure to attract, retain and develop personnel for key management could have an adverse effect on Apergy's results of operations, financial condition and cash flows.
- The credit risks of Apergy's customer base could result in losses.
- Apergy's revenue, operating profits and cash flows could be adversely affected if it is unable to protect or obtain patent and other intellectual property rights.
- Climate change legislation and regulatory initiatives could result in increased compliance costs for Apergy and its customers.
- Apergy may not achieve some or all of the expected benefits of the separation, and the separation may adversely affect Apergy's business.
- Apergy has no history operating as an independent publicly-traded company, and Apergy's historical and pro forma financial information is not necessarily representative of the results that it would have achieved as a separate, publicly-traded company and therefore may not be a reliable indicator of its future results.

These and other risks related to our business and the spin-off are discussed in greater detail under the heading "Risk Factors" in this information statement. You should read and consider all of these risks carefully.

### **The Separation and Distribution**

On December 7, 2017, Dover announced its intention to pursue a plan to separate a substantial portion of its upstream energy businesses within its Energy segment, from the remainder of its businesses.

In furtherance of this plan, on \_\_\_\_\_, Dover's Board of Directors approved the distribution of all of Apergy's issued and outstanding shares of common stock on the basis of one share of Apergy common stock for every \_\_\_\_\_ shares of Dover common stock held as of the close of business on \_\_\_\_\_, the record date for the distribution.

### ***Apergy's Post-Separation Relationship with Dover***

Apergy will enter into a separation and distribution agreement with Dover, which is referred to in this information statement as the "Separation and Distribution Agreement." In connection with the separation, Apergy will enter into various other agreements to effect the separation and provide a framework for its relationship with Dover after the separation. These other agreements will include a transition services agreement, a tax matters agreement, and an employee matters agreement. These agreements will provide for the allocation between Apergy and Dover of Dover's and Apergy's assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after Apergy's separation from Dover, and will govern certain relationships between Apergy and Dover after the separation. For additional information regarding the Separation and Distribution Agreement and other transaction agreements, see the sections entitled "Risk Factors—Risks Related to the Separation" and "Certain Relationships and Related Person Transactions."

### ***Reasons for the Separation***

Apergy currently is a wholly owned subsidiary of Dover that was formed to hold certain assets and liabilities comprising a substantial portion of Dover's upstream energy businesses within its Energy segment. The separation of Apergy from Dover and the distribution of Apergy's common stock are intended to provide you with equity investments in two separate companies that will be able to focus on each of their respective

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businesses. Dover's Board of Directors believes that separating the Apergy businesses from the remainder of Dover's businesses is in the best interests of Dover and its stockholders for a number of reasons, including that:

- The separation will allow each company to more effectively pursue its own distinct operating priorities and strategies, and will enable the management of both companies to pursue separate opportunities for long-term growth and profitability, and to recruit, retain and motivate employees pursuant to compensation policies which are appropriate for their respective lines of business.
- The separation will permit each company to concentrate its financial resources solely on its own operations, providing greater flexibility to invest capital in its business in a time and manner appropriate for its distinct strategy and business needs. This will facilitate a more efficient allocation of capital.
- Dover's Board of Directors believes that Dover's businesses and Apergy's businesses appeal to different types of investors with different industry focuses, investment goals and risk profiles. Dover and Apergy have different investment and business characteristics, including different opportunities for growth, capital structures, business models and financial returns. The separation will enable investors to evaluate the merits, performance and future prospects of each company's businesses and to invest in each company separately based on these distinct characteristics.
- The separation will create an independent equity structure that will afford Apergy direct access to capital markets and will facilitate the ability to capitalize on its unique growth opportunities and effect future acquisitions utilizing, among other types of consideration, shares of its common stock. Furthermore, an independent structure should enable each company to provide equity incentive compensation arrangements for its key employees that are directly related to the market performance of each company's common stock. Dover's Board of Directors believes such equity-based compensation arrangements should provide enhanced incentives for performance, and improve the ability for each company to attract, retain and motivate qualified personnel.

Dover's Board of Directors also considered a number of potentially negative factors in evaluating the separation, including the following:

- Apergy estimates that its annual post-separation corporate overhead costs and public company expenses will be approximately \$35 million, which is approximately \$16 million higher than the expenses allocated from Dover in the combined financial statements for the year ended December 31, 2016. This increase is due to estimated incremental costs required to operate as a stand-alone public company and anticipated dissynergies due to operational separation and loss of scale. For example, as a current part of Dover, Apergy takes advantage of Dover's size and consolidated purchasing power in procuring certain goods and services (including professional services). After the separation, as a separate, independent entity, Apergy may be unable to obtain these goods, services and technologies at prices or on terms as favorable as those Dover obtained prior to the separation. Apergy may also incur costs for certain functions previously performed by or shared with Dover, such as accounting, tax, finance, legal, human resources, information technology, back-office services, other general and administrative functions and regional management, that are higher than the amounts reflected in Apergy's historical financial statements, which could cause Apergy's profitability to decrease. The impact of certain costs and dissynergies of operational separation are difficult to quantify, and Apergy's estimate of annual post-separation corporate overhead costs and public company expenses involves significant risks, judgments, uncertainties and assumptions that could cause actual results to differ materially from management's estimates. See "Cautionary Statement Concerning Forward-Looking Statements."

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- The actions required to separate Dover's and Apergy's respective businesses could disrupt Apergy's operations. For example, the energy and focus required to complete the separation could require substantial time and attention from Apergy's management team, thereby distracting management's attention from the management and operations of Apergy's business.
- In addition to the increase in anticipated annual post-separation corporate overhead costs and public company expenses from historical allocations, certain costs and liabilities that were otherwise less significant to Dover as a whole will be more significant for Apergy as a stand-alone company. This is due to the smaller relative size of Apergy as compared to Dover.
- Apergy will incur certain one-time costs in connection with the transition to being a stand-alone public company that may include accounting, tax, legal and other professional services costs, recruiting and relocation costs associated with hiring key senior management personnel new to Apergy, costs to separate information systems, costs relating to entering into new financing arrangements and one-time rebranding costs. Apergy anticipates that such one-time costs will be in the range of \$            million to \$            million.
- Apergy may not achieve the anticipated benefits of the separation for a variety of reasons, including, among others: (a) the separation will require significant amounts of management's time and effort, which may divert management's attention from operating and growing Apergy's business; (b) following the separation, Apergy may be more susceptible to market fluctuations and other events particular to one or more of Apergy's products than if it were still a part of Dover; and (c) following the separation, Apergy's business will be less diversified than Dover's business prior to the separation.
- The ability of Apergy to engage in certain mergers and equity transactions could be limited or restricted for a two-year period following the spin-off in order to preserve the tax-free nature of the spin-off. See "Risk Factors—Risks Related to the Separation—Apergy may not be able to engage in certain corporate transactions after the separation."

Notwithstanding these costs and risks, and taking into account the factors discussed above, Dover's Board of Directors concluded that the spin-off provided the best opportunity to achieve the above benefits and enhance stockholder value.

As part of its review of strategic alternatives for the separation of its upstream energy businesses, Dover's Board of Directors considered a number of options, including a tax-free spin-off, sale or other strategic combination. Upon completing this assessment, Dover's Board of Directors determined that a tax-free spin-off was the option that would create the best long-term results for the businesses and the most value for shareholders.

For more information, see the sections entitled "The Separation and Distribution—Reasons for the Separation" and "Risk Factors" included elsewhere in this information statement.

#### **Description of New Indebtedness of Apergy**

Information regarding the third party debt to be incurred by Apergy in connection with its separation from Dover will be provided in subsequent amendments to the registration statement of which this information statement forms a part. See the section entitled "Description of Indebtedness."

#### **Apergy's Material Separation Payments and Costs**

In connection with the spin-off, it is anticipated that the only material payments to be made by Apergy to Dover prior to the distribution date will relate to any dividends or other payments to be made as part of the

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reorganization step plan, which may include the use of proceeds from new third party debt incurred by Apergy on or prior to the distribution date. The estimated amount of these payments will be provided in a subsequent amendment to the registration statement of which this information statement forms a part.

Dover has informed Apergy that Dover expects to incur and pay one-time costs associated with the separation, including legal and advisory costs, in the range of \$            million to \$            million. In connection with the spin-off, Apergy expects to incur one-time costs, including costs relating to entering into new financing arrangements and other matters, including one-time rebranding costs, in the range of \$            million to \$            million.

**Implications of Being an Emerging Growth Company**

As a company with less than \$1.07 billion in revenue during our most recently completed fiscal year, we qualify as an “emerging growth company” as defined in Section 2(a) of the Securities Act of 1933, as amended (the “Securities Act”), as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies that are not emerging growth companies. These provisions include:

- the inclusion of three years of selected historical financial information rather than five years in this information statement;
- reduced disclosure about our executive compensation arrangements;
- exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved; and
- exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company upon the earliest of: (1) the end of the fiscal year following the fifth anniversary of the spin-off; (2) the last day of the first fiscal year during which our annual gross revenue was \$1.07 billion or more; (3) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities; or (4) the date on which we are deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We have elected to take advantage of the provisions permitting presentation of three years of selected financial information and reduced disclosure regarding executive compensation arrangements in this information statement, and we may choose to take advantage of some but not all of these reduced disclosure obligations in future filings. If we do, the information that we provide stockholders may be different than you might get from other public companies in which you hold stock.

The JOBS Act permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

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**Corporate Information**

Apergy Corporation was incorporated in Delaware on October 10, 2017 under the name Wellsite Corporation and was renamed Apergy Corporation on February 2, 2018. Apergy Corporation was formed for the purpose of holding certain assets and liabilities comprising a substantial portion of Dover's upstream energy businesses within its Energy segment in connection with the separation and distribution described herein. Prior to the contribution of this business to Apergy Corporation, which will occur prior to the distribution, Apergy Corporation will have no operations. The address of Apergy's principal executive offices is 2445 Technology Forest Blvd, Building 4, 9th Floor, The Woodlands, Texas 77381. Apergy's telephone number is (281) 403-5772.

Apergy also maintains an Internet site at . Apergy's website and the information contained therein or connected thereto shall not be deemed to be incorporated herein, and you should not rely on any such information in making an investment decision.



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**Questions And Answers About The Separation And Distribution**

|   |   |
|---|---|
| <b><i>What is Apergy and why is Dover separating Apergy's business and distributing Apergy's stock?</i></b> | Apergy currently is a wholly owned subsidiary of Dover that was formed to hold certain assets and liabilities comprising a substantial portion of Dover's upstream energy businesses within its Energy segment. The separation of Apergy from Dover and the distribution of Apergy common stock are intended to provide you with equity investments in two separate companies that will be able to focus on each of their respective businesses. Dover and Apergy expect that the separation will result in enhanced long-term performance of each business for the reasons discussed in the sections entitled "The Separation and Distribution—Background" and "The Separation and Distribution—Reasons for the Separation." |
| <b><i>Why am I receiving this document?</i></b>   | Dover is delivering this document to you because you are a holder of Dover common stock. If you are a holder of Dover common stock as of the close of business on the record date for the distribution, you will be entitled to receive one share of Apergy common stock for every _____ shares of Dover common stock that you hold at the close of business on such date. This document will help you understand how the separation and distribution will affect your investment in Dover and your investment in Apergy after the separation.  |
| <b><i>How will the separation of Apergy from Dover work?</i></b>  | The separation will be accomplished through a series of transactions in which (i) the equity interests of the entities that hold certain assets and liabilities comprising a substantial portion of Dover's upstream energy businesses within its Energy segment will be transferred to Apergy, (ii) other assets and liabilities will be assigned to or assumed by Apergy and (iii) Dover will then distribute all of the outstanding shares of common stock of Apergy to Dover's stockholders on a pro rata basis as a distribution.  |
| <b><i>Why is the separation of Apergy structured as a distribution?</i></b>                                 | Dover believes that a tax-free distribution of shares in the United States of Apergy to the Dover stockholders is an efficient way to separate its upstream energy businesses in a manner that will create long-term value for Dover, Apergy and their respective stockholders.   |
| <b><i>What is the record date for the distribution?</i></b>   | The record date for the distribution will be _____.   |
| <b><i>When will the distribution occur?</i></b>   | It is expected that all of the shares of Apergy common stock will be distributed by Dover after the close of trading on the New York Stock Exchange ("NYSE") on _____, to holders of record of Dover  |

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common stock as of the close of business on \_\_\_\_\_, the record date. However, no assurance can be provided as to the timing of the distribution or that all conditions to the distribution will be met.

***What do stockholders need to do to participate in the distribution?*** **Stockholders of Dover as of the record date will not be required to take any action to receive Apergy common stock in the distribution, but you are urged to read this entire information statement carefully.** No stockholder approval of the distribution is required. **You are not being asked for a proxy.** You do not need to pay any consideration, exchange or surrender your existing Dover common stock or take any other action to receive your shares of Apergy common stock. **Please do not send in your Dover stock certificates.**

***Will I have appraisal rights in connection with the separation and distribution?*** No. Holders of Dover common stock are not entitled to appraisal rights in connection with the separation and distribution.

***Will I receive physical certificates representing shares of Apergy common stock following the separation?*** No. Following the separation, Apergy will not issue physical certificates representing shares of Apergy common stock. If you own Dover common stock as of the close of business on the record date, Dover, with the assistance of Computershare Inc. and Computershare Trust Company, N.A., which together are the distribution agent, will electronically distribute shares of Apergy common stock to you or to your brokerage firm on your behalf by way of direct registration form. "Direct registration form" refers to a method of recording share ownership when no physical share certificates are issued to stockholders, as is the case in this distribution. Computershare Inc. or Computershare Trust Company, N.A. will mail you a book-entry account statement that reflects your shares of Apergy common stock, or your bank or brokerage firm will credit your account for the shares.

Following the distribution, stockholders whose shares are held in book-entry form may request that their shares of Apergy common stock held in book-entry form be transferred to a brokerage or other account at any time, without charge.

***How many shares of Apergy common stock will I receive in the distribution?*** Dover will distribute to you one share of Apergy common stock for every \_\_\_\_\_ shares of Dover common stock held by you as of the record date. Based on approximately \_\_\_\_\_ million shares of Dover common stock outstanding as of \_\_\_\_\_, a total of \_\_\_\_\_

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approximately million shares of Apergy common stock will be distributed. For additional information on the distribution, see “The Separation and Distribution.”

***Will Apergy issue fractional shares of its common stock in the distribution?***

No. Apergy will not issue fractional shares of its common stock in the distribution. Fractional shares that Dover stockholders would otherwise have been entitled to receive will be aggregated and sold in the public market by the distribution agent. The aggregate net cash proceeds of these sales will be distributed pro rata (based on the fractional share such holder would otherwise be entitled to receive) to those stockholders who would otherwise have been entitled to receive fractional shares. Recipients of cash in lieu of fractional shares will not be entitled to any interest on the amounts of payment made in lieu of fractional shares. The receipt of cash in lieu of fractional shares will be taxable to the recipient stockholders for U.S. federal income tax purposes as described in the section entitled “Material U.S. Federal Income Tax Consequences.”

***What are the conditions to the distribution?***

The distribution is subject to the satisfaction, or Dover’s waiver, of a number of conditions, including, among others:

- The U.S. Securities and Exchange Commission (“SEC”) will have declared effective the registration statement of which this information statement forms a part, and no stop order relating to the registration statement will be in effect.
- The NYSE will have approved the listing of Apergy’s common stock, subject to official notice of issuance.
- Dover will have received either (i) a private letter ruling from the Internal Revenue Service (the “IRS”) together with an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the “Code”), and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code or (ii) an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code.

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- All permits, registrations and consents required under the securities or blue sky laws of states or other political subdivisions of the United States or of other foreign jurisdictions in connection with the distribution will have been received.
- No order, injunction, or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, distribution or any of the related transactions will be in effect, pending, threatened or issued.
- The reorganization and separation of the Dover and Apergy businesses prior to the distribution will have been effectuated in all material respects.
- The Board of Directors of Dover will have declared the distribution and approved all related transactions.
- Apergy and Dover will have entered into certain agreements in connection with the separation and distribution and Apergy will have entered into certain financing arrangements prior to or concurrent with the distribution.
- All governmental approvals necessary to consummate the distribution will have been received.
- The Board of Directors of Dover will have received an opinion from an independent appraisal firm confirming the solvency of Dover and Apergy after the distribution and Dover's compliance with surplus requirements under Delaware law.
- No events or developments shall have occurred or exist that, in the sole and absolute judgment of the Dover Board of Directors, make it inadvisable to effect the distribution or would result in the distribution and related transactions not being in the best interest of Dover or its stockholders.

Dover and Apergy cannot assure you that any or all of these conditions will be met and Dover may waive any of the conditions to the distribution to the extent such waiver is permitted by applicable law. The fulfillment of the foregoing conditions does not create any obligations on Dover's part to effect the distribution, and Dover's Board of Directors has reserved the right, in its sole discretion, to abandon, or modify or change the terms of, the distribution, including by accelerating or delaying the timing of the consummation of all or part of the distribution, at any time prior to the distribution date. For a more complete discussion of all of the conditions to the distribution, see the section entitled "The Separation and Distribution—Conditions to the Distribution."

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|  |  |
|--|--|
| <b><i>What is the expected date of completion of the separation?</i></b>   | The completion and timing of the separation are dependent upon a number of conditions. It is expected that the shares of Apergy common stock will be distributed by Dover after the close of trading on the NYSE on _____ to the holders of record of common stock of Dover at the close of business on _____, the record date. However, no assurance can be provided as to the timing of the separation or that all conditions to the separation will be met.   |
| <b><i>Can Dover decide to cancel the distribution of Apergy common stock even if all the conditions have been met?</i></b> | Yes. Until the distribution has occurred, Dover has the unilateral and sole and exclusive right to terminate the distribution for any reason, even if all of the conditions are satisfied. See the section entitled “The Separation and Distribution—Conditions to the Distribution.”  |
| <b><i>What if I want to sell my Dover common stock or my Apergy common stock?</i></b>                                      | You should consult with your financial advisors, such as your stockbroker, bank or tax advisor.  |
| <b><i>What is “regular-way” and “ex-distribution” trading?</i></b>   | <p>Beginning at least one trading day before the record date and continuing up to and through the distribution date, it is expected that there will be two markets in Dover common stock: a “regular-way” market and an “ex-distribution” market. Shares of Dover common stock that trade in the “regular-way” market will trade with an entitlement to shares of Apergy common stock distributed pursuant to the distribution. Shares that trade in the “ex-distribution” market will trade without an entitlement to shares of Apergy common stock distributed pursuant to the distribution.</p> <p>If you decide to sell any common stock of Dover before the distribution date, you should make sure your stockbroker, bank or other nominee understands whether you want to sell your common stock of Dover with or without your entitlement to Apergy common stock pursuant to the distribution.</p> |
| <b><i>Where will I be able to trade shares of Apergy common stock?</i></b>   | Apergy intends to apply to list its common stock on the New York Stock Exchange, or the NYSE, under the symbol _____. Apergy anticipates that trading in shares of its common stock will begin on a “when-issued” basis at least one trading day before the record date and will continue up to and through the distribution date and that “regular-way” trading in Apergy common stock will begin on the first trading day following the completion of the separation. If trading   |

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begins on a “when-issued” basis, you may purchase or sell Apergy common stock up to and through the distribution date, but your transaction will not settle until after the distribution date. Apergy cannot predict the trading prices for its common stock before, on or after the distribution date.

***What will happen to the listing of common stock of Dover?***

Dover common stock will continue to trade on the NYSE under the symbol “DOV” after the distribution.

***Will the number of shares of Dover common stock that I own change as a result of the distribution?***

No. The number of shares of Dover common stock that you own will not change as a result of the distribution.

***What are the material U.S. federal income tax consequences of the contribution and the distribution?***

It is a condition to the completion of the distribution that Dover receive either (i) a private letter ruling from the IRS together with an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code, and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code or (ii) an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code. Accordingly, and so long as the distribution so qualifies, for U.S. federal income tax purposes, no gain or loss will be recognized by you, and no amount will be included in your income, upon the receipt of shares of Apergy’s common stock pursuant to the distribution. You will, however, recognize gain or loss for U.S. federal income tax purposes with respect to cash received in lieu of a fractional share of Apergy’s common stock.

For more information regarding the potential U.S. federal income tax consequences to Apergy, Dover and to you of the separation and distribution, see the section entitled “Material U.S. Federal Income Tax Consequences.”

***What are the material state, local and foreign income tax consequences of the separation and distribution?*** The private letter ruling and/or opinion of Dover’s tax counsel will not address the state, local or foreign income tax consequences of the

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separation and the distribution. You should consult your tax advisor about the particular state, local and foreign tax consequences of the distribution to you, which consequences may differ from those described in the section entitled “Material U.S. Federal Income Tax Consequences.”

***How will I determine my tax basis in the Apergy shares I receive in the distribution?***

For U.S. federal income tax purposes, your aggregate tax basis in the shares of Dover common stock that you hold and the Apergy common stock received in the distribution (including any fractional share interest in Apergy common stock for which cash is received) will equal the aggregate tax basis in the shares of Dover common stock held by you immediately before the distribution, allocated between your Dover common stock and the Apergy common stock (including any fractional share interest in Apergy common stock for which cash is received) you receive in the distribution in proportion to the relative fair market value of each on the distribution date.

You should consult your tax advisor about the particular consequences of the distribution to you, including the application of federal, state, local and foreign tax laws.

***What will Apergy’s relationship be with Dover following the separation?***

Following the separation and distribution, the relationship between Apergy and Dover will be governed by, among others, a separation and distribution agreement, a transition services agreement, a tax matters agreement and an employee matters agreement. These agreements will provide for the allocation between Apergy and Dover of Dover’s and Apergy’s assets, employees, liabilities and obligations (including employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after Apergy’s separation from Dover. For additional information regarding these agreements, see the sections entitled “Risk Factors—Risks Related to the Separation” and “Certain Relationships and Related Person Transactions.”

***Who will manage Apergy after the separation?***

Apergy benefits from having in place a management team with an extensive background in the business of serving the oil and gas drilling and production industry. Led by Sivasankaran Somasundaram, who will be Apergy’s President and CEO after the separation, Apergy’s management team possesses deep knowledge of, and extensive experience in, its industry. For more information regarding Apergy’s management, see “Management.”

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***Are there risks associated with owning Apergy common stock?***

Yes. Ownership of Apergy common stock is subject to both general and specific risks relating to Apergy's business, the industry in which it operates, its ongoing contractual relationships with Dover and its status as a separate, publicly traded company. Ownership of Apergy common stock is also subject to risks relating to the separation. These risks are described in the "Risk Factors" section of this information statement. You are encouraged to read that section carefully.

***Does Apergy plan to pay dividends?***

The timing, declaration, amount of and payment of any dividends following the separation by Apergy is within the discretion of its Board of Directors and will depend upon many factors, including Apergy's financial condition, earnings, capital requirements of its operating subsidiaries, restrictions under debt agreements or other contractual obligations, legal requirements, regulatory constraints, industry practice, ability to access capital markets and other factors deemed relevant by its Board of Directors. Moreover, if Apergy determines to pay any dividend in the future, there can be no assurance that it will continue to pay such dividends or the amount of such dividends. See "Dividend Policy."

***Will Apergy incur any debt prior to or at the time of the distribution?***

Information regarding Apergy's indebtedness following Apergy's separation from Dover will be provided in subsequent amendments to the registration statement of which this information statement. See the section entitled "Description of Indebtedness."

***Who will be the distribution agent, transfer agent, and registrar for the Apergy common stock?***

The distribution agent for Apergy's common stock will be Computershare Inc. and Computershare Trust Company, N.A. The transfer agent and registrar for Apergy's common stock will be Computershare Trust Company, N.A. For questions relating to the transfer or mechanics of the stock distribution, you should contact:

Computershare Investor Services  
P.O. Box 505000  
Louisville, KY 40233  
(888) 567-8341

If your shares of Dover common stock are held by a bank, broker or other nominee, you may call the Corporate Secretary of Dover at (630) 541-1540.



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***Where can I find more information about Dover and Apergy?*** Before the distribution, if you have any questions relating to Dover's business performance, you should contact:

Dover Corporation  
Investor Relations  
3005 Highland Parkway  
Downers Grove, Illinois 60515

After the distribution, Apergy stockholders who have any questions relating to Apergy should contact Apergy at:

Apergy Corporation  
Investor Relations  
2445 Technology Forest Blvd  
Building 4, 9th Floor  
The Woodlands, Texas 77381

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### **Summary Of The Separation And Distribution**

|                                      |   |
|--------------------------------------|---|
| <b><i>Distributing company</i></b>   | Dover Corporation, a Delaware corporation. After the distribution, Dover will not own any shares of Apergy's common stock.  |
| <b><i>Distributed company</i></b>    | Apergy Corporation, a Delaware corporation, is a wholly owned subsidiary of Dover that was formed in 2017 and that, at the time of the distribution, will hold, through its subsidiaries, certain assets and liabilities comprising a substantial portion of Dover's upstream energy businesses within its Energy segment. After the distribution, Apergy will be an independent, publicly traded company.  |
| <b><i>Record date</i></b>            | The record date for the distribution will be _____.   |
| <b><i>Distribution date</i></b>      | It is expected that all of the shares of Apergy common stock will be distributed by Dover after the close of trading on the New York Stock Exchange on _____, to holders of record of Dover common stock as of the close of business on _____, the record date. However, no assurance can be provided as to the timing of the distribution or that all conditions to the distribution will be met.  |
| <b><i>Distributed securities</i></b> | All of the shares of Apergy common stock owned by Dover, which will be 100% of Apergy's common stock outstanding immediately prior to the distribution. Based on the approximately _____ million shares of Dover's common stock outstanding on _____, and applying the distribution ratio of one share of Apergy common stock for every _____ shares of Dover common stock, Dover will distribute approximately _____ million shares of Apergy common stock to Dover stockholders who hold Dover's common stock as of the record date. The number of shares that Dover will distribute to its stockholders will be reduced to the extent that cash payments are to be made in lieu of the issuance of fractional shares of Apergy common stock, as described below. |
| <b><i>Distribution ratio</i></b>     | Each holder of Dover common stock will receive one share of Apergy common stock for every _____ shares of Dover common stock held as of the close of business on _____, the record date. Cash will be distributed in lieu of fractional shares, as described below.   |
| <b><i>Fractional shares</i></b>      | Dover will not distribute any fractional shares of Apergy common stock to Dover stockholders. Fractional shares that Dover stockholders would otherwise have been entitled to receive will be aggregated and sold in the public market by the distribution agent. The aggregate net cash proceeds of these sales will be distributed pro rata (based on the fractional share such holder would otherwise be entitled to receive) to those stockholders who would otherwise have been entitled to receive fractional shares. Recipients of cash in lieu of   |

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fractional shares will not be entitled to any interest on the amounts of payment made in lieu of fractional shares. The receipt of cash in lieu of fractional shares will be taxable to the recipient stockholders for U.S. federal income tax purposes as described in the section entitled “Material U.S. Federal Income Tax Consequences.”

***Distribution method***

Apergy common stock will be issued only by direct registration form. “Direct registration form” refers to a method of recording share ownership when no physical share certificates are issued to stockholders, as is the case in this distribution.

***Conditions to the distribution***

The distribution is subject to the satisfaction, or Dover’s waiver, of a number of conditions, including, among others:

- The SEC will have declared effective the registration statement of which this information statement forms a part, and no stop order relating to the registration statement will be in effect.
- The NYSE will have approved the listing of Apergy’s common stock, subject to official notice of issuance.
- Dover will have received either (i) a private letter ruling from the IRS together with an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code, and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code or (ii) an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code.
- All permits, registrations and consents required under the securities or blue sky laws of states or other political subdivisions of the United States or of other foreign jurisdictions in connection with the distribution will have been received.
- No order, injunction, or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, distribution or any of the related transactions will be in effect, pending, threatened or issued.
- The reorganization and separation of the Dover and Apergy businesses prior to the separation and distribution will have been effectuated in all material respects.

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- The Board of Directors of Dover will have declared the distribution and approved all related transactions.
- Apergy and Dover will have entered into certain agreements in connection with the separation and distribution and Apergy will have entered into certain financing arrangements prior to or concurrent with the separation.
- All governmental approvals necessary to consummate the distribution will have been received
- The Board of Directors of Dover will have received an opinion from an independent appraisal firm confirming the solvency of Dover and Apergy after the distribution and Dover's compliance with surplus requirements under Delaware law.
- No events or developments shall have occurred or exist that, in the sole and absolute judgment of the Dover Board of Directors, make it inadvisable to effect the distribution or would result in the distribution and related transactions not being in the best interest of Dover or its stockholders.

Dover and Apergy cannot assure you that any or all of these conditions will be met and Dover may waive any of the conditions to the distribution to the extent such waiver is permitted by applicable law. The fulfillment of the foregoing conditions does not create any obligations on Dover's part to effect the distribution, and Dover's Board of Directors has reserved the right, in its sole discretion, to abandon, or modify or change the terms of, the distribution, including by accelerating or delaying the timing of the consummation of all or part of the distribution, at any time prior to the distribution date. For a more complete discussion of all of the conditions to the distribution, see the section entitled "The Separation and Distribution—Conditions to the Distribution."

***Apergy's post-separation relationship with Dover***

Following the separation and distribution, Apergy and Dover will operate separately, each as an independent public company. Prior to the separation and distribution, Apergy and Dover will enter into agreements that will govern their relationship after the distribution, including, among others, a separation and distribution agreement, a transition services agreement, a tax matters agreement and an employee matters agreement. These agreements will provide for the allocation between Apergy and Dover of Dover's and Apergy's assets, employees, liabilities and obligations (including employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after Apergy's separation from Dover.

Forms of the primary separation agreements have been filed as exhibits to the registration statement on Form 10 of which this

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information statement is a part, and a summary of these agreements are contained in the section entitled “Certain Relationships and Related Person Transactions.” The terms of the agreements described in the section entitled “Certain Relationships and Related Person Transactions” that will be in effect following the separation have not yet been finalized; changes to these agreements, some of which may be material, may be made prior to Apergy’s separation from Dover. No changes may be made after Apergy’s separation from Dover without Apergy’s consent. For additional risks associated with these agreements, see the section entitled “Risk Factors—Risks Related to the Separation.”

***Description of Apergy’s capital stock***

Apergy’s amended and restated certificate of incorporation and amended and restated by-laws will contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with Apergy’s Board of Directors rather than to attempt a hostile takeover. These provisions include, among others:

- the inability of Apergy’s stockholders to call a special meeting or act by written consent;
- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings;
- the right of Apergy’s Board of Directors to issue preferred stock without stockholder approval;
- the division of Apergy’s Board of Directors into three approximately equal classes of directors until the third annual meeting of stockholders following the separation, after which directors will be elected annually;
- a provision that stockholders may only remove directors for cause while Apergy’s Board of Directors is classified;
- the exclusive ability of Apergy’s directors, rather than stockholders, to fill vacancies (including those resulting from an enlargement of the Board of Directors) on Apergy’s Board of Directors;
- a provision that Apergy’s Board of Directors is expressly authorized to make, alter, or repeal Apergy’s amended and restated by-laws and that its stockholders may only amend its bylaws or amend certain provisions of its amended and restated certificate of incorporation with the approval of 80% or more of all of the outstanding shares of its capital stock entitled to vote, provided, however that, effective as of the completion of the third annual

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meeting of stockholders following the separation, the provision relating to the 80% voting threshold will be of no force and effect, and stockholders may thereafter amend Apergy's amended and restated bylaws or certain provisions of its amended and restated certificate of incorporation with the approval of a majority of all of the outstanding shares of its capital stock entitled to vote; and

- Apergy will be subject to Section 203 of the Delaware General Corporation Law ("DGCL") which provides that, subject to limited exceptions, persons that (without prior board approval) acquire, or are affiliated with a person that acquires, more than 15 percent of the outstanding voting stock of a Delaware corporation shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or its affiliate becomes the holder of more than 15 percent of the corporation's outstanding voting stock.

For additional information regarding the material terms of Apergy's capital stock that will be contained in the amended and restated certificate of incorporation and by-laws, see the section entitled "Description of Apergy's Capital Stock."

***Stock exchange listing***

Apergy intends to apply to have its common stock authorized for listing on the NYSE under the symbol .

***Apergy's material separation payments and costs***

In connection with the spin-off, it is anticipated that the only material payments to be made by Apergy to Dover prior to the distribution date will relate to any dividends or other payments to be made as part of the reorganization step plan, which may include the use of proceeds from new third party debt incurred by Apergy on or prior to the distribution date. The estimated amount of these payments will be provided in a subsequent amendment to the registration statement on Form 10 of which this information statement forms a part.

Dover has informed Apergy that Dover expects to incur and pay one-time costs associated with the separation, including legal and advisory costs, in the range of \$ to \$ million. In connection with the spin-off, Apergy expects to incur one-time costs, including costs relating to entering into new financing arrangements and other matters, including one-time rebranding costs, in the range of \$ to \$ .

***Dividend policy***

The timing, declaration, amount of and payment of any dividends following the separation by Apergy is within the discretion of its Board of Directors and will depend upon many factors, including

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Apergy’s financial condition, earnings, capital requirements of its operating subsidiaries, restrictions under debt agreements or other contractual obligations, legal requirements, regulatory constraints, industry practice, ability to access capital markets and other factors deemed relevant by its Board of Directors. Moreover, if Apergy determines to pay any dividend in the future, there can be no assurance that it will continue to pay such dividends or the amount of such dividends. See the section entitled “Dividend Policy.”

***Transfer agent***

The transfer agent for Apergy’s common stock will be Computershare Trust Company, N.A.

***U.S. federal income tax consequences***

It is a condition to the completion of the distribution that Dover receive either (i) a private letter ruling from the IRS together with an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code, and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code or (ii) an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code. Accordingly, and so long as the distribution so qualifies, for U.S. federal income tax purposes, no gain or loss will be recognized by you, and no amount will be included in your income, upon the receipt of shares of Apergy’s common stock pursuant to the distribution. You will, however, recognize gain or loss for U.S. federal income tax purposes with respect to cash received in lieu of a fractional share of Apergy’s common stock. For more information regarding the potential U.S. federal income tax consequences to Apergy, Dover and to you of the separation and distribution, see the section entitled “Material U.S. Federal Income Tax Consequences.”

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**Summary Historical And Unaudited Pro Forma Combined Financial Information**

Set forth below are summary historical financial and other data. The combined balance sheet data as of December 31, 2016 and 2015, the combined statements of earnings data and the combined statements of cash flows data for the years ended December 31, 2016 and 2015 have been derived from Apergy’s audited financial statements included elsewhere in this information statement. The historical financial data includes costs of Apergy’s businesses, which include the allocation of certain corporate expenses from Dover. Apergy believes these allocations were made on a reasonable basis. The summary financial information may not be indicative of Apergy’s future performance as an independent company. It should be read in conjunction with the discussion in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the unaudited pro forma combined financial statements and corresponding notes, the audited combined financial statements and corresponding notes included elsewhere in this information statement.

Also set forth below are summary unaudited pro forma statements of earnings data for the twelve-month period ended December 31, 2016, which assume that the separation occurred as of January 1, 2016. The summary unaudited pro forma balance sheet data as of December 31, 2016 assumes that the separation occurred as of December 31, 2016. The pro forma adjustments are based upon available information and assumptions that Apergy believes are reasonable. The summary unaudited pro forma financial information does not purport to represent what the financial position or results of operations of Apergy would have been if Apergy had operated as an independent company during the periods presented or if the transactions described therein had actually occurred as of the dates indicated, nor does it project the financial position at any future date or the results of operations for any future period. Please see the notes to the unaudited pro forma combined financial statements included elsewhere in this information statement for a discussion of adjustments reflected in the pro forma combined financial statements.

|   | <u>Pro Forma</u>  | <u>Historical</u>                                       |   |
|---|---|---|---|
|   | <u>Year Ended</u><br><u>December 31,</u><br><u>2016</u> | <u>Year Ended</u><br><u>December 31,</u><br><u>2016</u> | <u>Year Ended</u><br><u>December 31,</u><br><u>2015</u> |
| <small>(Dollars in thousands)</small>                                   |   |   |   |
| <b>Statements of Earnings Data:</b>                                     |   |   |   |
| <b>Revenue</b>  | \$  | \$ 751,337  | \$ 1,076,680  |
| Cost of goods and services  |   | 510,842   | 693,702   |
| <b>Gross profit</b>   |   | 240,495   | 382,978   |
| Selling, general and administrative expenses                            |   | 250,576   | 294,062   |
| <b>Operating (loss) earnings</b>  |   | (10,081)  | 88,916  |
| Other expense, net  |   | 8,753   | 11,651  |
| <b>(Loss) earnings before (benefit from) provision for income taxes</b> |   | (18,834)  | 77,265  |
| (Benefit from) provision for income taxes                               |   | (8,043)   | 24,131  |
| <b>Net (loss) earnings</b>  |   | (10,791)  | 53,134  |
| Less: Net earnings attributable to noncontrolling interest              |   | 1,851   | 1,436   |
| <b>Net (loss) earnings attributable to Company</b>                      | \$  | \$ (12,642)   | \$ 51,698   |



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| (Dollars in thousands)   | <u>Pro Forma</u>  | <u>Historical</u>                                       |   |
|--|---|---|---|
|  | <u>Year Ended</u><br><u>December 31,</u><br><u>2016</u> | <u>Year Ended</u><br><u>December 31,</u><br><u>2016</u> | <u>Year Ended</u><br><u>December 31,</u><br><u>2015</u> |
| <b>Per share:</b>  |   |   |   |
| Earnings per share:  |   |   |   |
| Basic  | \$  |   |   |
| Diluted  | \$  |   |   |
| Average number of shares used in calculating earnings per share:   |   |   |   |
| Basic  |   |   |   |
| Diluted  |   |   |   |
| <b>Balance Sheet Data (at period end):</b>   |   |   |   |
| Cash and cash equivalents  |   | \$ 26,027   | \$ 10,417   |
| Property, plant and equipment, net   |   | 201,747   | 232,886   |
| Total assets   |   | 1,850,895   | 1,983,379   |
| Total current liabilities  |   | 112,694   | 127,954   |
| Total Parent Company equity  |   | 1,546,322   | 1,639,865   |
| Total equity   |   | 1,551,353   | 1,644,993   |
| <b>Statements of Cash Flows Data:</b>  |   |   |   |
| Net cash provided by operating activities  |   | \$ 128,580  | \$ 207,903  |
| Net cash used in investing activities  |   | (26,899)  | (26,333)  |
| Net cash used in financing activities  |   | (85,981)  | (194,977)   |
| <b>Other Data:</b>   |   |   |   |
| Adjusted Working Capital (1)   | \$  | \$ 257,763  | \$ 310,025  |
| Adjusted Free Cash Flow (2)  | \$  | \$ 81,004   | \$ 108,916  |
| <b>Production &amp; Automation Technologies:</b>   |   |   |   |
| Segment (loss) earnings  | \$  | \$ (12,942)   | \$ 66,839   |
| Adjusted segment EBITDA (3)  | \$  | \$ 99,422   | \$ 189,201  |
| Adjusted segment EBITDA margin (3)   |   | 15.6%   | 20.7%   |
| Bookings (4)   | \$  | \$ 625,149  | \$ 869,947  |
| Book-to-bill ratio (4)   |   | 0.98x   | 0.95x   |
| <b>Drilling Technologies:</b>  |   |   |   |
| Segment earnings   | \$  | \$ 12,946   | \$ 31,133   |
| Adjusted segment EBITDA (3)  | \$  | \$ 27,799   | \$ 49,993   |
| Adjusted segment EBITDA margin (3)   |   | 24.5%   | 30.4%   |
| Bookings (4)   | \$  | \$ 118,433  | \$ 160,756  |
| Book-to-bill ratio (4)   |   | 1.05x   | 0.98x   |
| <p>(1) Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview and Outlook—Key Performance Indicators and Other Performance Measures” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Disclosures” for the definition of Adjusted Working Capital.</p> <p>(2) Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview and Outlook—Key Performance Indicators and Other Performance Measures,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Disclosures” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition—Liquidity and Capital Resources—Adjusted Free Cash Flow” for the definition of Adjusted Free Cash Flow and reconciliation to cash flow provided by operating activities, which we believe is the most closely comparable GAAP financial measure.</p> |   |   |   |

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- (3) Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview and Outlook—Key Performance Indicators and Other Performance Measures,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Segment Results of Operations” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Disclosures” for the definitions of Adjusted segment EBITDA and Adjusted segment EBITDA margin.
- (4) Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview and Outlook—Key Performance Indicators and Other Performance Measures” for a description of Bookings and Book-to-bill ratio.

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## RISK FACTORS

*You should carefully consider the following risks and other information in this information statement in evaluating Apergy and Apergy's common stock. Any of the following risks could materially and adversely affect Apergy's business, financial condition, results of operations and cash flows. The risk factors generally have been separated into three groups: risks related to Apergy's business, risks related to the separation and risks related to Apergy's common stock.*

### **Risks Related to Apergy's Business**

***Trends in oil and natural gas prices may affect the drilling and production activity, profitability and financial stability of Apergy's customers and therefore the demand for, and profitability of, Apergy's products and services, which could have a material adverse effect on Apergy's business, results of operations and financial condition.***

The oil and gas industry is cyclical in nature and experiences periodic downturns of varying length and severity. Most recently, the oil and gas industry experienced a significant downturn in 2015 and 2016. Apergy's ability to manage periodic industry downturns is important to its business, results and prospects. Demand for Apergy's energy products and services is sensitive to the level of drilling and production activity of, and the corresponding capital spending by, oil and natural gas companies. The level of drilling and production activity is directly affected by trends in oil and natural gas prices, which are influenced by numerous factors affecting the supply and demand for oil and gas, including:

- worldwide economic activity;
- the level of exploration and production activity;
- interest rates and the cost of capital;
- environmental regulation;
- federal, state and foreign policies regarding exploration and development of oil and gas;
- the ability and/or desire of OPEC and other major producers to set and maintain production levels and pricing;
- governmental regulations regarding future oil and gas exploration and production;
- the cost of exploring and producing oil and gas;
- the pace of adoption and cost of developing alternative energy sources;
- the availability, expiration date and price of onshore and offshore leases;
- the discovery rate of new oil and gas reserves in onshore and offshore areas;
- the success of drilling for oil and gas in unconventional resource plays such as shale formations;
- alternative opportunities to invest in onshore exploration and production opportunities;
- domestic and global political and economic uncertainty, socio-political unrest and instability, terrorism or hostilities;
- technological advances; and
- weather conditions.

Oil and gas prices and the level of drilling and production activity have been characterized by significant volatility in recent years. In particular, the prices of oil and natural gas were highly volatile in 2014 and 2015 and

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declined dramatically. Prices of oil began to recover in late 2016 but there can be no assurance that increases will continue. Apergy expects continued volatility in both crude oil and natural gas prices, as well as in the level of drilling and production related activities. Even the perception of longer-term lower oil and natural gas prices can reduce or defer major capital expenditures by Apergy's customers in the oil and gas industry. A significant downturn in the industry could result in the reduction in demand for Apergy's products and services, and could have a material adverse effect on Apergy's business, results of operations, financial condition and cash flows.

***Apergy might be unable to compete successfully with other companies in its industry.***

The markets in which Apergy operates are highly competitive. The principal competitive factors in Apergy's markets are customer service, product quality and performance, price, breadth of product offering, market expertise and innovation. In some of Apergy's product and service offerings, it competes with the oil and natural gas industry's largest oilfield service providers. These large national and multi-national companies may have longer operating histories, greater financial, technical, and other resources, greater brand recognition, and a stronger presence in geographic markets than Apergy. In addition, Apergy competes with many smaller companies capable of competing effectively on a regional or local basis. Apergy's competitors may be able to respond more quickly to new or emerging technologies and services, and changes in customer requirements. Many contracts are awarded on a bid basis, which further increases competition based on price. As a result of competition, Apergy may lose market share or be unable to maintain or increase prices for its present services, or to acquire additional business opportunities, which could have a material adverse effect on Apergy's business, results of operations, financial condition and cash flows.

***If Apergy is unable to develop new products and technologies, its competitive position may be impaired, which could materially and adversely affect its sales and market share.***

The markets in which Apergy operates are characterized by changing technologies and introductions of new products and services. As a result, Apergy's success is dependent upon its ability to develop or acquire new services and products on a cost-effective basis, to introduce them into the marketplace in a timely manner and to protect and maintain critical intellectual property assets related to these developments. Difficulties or delays in research, development or production of new products and technologies, or failure to gain market acceptance of new products and technologies, may significantly reduce future revenues and materially and adversely affect Apergy's competitive position. While Apergy intends to continue committing substantial financial resources and effort to the development of new services and products, Apergy may not be able to successfully differentiate its services and products from those of its competitors. Apergy's customers may not consider its proposed services and products to be of value to them or may not view them as superior to Apergy's competitors' services and products. In addition, competitors or customers may develop new technologies, which address similar or improved solutions to Apergy's existing technology. Further, Apergy may not be able to adapt to evolving markets and technologies, develop new products, achieve and maintain technological advantages or protect technological advantages through intellectual property rights. If Apergy does not compete successfully, its business, results of operations, financial condition and cash flows could be materially adversely affected.

***Apergy could lose customers or generate lower revenue, operating profits and cash flows if there are significant increases in the cost of raw materials or if Apergy is unable to obtain raw materials.***

Apergy purchases raw materials, sub-assemblies and components for use in its manufacturing operations, which exposes Apergy to volatility in prices for certain commodities. Significant price increases for these commodities could adversely affect Apergy's operating profits. While Apergy generally attempts to mitigate the impact of increased raw material prices by endeavoring to make strategic purchasing decisions, broaden its supplier base and pass along increased costs to customers, there may be a time delay between the increased raw

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material prices and the ability to increase the prices of products, or Apergy may be unable to increase the prices of products due to a competitor's pricing pressure or other factors. In addition, while raw materials are generally available now, the inability to obtain necessary raw materials could affect Apergy's ability to meet customer commitments and satisfy market demand for certain products. Certain of Apergy's product lines depend on a limited number of third-party suppliers and vendors. The ability of these third parties to deliver raw materials may be affected by events beyond Apergy's control. Consequently, a significant price increase in raw materials, or their unavailability, may result in a loss of customers and adversely impact Apergy's business, results of operations, financial condition and cash flows.

***Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing and the potential for related litigation could result in increased costs and additional operating restrictions or delays for Apergy's customers, which could reduce demand for Apergy's products and negatively impact Apergy's business, financial condition and results of operations.***

Environmental laws and regulations could limit Apergy's customers' exploration and production activities. Although Apergy does not directly engage in hydraulic fracturing activities, it provides products and services to hydraulic fracturing operators in the oil and natural gas industry. Hydraulic fracturing is a widely used industry production technique that is used to recover oil and/or natural gas from dense subsurface rock formations. The process involves the injection of water, proppants and chemicals, under pressure, into the formation to fracture the surrounding rock and stimulate production. The hydraulic fracturing process is typically regulated by state or local governmental authorities. However, the practice of hydraulic fracturing has become controversial in some areas and is undergoing increased scrutiny. Several federal agencies, regulatory authorities, and legislative entities are investigating the potential environmental impacts of hydraulic fracturing and whether additional regulation may be necessary. The U.S. Congress has from time to time considered, but has not yet adopted, legislation to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the process. The U.S. Environmental Protection Agency ("EPA") has issued a number of regulations in recent years that may affect hydraulic fracturing; however, the Trump administration has more generally indicated an interest in scaling back or rescinding regulations that inhibit the development of the U.S. oil and gas industry. It is difficult to predict the extent to which proposed regulations will be implemented or the outcome of any related litigation.

In addition, various state and local governments have implemented, or are considering, increased regulatory oversight of hydraulic fracturing through additional permitting requirements, operational restrictions, disclosure requirements and temporary or permanent bans on hydraulic fracturing in certain areas such as environmentally sensitive watersheds. For example, many states have imposed disclosure requirements on hydraulic fracturing well owners and operators regarding the chemicals used in hydraulic fracturing. Some local governments have adopted and others may seek to adopt ordinances prohibiting or regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities within their jurisdictions. Concerns have been raised that hydraulic fracturing may also contribute to seismic activity and in response to these concerns, regulators in some states, including Texas, are seeking to impose additional requirements. Increased regulation and attention given to induced seismicity could lead to greater opposition to, and litigation concerning, oil and natural gas activities utilizing hydraulic fracturing or injection wells for waste disposal.

The adoption of new laws or regulations at the federal, state, or local levels imposing reporting obligations on, or otherwise limiting or delaying, the hydraulic fracturing process could make it more difficult to complete oil and gas wells, increase Apergy's customers' costs of compliance and doing business, and otherwise adversely affect the hydraulic fracturing services they perform, which could negatively impact demand for Apergy's products and services. In addition, heightened political, regulatory and public scrutiny of hydraulic fracturing practices, including lawsuits, could expose Apergy or its customers to increased legal and regulatory

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proceedings, which could be time-consuming, costly or result in substantial legal liability or significant reputational harm. Apergy could be directly affected by adverse litigation, or indirectly affected if the cost of compliance or the risks of liability limit the ability or willingness of Apergy's customers to operate. Such costs and scrutiny could directly or indirectly, through reduced demand for Apergy's products and services, have a material adverse effect on its business, results of operations, financial condition and cash flows.

***Apergy's growth and results of operations may be adversely affected if it is unsuccessful in its capital allocation and acquisition program.***

If Apergy fails to allocate its capital appropriately, in respect of either its acquisition program or organic growth in its operations, it could be overexposed in certain markets and geographies and unable to expand into adjacent products or markets. Apergy expects to pursue a strategy of acquiring value creating add-on businesses that broaden its existing position and global reach thereby complementing its existing businesses. However, there can be no assurance that Apergy will be able to continue to find suitable businesses to purchase, that Apergy will be able to acquire such businesses on acceptable terms, or that all closing conditions will be satisfied with respect to any pending acquisition. If Apergy is unsuccessful in its acquisition efforts, then its ability to continue to grow could be adversely affected. In addition, Apergy faces the risk that a completed acquisition may underperform relative to expectations. Apergy may not achieve the synergies originally anticipated, may become exposed to unexpected liabilities or may not be able to sufficiently integrate completed acquisitions into its current business and growth model. These factors could potentially have an adverse impact on Apergy's business, results of operations, financial condition and cash flows.

***Apergy's products are used in operations that are subject to potential hazards inherent in the oil and natural gas industry and, as a result, Apergy is exposed to potential liabilities that may affect its financial condition and reputation.***

Apergy's products are used in potentially hazardous drilling, completion and production applications in the oil and natural gas industry where an accident or a failure of a product can potentially have catastrophic consequences. Risks inherent to these applications, such as equipment malfunctions and failures, equipment misuse and defects, explosions, blowouts and uncontrollable flows of oil, natural gas or well fluids and natural disasters can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, surface water and drinking water resources, equipment and the environment. In addition, Apergy provides certain services that could cause, contribute to or be implicated in these events. If Apergy's products or services fail to meet specifications or are involved in accidents or failures, Apergy could face warranty, contract or other litigation claims, which could expose Apergy to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, and pollution and other environmental damages. Apergy may agree to indemnify its customers against specific risks and liabilities. While Apergy maintains insurance protection against some of these risks, and seeks to obtain indemnity agreements from its customers requiring the customers to hold Apergy harmless from some of these risks, Apergy's insurance and contractual indemnity protection may not be sufficient or effective enough to protect it under all circumstances or against all risks. The defense of these lawsuits may require significant expenses and divert management's attention, and Apergy may be required to pay damages that could adversely affect its business, results of operations, financial condition and cash flows. In addition, the frequency and severity of such incidents could affect insurability and relationships with customers, employees and regulators. In particular, Apergy's customers may elect not to purchase its products or services if they view its safety record as unacceptable, which could cause Apergy to lose customers and substantial revenues.

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***Apergy's customers' industries are undergoing continuing consolidation that may impact Apergy's results of operations.***

The oil and gas industry is rapidly consolidating and, as a result, some of Apergy's largest customers have consolidated and are using their size and purchasing power to seek economies of scale and pricing concessions. This consolidation may result in reduced capital spending by some of Apergy's customers or the acquisition of one or more of Apergy's primary customers, which may lead to decreased demand for Apergy's products and services. Apergy cannot assure you that it will be able to maintain its level of sales to a customer that has consolidated or replace that revenue with increased business activity with other customers. As a result, the acquisition of one or more of Apergy's primary customers may have a significant negative impact on Apergy's business, results of operations, financial condition or cash flows. Apergy is unable to predict what effect consolidations in the industry may have on price, capital spending by its customers, its selling strategies, its competitive position, its ability to retain customers or its ability to negotiate favorable agreements with its customers.

***Apergy is subject to information technology, cybersecurity and privacy risks.***

Apergy depends on various information technologies throughout its company to store and process information and support its business activities. Apergy also manufactures and sells hardware and software to provide monitoring, controls and optimization of customer critical assets in oil and gas production and distribution. Apergy also provides services to maintain these systems and to enable higher return through their business and technical domain knowledge. Additionally, Apergy's operations rely upon partners, vendors and other third-party providers of information technology software and services. If these technologies, systems, products or services are damaged, cease to function properly, are breached due to employee error, malfeasance, system errors, or other vulnerabilities, or are subject to cybersecurity attacks, such as those involving unauthorized access, malicious software and/or other intrusions, including by criminals, nation states or insiders, Apergy or its partners, vendors or other third parties could experience production downtimes, operational delays, other detrimental impacts on its operations or ability to provide products and services to its customers, the compromising of confidential, proprietary or otherwise protected information, including personal and customer data, destruction, corruption, or theft of data, security breaches, other manipulation, disruption, misappropriation or improper use of its systems or networks, financial losses from remedial actions, loss of business or potential liability, adverse media coverage, legal claims or legal proceedings, including regulatory investigations and actions, and/or damage to its reputation. While Apergy attempts to mitigate these risks by employing a number of measures, including employee training, technical security controls and maintenance of backup and protective systems, Apergy's and its partners', vendors' and other third-parties' systems, networks, products and services remain potentially vulnerable to known or unknown cybersecurity attacks and other threats, any of which could have a material adverse effect on Apergy's business, results of operations, financial condition and cash flows.

***Apergy and its customers are subject to extensive environmental and health and safety laws and regulations that may increase Apergy's costs, limit the demand for Apergy's products and services or restrict Apergy's operations. In addition, future regulations, or more stringent enforcement of existing regulations, could increase those costs and liabilities, which could adversely affect Apergy's results of operations.***

Apergy's operations and the operations of its customers are subject to numerous and complex federal, state, local and foreign laws and regulations relating to the protection of human health, safety and the environment. These laws and regulations affect Apergy's customers by limiting or curtailing their exploration, drilling and production activities, the products and services Apergy designs, markets and sells and the facilities where Apergy manufactures its products. For example, Apergy's operations and the operations of its customers are subject to numerous and complex laws and regulations that, among other things, may regulate the management and disposal

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of hazardous and non-hazardous wastes; may require acquisition of environmental permits related to its operations; may restrict the types, quantities and concentrations of various materials that can be released into the environment; may limit or prohibit operation activities in certain ecologically sensitive and other protected areas; may regulate specific health and safety criteria addressing worker protection; may require compliance with operational and equipment standards; may impose testing, reporting and record-keeping requirements; and may require remedial measures to mitigate pollution from former and ongoing operations. Sanctions for noncompliance with such laws and regulations may include revocation of permits, corrective action orders, administrative or civil penalties, criminal prosecution and the imposition of injunctions to prohibit certain activities or force future compliance.

Some environmental laws and regulations provide for joint and several strict liability for remediation of spills and releases of hazardous substances. In addition, Apergy or its customers may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources. These laws and regulations may expose Apergy or its customers to liability for the conduct of or conditions caused by others, or for Apergy's acts or for the acts of Apergy's customers that were in compliance with all applicable laws and regulations at the time such acts were performed. Any of these laws and regulations could result in claims, fines or expenditures that could be material to Apergy's business, results of operations, financial condition and cash flows.

Environmental laws and regulations, and the interpretation and enforcement thereof, change frequently, and have tended to become more stringent over time. New laws and regulations may have a material adverse effect on Apergy's customers by limiting or curtailing their exploration, drilling and production activities, which may adversely affect Apergy's operations by limiting demand for Apergy's products and services. Additionally, the implementation of new laws and regulations may have a material adverse effect on Apergy's operating results by requiring Apergy to modify its operations or products or shut down some or all of its facilities.

***Apergy is subject to risks relating to its existing international operations and expansion into new geographical markets.***

Approximately 26% and 25% of Apergy's revenues for 2016 and 2015, respectively, were derived outside the United States. Apergy continues to focus on penetrating global markets as part of its overall growth strategy and expects sales from outside the United States to continue to represent a significant portion of its revenues. Apergy's international operations and its global expansion strategy are subject to general risks related to such operations, including:

- political, social and economic instability and disruptions;
- government export controls, economic sanctions, embargoes or trade restrictions;
- the imposition of duties and tariffs and other trade barriers;
- limitations on ownership and on repatriation or dividend of earnings;
- transportation delays and interruptions;
- labor unrest and current and changing regulatory environments;
- increased compliance costs, including costs associated with disclosure requirements and related due diligence;
- difficulties in staffing and managing multi-national operations;
- limitations on Apergy's ability to enforce legal rights and remedies; and
- access to or control of networks and confidential information due to local government controls and vulnerability of local networks to cyber risks.



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If Apergy is unable to successfully manage the risks associated with expanding its global business or adequately manage operational risks of its existing international operations, the risks could have a material adverse effect on Apergy's growth strategy involving expansion into new geographical markets, its reputation, its business, results of operations, financial condition and cash flows.

***Apergy's business, profitability and reputation could be adversely affected by domestic and foreign governmental and public policy changes, risks associated with emerging markets, changes in statutory tax rates and unanticipated outcomes with respect to tax audits.***

Apergy's domestic and international sales and operations are subject to risks associated with changes in laws, regulations and policies (including environmental and employment regulations, export/import laws, tax policies such as export subsidy programs and research and experimentation credits, carbon emission regulations and other similar programs). Failure to comply with any of the foregoing could result in civil and criminal, monetary and non-monetary penalties as well as damage to Apergy's reputation. In addition, Apergy cannot provide assurance that its costs of complying with new and evolving regulatory reporting requirements and current or future laws, including environmental protection, employment, data security, data privacy and health and safety laws, will not exceed Apergy's estimates. In addition, Apergy has made investments in certain countries, including Argentina, Australia, Bahrain, Colombia, Oman and Kenya, and may in the future invest in other countries, any of which may carry high levels of currency, political, compliance, or economic risk. While these risks or the impact of these risks are difficult to predict, any one or more of them could adversely affect Apergy's business and reputation.

Apergy is subject to taxation in a number of jurisdictions. Accordingly, Apergy's effective tax rate is impacted by changes in the mix among earnings in countries with differing statutory tax rates, changes in the valuation allowance of deferred tax assets, disagreements with taxing authorities with respect to the interpretation of tax laws and regulations and changes in tax laws. The amount of income taxes and other taxes paid can be adversely impacted by changes in statutory tax rates and laws (which have been and may in the future be under active consideration in various jurisdictions) and are subject to ongoing audits by domestic and international authorities. If these changes or audits result in assessments different from amounts estimated, then Apergy's business, results of operations, financial condition and cash flows may be adversely affected by unfavorable tax adjustments. In addition, changes in various laws and regulations could have a material negative effect on our customers, resulting in lower demand for our products and services.

***Failure to attract, retain and develop personnel for key management could have an adverse effect on Apergy's results of operations, financial condition and cash flows.***

Apergy's growth, profitability and effectiveness in conducting its operations and executing its strategic plans depend in part on its ability to attract, retain and develop qualified personnel, align them with appropriate opportunities for key management positions and support for strategic initiatives. Additionally, during periods of increased investment in the oil and gas industry, competition to hire may increase and the availability of qualified personnel may be reduced. If Apergy is unsuccessful in its efforts to attract and retain qualified personnel, its business, results of operations, financial condition and cash flows could be adversely affected, its market share and competitive position could be adversely affected and/or Apergy could miss opportunities for growth and efficiencies.

***The credit risks of Apergy's customer base could result in losses.***

Many of Apergy's customers are oil and gas companies that have faced or may in the future face liquidity constraints during adverse commodity price environments like the recent industry downturn. These customers

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impact Apergy's overall exposure to credit risk as they are also affected by prolonged changes in economic and industry conditions. If a significant number of Apergy's customers experience a prolonged business decline or disruptions, Apergy may incur increased exposure to credit risk and bad debts.

***Apergy's revenue, operating profits and cash flows could be adversely affected if it is unable to protect or obtain patent and other intellectual property rights.***

Apergy owns patents, trademarks, licenses and other forms of intellectual property related to its products and continuously invests in research and development that may result in innovations and general intellectual property rights. Apergy employs various measures to develop, maintain and protect its intellectual property rights. These measures may not be effective in capturing intellectual property rights, and they may not prevent Apergy's intellectual property from being challenged, invalidated, or circumvented, particularly in countries where intellectual property rights are not highly developed or protected. Unauthorized use of Apergy's intellectual property rights could adversely impact its competitive position and have a negative impact on its business, results of operations, financial condition and cash flows.

***Climate change legislation and regulatory initiatives could result in increased compliance costs for Apergy and its customers.***

Numerous proposals have been made and are likely to continue to be made at various levels of government to monitor and limit emissions of greenhouse gases ("GHGs"). Past sessions of the U.S. Congress considered, but did not enact, legislation to address climate change. The EPA and other federal agencies under the previous administration issued regulations that aim to reduce GHG emissions; however, the Trump administration has more generally indicated an interest in scaling back or rescinding regulations addressing GHG emissions, including those affecting the U.S. oil and gas industry. It is difficult to predict the extent to which such policies will be implemented or the outcome of any related litigation. Any regulation of GHG emissions could result in increased compliance costs or additional operating restrictions for Apergy or its customers and limit or curtail exploration, drilling and production activities of Apergy's customers, which could directly or indirectly, through reduced demand for Apergy's products and services, adversely affect Apergy's business, results of operations, financial condition and cash flows.

***The loss of a significant customer could have an adverse impact on Apergy's financial results.***

Apergy's customers represent some of the largest operators in the oil and gas drilling and production markets, including major integrated, large independent and foreign national oil and gas companies, as well as oil field equipment and service providers. In 2016, Apergy's top 10 customers represented approximately 30% of total revenues, and no single customer accounted for more than 10% of Apergy's revenues. While Apergy is not dependent on any one customer or group of customers, the loss of one or more of Apergy's significant customers could have an adverse effect on its business, results of operations, financial condition and cash flows.

***Apergy's results may be impacted by current domestic and international economic conditions and uncertainties.***

Apergy may be adversely affected by disruptions in the financial markets or declines in economic activity both domestically and internationally in those countries in which it operates. These circumstances will also impact Apergy's suppliers and customers in various ways which could have an impact on Apergy's business operations, particularly if global credit markets are not operating efficiently and effectively to support industrial commerce.

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Apergy is subject to risk due to the volatility of global energy prices and regulations that impact drilling and production, with overall demand for Apergy's products and services impacted by depletion rates, global economic conditions and related energy demands.

Negative changes in worldwide economic and capital market conditions are beyond Apergy's control, are highly unpredictable and can have an adverse effect on Apergy's business, results of operations, financial condition, cash flows and cost of capital.

***A significant decline in the future economic outlook of Apergy's business and expected future cash flows could result in goodwill or intangible asset impairment charges which would negatively impact its results of operations.***

Apergy has significant goodwill and intangible assets. The valuation and classification of these assets and the assignment of useful lives involve significant judgments and the use of estimates. The testing of goodwill and intangibles for impairment requires significant use of judgment and assumptions, particularly as it relates to the determination of fair market value. A decrease in the long-term economic outlook and future cash flows of Apergy's business could significantly impact asset values and potentially result in the impairment of intangible assets, including goodwill. Although fair values currently exceed carrying values for each reporting unit, the value of Apergy's business was unfavorably impacted by the steep declines in revenue and order rates during 2015 and 2016 as drilling and production activity fell due to unfavorable oil prices and lower U.S. rig counts. Future economic declines could result in charges relating to impairments that could have a material adverse effect on Apergy's results of operations in future periods.

***Apergy's reputation, ability to do business and results of operations may be impaired by improper conduct by any of its employees, agents, or business partners.***

While Apergy strives to maintain high standards, Apergy cannot provide assurance that its internal controls and compliance systems will always protect it from acts committed by its employees, agents, or business partners that would violate United States and/or non-United States laws or fail to protect Apergy's confidential information, including the laws governing payments to government officials, bribery, fraud, anti-kickback and false claims, competition, export and import compliance, money laundering and data privacy, as well as the improper use of proprietary information or social media. Any such violations of law or improper actions could subject Apergy to civil or criminal investigations in the United States and in other jurisdictions, could lead to substantial civil or criminal, monetary and non-monetary penalties and related stockholder lawsuits, could lead to increased costs of compliance and could damage Apergy's reputation, its business, results of operations, financial condition and cash flows.

***Apergy's exposure to exchange rate fluctuations on cross-border transactions and the translation of local currency results into U.S. dollars could negatively impact its results of operations.***

Apergy conducts a portion of its business outside of the United States, and fluctuations in currency exchange rates could have a significant impact on its reported results of operations, financial condition and cash flows, which are presented in U.S. dollars. For example, foreign exchange rates had an unfavorable impact on Apergy's revenue for the year ended December 31, 2016. Cross-border transactions, both with external parties and intercompany relationships, result in increased exposure to foreign exchange effects. Accordingly, significant changes in currency exchange rates, principally the Canadian Dollar, Australian Dollar and Colombian Peso, could cause fluctuations in the reported results of Apergy's business that could negatively affect its results of operations. Additionally, the strengthening of the U.S. dollar potentially exposes Apergy to competitive threats from lower cost producers in other countries. Apergy's sales are translated into U.S. dollars for reporting purposes. The strengthening of the U.S. dollar could result in unfavorable translation effects as the results of foreign locations are translated into U.S. dollars.

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***Customer requirements and new regulations may increase Apergy's expenses and impact the availability of certain raw materials, which could adversely affect its revenue and operating profits.***

Apergy's business uses parts or materials that are impacted by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requirement for disclosure of the use of "conflict minerals" mined in the Democratic Republic of the Congo and adjoining countries. It is possible that some of Apergy's customers will require "conflict free" metals in products purchased from Apergy. Apergy is in the process of determining the country of origin of certain metals used by its business, as required by the Dodd-Frank Act. The supply chain due diligence and verification of sources may require several years to complete based on the current availability of smelter origin information and the number of vendors. Apergy may not be able to complete the process in the time frame required because of the complexity of its supply chain. Other governmental social responsibility regulations also may impact Apergy's suppliers, manufacturing operations and operating profits.

The need to find alternative sources for certain raw materials or products because of customer requirements and regulations may impact Apergy's ability to secure adequate supplies of raw materials or parts, lead to supply shortages, or adversely impact the prices at which its business can procure compliant goods.

***Adverse and unusual weather conditions could have an adverse impact on Apergy's business.***

Apergy's business could be materially and adversely affected by severe weather conditions. Hurricanes, tropical storms, flash floods, blizzards, cold weather and other severe weather conditions could result in evacuation of personnel, curtailment of services, damage to equipment and facilities, interruption in transportation of products and materials, and loss of productivity. For example, certain of Apergy's manufactured products and components are manufactured at a single facility, and disruptions in operations or damage to any such facilities could reduce Apergy's ability to produce products and satisfy customer demand. If Apergy's customers are unable to operate or are required to reduce operations due to severe weather conditions, and as a result curtail purchases of Apergy's products and services, Apergy's business could be adversely affected.

#### **Risks Related to the Separation**

***Apergy may not achieve some or all of the expected benefits of the separation, and the separation may adversely affect Apergy's business.***

Apergy may not be able to achieve the full strategic and financial benefits expected to result from the separation, or such benefits may be delayed or not occur at all. The separation and distribution is expected to provide the following benefits, among others:

- The separation will allow each company to more effectively pursue its own distinct operating priorities and strategies, and will enable the management of both companies to pursue separate opportunities for long-term growth and profitability, and to recruit, retain and motivate employees pursuant to compensation policies which are appropriate for their respective lines of business.
- The separation will permit each company to concentrate its financial resources solely on its own operations, providing greater flexibility to invest capital in its business in a time and manner appropriate for its distinct strategy and business needs.
- Dover's Board of Directors believes that Dover's businesses and Apergy's businesses appeal to different types of investors with different industry focuses, investment goals and risk profiles; as such, the separation will enable investors to evaluate the merits, performance and future prospects of each company's businesses and to invest in each company separately based on these distinct characteristics.

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- The separation will create an independent equity structure that will afford Apergy direct access to capital markets and will facilitate the ability to capitalize on its unique growth opportunities and effect future acquisitions utilizing, among other types of consideration, shares of its common stock.

Apergy may not achieve these and other anticipated benefits for a variety of reasons, including, among others: (a) the separation will require significant amounts of management's time and effort, which may divert management's attention from operating and growing Apergy's business; (b) following the separation, Apergy's stock price may be more susceptible to market fluctuations and other events particular to one or more of Apergy's products than if it were still a part of Dover; and (c) following the separation, Apergy's business will be less diversified than Dover's business prior to the separation. If Apergy fails to achieve some or all of the benefits expected to result from the separation, or if such benefits are delayed, the business, results of operations, financial condition and cash flows of Apergy could be adversely affected.

***Apergy has no history operating as an independent publicly traded company, and Apergy's historical and pro forma financial information is not necessarily representative of the results that it would have achieved as a separate, publicly-traded company and therefore may not be a reliable indicator of its future results.***

Apergy is being spun-off from Dover, its parent company, and has no operating history as a separate publicly traded company. The historical information about Apergy in this information statement refers to Apergy's business as part of Dover. Apergy's historical and pro forma financial information included in this information statement is derived from the financial statements and accounting records of Dover. Accordingly, the historical and pro forma financial information included in this information statement does not necessarily reflect the financial condition, results of operations or cash flows that Apergy would have achieved as a separate, publicly-traded company during the periods presented or those that Apergy will achieve in the future primarily as a result of the factors described below:

- Apergy will need to make significant investments to replicate or outsource certain systems, infrastructure and functional expertise after its separation from Dover. These initiatives to develop Apergy's independent ability to operate without access to Dover's existing operational and administrative infrastructure will be costly to implement. Apergy may not be able to operate its business efficiently or at comparable costs, and its profitability may decline; and
- generally, Apergy has relied upon Dover for working capital requirements and other cash requirements. Subsequent to the separation, Dover will not be providing Apergy with funds to finance Apergy's working capital or other cash requirements. After the separation, Apergy's access to and cost of debt financing may be different from the historical access to and cost of debt financing under Dover. Differences in access to and cost of debt financing may result in differences in the interest rate charged to Apergy on financings, as well as the amounts of indebtedness, types of financing structures and debt markets that may be available to Apergy, which could have an adverse effect on Apergy's business, financial condition and results of operations and cash flows.

For additional information about the past financial performance of Apergy's business and the basis of presentation of the historical combined financial statements and the unaudited pro forma combined financial statements of Apergy's business, see the section entitled "Unaudited Pro Forma Combined Financial Statements," "Selected Historical Combined Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and accompanying notes included elsewhere in this information statement.

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***Dover may fail to perform under various transaction agreements that will be executed as part of the separation or Apergy may fail to have necessary systems and services in place when certain of the transaction agreements expire.***

Apergy and Dover will enter into certain agreements, such as the separation and distribution agreement, a transition services agreement and those other agreements discussed in greater detail in the section entitled “Certain Relationships and Related Person Transactions—Agreements with Dover,” which will provide for the performance of services by each company for the benefit of the other for a period of time after the separation. Apergy will rely on Dover to satisfy its performance and payment obligations under these agreements. If Dover is unable to satisfy its obligations under these agreements, including its indemnification obligations, Apergy could incur operational difficulties or losses.

If Apergy does not have in place its own systems and services, does not have agreements with other providers of these services when the transitional or long-term agreements terminate, or if Apergy does not implement the new systems or replace Dover’s services successfully, Apergy may not be able to operate its business effectively, which could disrupt its business and have a material adverse effect on its business, results of operations, financial condition and cash flows. These systems and services may also be more expensive to install, implement and operate, or less efficient than the systems and services Dover is expected to provide during the transition period.

***Potential indemnification liabilities to Dover pursuant to the separation and distribution agreement could materially and adversely affect Apergy’s business, financial condition, results of operations and cash flows.***

The separation and distribution agreement, among other things, provides for indemnification obligations designed to make Apergy financially responsible for substantially all liabilities that may exist relating to its business activities, whether incurred prior to or after the separation. If Apergy is required to indemnify Dover under the circumstances set forth in the separation and distribution agreement, Apergy may be subject to substantial liabilities.

***In connection with Apergy’s separation from Dover, Dover will indemnify Apergy for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure Apergy against the full amount of such liabilities, or that Dover’s ability to satisfy its indemnification obligation will not be impaired in the future.***

Pursuant to the separation and distribution agreement and certain other agreements with Dover, Dover will agree to indemnify Apergy for certain liabilities as discussed further in “Certain Relationships and Related Person Transactions—Agreements with Dover.” However, third parties could also seek to hold Apergy responsible for any of the liabilities that Dover has agreed to retain, and there can be no assurance that the indemnity from Dover will be sufficient to protect Apergy against the full amount of such liabilities, or that Dover will be able to fully satisfy its indemnification obligations. In addition, Dover’s insurers may attempt to deny coverage to Apergy for liabilities associated with certain occurrences of indemnified liabilities prior to the separation. Moreover, even if Apergy ultimately succeeds in recovering from Dover or such insurance providers any amounts for which Apergy is held liable, Apergy may be temporarily required to bear these losses. Each of these risks could negatively affect Apergy’s business, results of operations, financial condition and cash flows.

***Apergy will be subject to continuing contingent liabilities of Dover following the separation.***

After the separation, there will be several significant areas where the liabilities of Dover may become Apergy’s obligations. For example, under the Code and the related rules and regulations, each corporation that

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was a member of the Dover U.S. consolidated group during a taxable period or portion of a taxable period ending on or before the effective time of the distribution is jointly and severally liable for the U.S. federal income tax liability of the entire Dover U.S. consolidated group for that taxable period. Consequently, Apergy could be required to pay the entire amount of Dover's consolidated U.S. federal income tax liability for a prior period, which could be substantial and in excess of the amount allocated to Apergy under the tax matters agreement between it and Dover. For a discussion of the tax matters agreement, see the section entitled "Certain Relationships and Related Person Transactions—Agreements with Dover—Tax Matters Agreement." Other provisions of federal law establish similar liability for other matters, including laws governing tax-qualified pension plans as well as other contingent liabilities.

***If the distribution, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, you and Dover could be subject to significant tax liability and, in certain circumstances, Apergy could be required to indemnify Dover for material taxes pursuant to indemnification obligations under the tax matters agreement.***

A condition to the distribution is the receipt by Dover of (i) a private letter ruling from the IRS (the "IRS Ruling") together with an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code, and the distribution will qualify as a tax-free distribution to Dover's shareholders under Section 355 of the Code or (ii) an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the distribution will qualify as a tax-free distribution to Dover's shareholders under Section 355 of the Code. The IRS ruling (if obtained) and the opinion of tax counsel will rely on certain facts and assumptions, and certain representations and undertakings from Dover and Apergy, including those regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, Dover and its stockholders may not be able to rely on the IRS Ruling (if obtained) or the opinion, and could be subject to significant tax liabilities. Notwithstanding the IRS Ruling (if obtained) and the opinion of tax counsel, the IRS could determine on audit that the distribution is taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the opinion. For more information regarding the tax opinion, see the section entitled "Material U.S. Federal Income Tax Consequences." In addition, Dover and Apergy intend for certain related transactions to qualify for tax-free treatment under U.S. federal, state and local tax law and/or foreign tax law.

If the distribution is determined to be taxable for U.S. federal income tax purposes, Dover and its stockholders that are subject to U.S. federal income tax could incur significant U.S. federal income tax liabilities. For example, if the distribution fails to qualify for tax-free treatment, Dover would for U.S. federal income tax purposes be treated as if it had sold the Apergy common stock in a taxable sale for its fair market value, and Dover's stockholders who are subject to U.S. federal income tax would be treated as receiving a taxable distribution in an amount equal to the fair market value of the Apergy common stock received in the distribution. In addition, if certain related transactions fail to qualify for tax-free treatment under U.S. federal, state and local tax law and/or foreign tax law, Dover (and, under the tax matters agreement described below, Apergy) could incur significant tax liabilities under U.S. federal, state, local and/or foreign tax law, respectively.

Under the tax matters agreement between Dover and Apergy, Apergy would generally be required to indemnify Dover for taxes incurred by Dover that arise as a result of Apergy's taking or failing to take, as the case may be, certain actions that result in the distribution failing to meet the requirements of a tax-free distribution under Section 355 of the Code or of such related transactions failing to qualify for tax-free treatment.

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Apergy's indemnification obligations to Dover under the tax matters agreement are not limited by a maximum amount. If Apergy is required to indemnify Dover under the circumstances set forth in the tax matters agreement, Apergy may be subject to substantial liabilities, which could materially adversely affect its business, results of operations, financial condition and cash flows.

Under the tax matters agreement between Dover and Apergy, Dover may, in its sole discretion, make protective elections under Section 336(e) of the Code for Apergy and some or all of its domestic subsidiaries with respect to the distribution. If, notwithstanding the IRS Ruling (if obtained) and the opinion of tax counsel, the distribution fails to qualify as tax-free under Section 355 of the Code, the Section 336(e) elections would generally cause deemed sales of the assets of Apergy and its electing subsidiaries, causing the Dover group to recognize a gain to the extent the fair market value of the assets exceeded the basis of Apergy and its electing subsidiaries in such assets. In such case, to the extent that Dover is responsible for the resulting transaction taxes, Apergy generally would be required under the tax matters agreement to make periodic payments to Dover equal to the tax savings arising from a "step up" in the tax basis of Apergy's assets.

***Apergy may not be able to engage in certain corporate transactions after the separation.***

To preserve the tax-free treatment to Dover and its stockholders of the contribution and the distribution and certain related transactions, under the tax matters agreement that Apergy will enter into with Dover, Apergy is restricted from taking any action following the distribution that prevents the distribution and related transactions from being tax-free for U.S. federal income tax purposes. Under the tax matters agreement, for the two-year period following the distribution, Apergy may be prohibited, except in certain circumstances, from:

- entering into any transaction resulting, when combined with prior transactions, in the acquisition of 40% or more of its stock or substantially all of its assets, whether by merger or otherwise;
- merging, consolidating or liquidating;
- issuing equity securities representing 40% or more of its stock, subject to certain exceptions and adjustments;
- repurchasing its capital stock in excess of specified amounts;
- ceasing to actively conduct its business or disposing of more than 25% of the assets used in its actively conducted business; and
- engaging in certain internal transactions.

These restrictions may limit Apergy's ability to pursue certain strategic transactions or other transactions that it may believe to be in the best interests of its stockholders or that might increase the value of its business. In addition, under the tax matters agreement, Apergy may be required to indemnify Dover against all or a portion of such tax liabilities as a result of the acquisition of Apergy's stock or assets, even if it did not participate in or otherwise facilitate the acquisition. For more information, see the section entitled "Certain Relationships and Related Person Transactions—Agreements with Dover—Tax Matters Agreement."

***The spin-off and related internal restructuring transactions may expose Apergy to potential liabilities arising out of state and federal fraudulent conveyance laws and legal dividend requirements.***

If Dover files for bankruptcy or is otherwise determined or deemed to be insolvent under federal bankruptcy laws, a court could deem the spin-off or certain internal restructuring transactions undertaken by Dover in connection with the separation to be a fraudulent conveyance or transfer. Fraudulent conveyances or transfers are defined to include transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the



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debtor was insolvent, or that rendered the debtor insolvent, inadequately capitalized or unable to pay its debts as they become due. A court could void the transactions or impose substantial liabilities upon Apergy, which could adversely affect Apergy's financial condition and its results of operations. Among other things, the court could require Apergy's stockholders to return to Dover some or all of the shares of its common stock issued in the spin-off, or require Apergy to fund liabilities of other companies involved in the restructuring transactions for the benefit of creditors.

The distribution of Apergy's common stock is also subject to review under state corporate distribution statutes. Under the DGCL, a corporation may only pay dividends to its stockholders either (i) out of its surplus (net assets minus capital) or (ii) if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Although Dover intends to make the distribution of Apergy's common stock entirely out of surplus, Apergy cannot assure you that a court will not later determine that some or all of the distribution to Dover stockholders was unlawful.

***After the separation, certain of Apergy's executive officers and directors may have actual or potential conflicts of interest because of their previous or continuing positions at Dover.***

Because of their current or former positions with Dover, certain of Apergy's expected executive officers and directors own equity interests in Dover. Following the separation, even though Apergy's Board of Directors will consist of a majority of directors who are independent, and Apergy's expected executive officers who are currently employees of Dover will cease to be employees of Dover upon the separation, some of Apergy's executive officers and directors will continue to have a financial interest in shares of Dover's common stock. Continuing ownership of shares of Dover's common stock and equity awards could create, or appear to create, potential conflicts of interest if Apergy and Dover pursue the same corporate opportunities or face decisions that could have different implications for Dover and Apergy.

***Apergy may have received better terms from unaffiliated third parties than the terms it will receive in its agreements with Dover.***

The agreements Apergy will enter into with Dover in connection with the separation, including the separation and distribution agreement, transition services agreement, tax matters agreement and employee matters agreement were prepared in the context of Apergy's separation from Dover while Apergy was still a wholly owned subsidiary of Dover. Accordingly, during the period in which the terms of those agreements were prepared, Apergy did not have an independent Board of Directors or a management team that was independent of Dover. As a result, the terms of those agreements may not reflect terms that would have resulted from arm's-length negotiations between unaffiliated third parties. Arm's-length negotiations between Dover and an unaffiliated third party in another form of transaction, such as a buyer in a sale of a business transaction, may have resulted in more favorable terms to the unaffiliated third party. For more information, see the section entitled "Certain Relationships and Related Person Transactions—Agreements with Dover."

***Some contracts and other assets which will need to be transferred or assigned from Dover or its affiliates to Apergy in connection with Apergy's separation from Dover may require the consent or involvement of a third party. If such consent is not given, Apergy may not be entitled to the benefit of such contracts and other assets in the future, which could negatively impact its financial condition and future results of operations.***

The separation and distribution agreement and certain local transfer agreements, as applicable, provide that in connection with Apergy's separation from Dover, a number of contracts with third parties and other assets are to be transferred or assigned from Dover or its affiliates to Apergy. However, the transfer or assignment of certain of these contracts or assets may require providing guarantees or the consent of a third party to such a

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transfer or assignment. Similarly, in some circumstances, Apergy and another business unit of Dover may be joint beneficiaries of contracts, and Apergy may need to enter into a new agreement with the third party to replicate the existing contract or assign the portion of the existing contract related to the Apergy business. It is possible that some parties may use the requirement of a guarantee or consent or the fact that the separation is occurring to seek more favorable contractual terms from Apergy or to seek to terminate the contract. If Apergy is unable to provide a guarantee or obtain such consents on commercially reasonable and satisfactory terms or if the contracts are terminated, it may be unable to obtain some of the benefits, assets and contractual commitments which are intended to be allocated to it as part of its separation from Dover. The failure to timely complete the assignment of existing contracts or assets, or the negotiation of new arrangements, or a termination of any of those arrangements, could negatively impact Apergy's financial condition and future results of operations. In addition, where Apergy does not intend to provide a guarantee or obtain consent from third party counterparties based on its belief that no guarantee or consent is required, the third party counterparties may challenge a transfer of assets on the basis that the terms of the applicable commercial arrangements require that a guarantee be provided or the third party counterparty's consent. Apergy may incur substantial litigation and other costs in connection with any such claims and, if Apergy does not prevail, its ability to use these assets could be adversely impacted.

***Apergy expects to incur new indebtedness at or prior to the distribution, and the degree to which Apergy will be leveraged following completion of the distribution may have a material adverse effect on its business, financial condition or results of operations and cash flows.***

Apergy has historically relied upon Dover for working capital requirements and other cash requirements. After the distribution, Apergy will not be able to rely on the earnings, assets or cash flow of Dover and Dover will not provide funds to finance Apergy's working capital or other cash requirements. As a result, after the distribution, Apergy will be responsible for servicing its own debt, and obtaining and maintaining sufficient working capital and other funds to satisfy its cash requirements. In connection with the distribution, Apergy expects to incur borrowings of \$            million and distribute \$            million of the proceeds of such indebtedness to Dover. After the separation, Apergy's access to and cost of debt financing may be different from the historical access to and cost of debt financing under Dover. Differences in access to and cost of debt financing may result in differences in the interest rate charged to Apergy on financings, as well as the amounts of indebtedness, types of financing structures and debt markets that may be available to it.

Apergy's ability to make payments on and to refinance its indebtedness, including the debt incurred pursuant to the distribution, as well as any future debt that it may incur, will depend on its ability to generate cash in the future from operations, financings or asset sales and the tax consequences of its repatriation of overseas cash. Apergy's ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond Apergy's control. If Apergy is not able to repay or refinance its debt as it becomes due, it may be forced to sell assets or take other disadvantageous actions, including (i) reducing financing in the future for working capital, capital expenditures and general corporate purposes or (ii) dedicating an unsustainable level of its cash flow from operations to the payment of principal and interest on its indebtedness. In addition, Apergy's ability to withstand competitive pressures and to react to changes in the oil and gas industry could be impaired. The lenders who hold such debt could also potentially accelerate amounts due, which could potentially trigger a default or acceleration of any of Apergy's other debt.

In addition, Apergy may increase its debt or raise additional capital following the distribution, subject to restrictions in its debt agreements. If Apergy's cash flow from operations is less than it anticipates, or if its cash requirements are more than it expects, Apergy may require more financing. However, debt or equity financing may not be available to Apergy on terms acceptable to it, if at all. If Apergy incurs additional debt or raises equity through the issuance of preferred stock, the terms of the debt or preferred stock issued may give the

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holders rights, preferences and privileges senior to those of holders of Apergy's common stock, particularly in the event of liquidation. The terms of the debt may also impose additional and more stringent restrictions on Apergy's operations than it currently has. If Apergy raises funds through the issuance of additional equity, your percentage ownership in Apergy would be diluted. If Apergy is unable to raise additional capital when needed, it could affect its financial condition, which could negatively affect your investment in Apergy. Also, regardless of the terms of Apergy's debt or equity financing, the amount of stock that it can issue may be limited because the issuance of its stock may cause the distribution to be a taxable event for Dover under Section 355(e) of the Code, and under the tax matters agreement, Apergy could be required to indemnify Dover for the resulting tax. See the section entitled "Risk Factors—Risks Related to the Separation—Apergy may not be able to engage in certain corporate transactions after the separation."

***Until the distribution occurs, Dover has the sole discretion to change the terms of the distribution in ways which may be unfavorable to Apergy.***

Until the distribution occurs, Dover will have the sole and absolute discretion to determine and change the terms of the distribution, including the establishment of the record date and distribution date. These changes could be unfavorable to Apergy. In addition, Dover may decide at any time not to proceed with the separation.

***Apergy's accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which it will be subject following the distribution.***

Apergy's financial results previously were included within the consolidated results of Dover, and Apergy believes that its financial reporting and internal controls were appropriate for a subsidiary of a public company. However, Apergy was not directly subject to the reporting and other requirements of the Exchange Act. As a result of the distribution, Apergy will be directly subject to reporting and other obligations under the Exchange Act. Beginning with its Annual Report on Form 10-K for the year ending December 31, 2017, Apergy will be required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") which will require annual management assessments of the effectiveness of Apergy's internal controls over financial reporting. Apergy's independent registered public accounting firm is not required to express an opinion as to the effectiveness of our internal control over financial reporting until after it is no longer an "emerging growth company," as defined in the JOBS Act. At such time, however, Apergy's independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which its internal control over financial reporting is documented, designed or operating. These reporting and other obligations may place significant demands on its management, administrative and operational resources, including accounting systems and resources.

The Exchange Act requires that Apergy file annual, quarterly and current reports with respect to its business and financial condition. Under the Sarbanes-Oxley Act, Apergy is required to maintain effective disclosure controls and procedures and internal controls over financial reporting. To comply with these requirements, Apergy may need to upgrade its systems; implement additional financial and management controls, reporting systems and procedures; and hire additional accounting and finance staff. Apergy expects to incur additional annual expenses for the purpose of addressing these requirements, and those expenses may be significant. If Apergy is unable to upgrade its financial and management controls, reporting systems, information technology systems and procedures in a timely and effective fashion, Apergy's ability to comply with its financial reporting requirements and other rules that apply to reporting companies under the Exchange Act could be impaired. Any failure to achieve and maintain effective internal controls could have a material adverse effect on Apergy's business, results of operations, financial condition or cash flows.

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***Apergy is an emerging growth company, and any decision on its part to comply with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make its common stock less attractive to investors.***

Apergy is an emerging growth company, and, for as long as it continues to be an emerging growth company, Apergy currently intends to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, not being required to have its independent registered public accounting firm audit its internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its registration statements, periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Apergy could be an emerging growth company for up to five years following the completion of the spin-off. Apergy will cease to be an emerging growth company upon the earliest of: (1) the end of the fiscal year following the fifth anniversary of the spin-off; (2) the first fiscal year after its annual gross revenues are \$1.07 billion or more; (3) the date on which Apergy has, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities; or (4) the date on which Apergy is deemed to be a “large accelerated filer” under the Exchange Act. Apergy cannot predict if investors will find its common stock less attractive if Apergy chooses to rely on these exemptions. If some investors find its common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for its common stock and the price of its common stock may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. Apergy has irrevocably elected not to avail itself of this accommodation allowing for delayed adoption of new or revised accounting standards, and, therefore, Apergy will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

**Risks Related to Apergy’s Common Stock**

***Apergy cannot be certain that an active trading market for its common stock will develop or be sustained after the separation, and following the separation, Apergy’s stock price may fluctuate significantly.***

A public market for Apergy’s common stock does not currently exist. Apergy expects that on or about [REDACTED], trading of shares of its common stock will begin on a “when-issued” basis and will continue through the distribution date. However, Apergy cannot guarantee that an active trading market will develop or be sustained for its common stock after the separation. Nor can Apergy predict the prices at which shares of its common stock may trade after the separation.

Similarly, Apergy cannot predict the effect of the separation on the trading prices of its common stock. After the separation, Dover’s common stock will continue to be listed and traded on the NYSE under the symbol “DOV.” Subject to the consummation of the separation, Apergy expects the Apergy common stock to be listed and traded on the NYSE under the symbol “[REDACTED].” The combined trading prices of Dover’s common stock and Apergy’s common stock after the separation, as adjusted for any changes in the combined capitalization of these companies, may not be equal to or greater than the trading price of Dover’s common stock prior to the separation. Until the market has fully evaluated the business of Dover without the Apergy businesses, or fully evaluated Apergy, the price at which Dover or Apergy’s common stock trade may fluctuate significantly.

The market price of Apergy’s common stock may fluctuate significantly due to a number of factors, some of which may be beyond Apergy’s control, including:

- Apergy’s business profile and market capitalization may not fit the investment objectives of Dover’s current stockholders, causing a shift in Apergy’s investor base, and Apergy’s common stock may not

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be included in some indices in which Dover's common stock is included, causing certain holders to sell their shares;

- Apergy's quarterly or annual earnings, or those of other companies in its industry;
- the failure of securities analysts to cover Apergy's common stock after the separation;
- actual or anticipated fluctuations in Apergy's operating results;
- changes in earnings estimates by securities analysts or Apergy's ability to meet those estimates or its earnings guidance;
- the operating and stock price performance of other comparable companies;
- overall market fluctuations and domestic and worldwide economic conditions; and
- other factors described in these "Risk Factors" and elsewhere in this information statement.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of Apergy's common stock.

***A number of shares of Apergy's common stock are or will be eligible for future sale, which may cause Apergy's stock price to decline.***

Any sales of substantial amounts of shares of Apergy's common stock in the public market or the perception that such sales might occur, in connection with the distribution or otherwise, may cause the market price of Apergy's common stock to decline. Upon completion of the distribution, Apergy expects that it will have an aggregate of approximately      million shares of its common stock issued and outstanding based upon approximately      million shares of Dover common stock outstanding as of      . These shares will be freely tradeable without restriction or further registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"), unless the shares are owned by one of Apergy's "affiliates," as that term is defined in Rule 405 under the Securities Act.

Apergy is unable to predict whether large amounts of its common stock will be sold in the open market following the distribution. Apergy is also unable to predict whether a sufficient number of buyers would be in the market at that time. A portion of Dover's common stock is held by index funds tied to stock indices. If Apergy is not included in these indices at the time of distribution, these index funds may be required to sell Apergy's common stock.

***Apergy cannot guarantee the timing, amount, or payment of dividends on its common stock.***

The timing, declaration, amount and payment of future dividends to Apergy's stockholders will fall within the discretion of Apergy's Board of Directors. The Board of Directors' decisions regarding the payment of dividends will depend on many factors, such as Apergy's financial condition, earnings, capital requirements, debt service obligations, industry practice, legal requirements, regulatory constraints, and other factors that the Board of Directors deems relevant. For more information, see the section entitled "Dividend Policy." Apergy's ability to pay dividends will depend on its ongoing ability to generate cash from operations and access to the capital markets. Apergy cannot guarantee that it will pay a dividend in the future or continue to pay any dividend if Apergy commences paying dividends.

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***Your percentage of ownership in Apergy may be diluted in the future.***

Your percentage ownership in Apergy may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise, including, without limitation, equity awards that Apergy may grant to its directors, officers and employees.

In addition, Apergy's amended and restated certificate of incorporation will authorize Apergy to issue, without the approval of Apergy's stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over Apergy's common stock respecting dividends and distributions, as Apergy's Board of Directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of Apergy's common stock. For example, Apergy could grant the holders of preferred stock the right to elect some number of Apergy's directors in all events or on the happening of specified events or to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences Apergy could assign to holders of preferred stock could affect the residual value of Apergy's common stock. See the section entitled "Description of Apergy's Capital Stock."

***Certain provisions in Apergy's amended and restated certificate of incorporation and amended and restated by-laws, and of Delaware law, may prevent or delay an acquisition of Apergy, which could decrease the trading price of the common stock.***

Apergy's amended and restated certificate of incorporation and amended and restated by-laws will contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with Apergy's Board of Directors rather than to attempt a hostile takeover. These provisions include, among others:

- the inability of Apergy's stockholders to call a special meeting or act by written consent;
- rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings;
- the right of Apergy's Board of Directors to issue preferred stock without stockholder approval;
- the division of Apergy's Board of Directors into three approximately equal classes of directors until the third annual meeting of stockholders following the separation, after which directors will be elected annually;
- a provision that stockholders may only remove directors for cause while Apergy's Board of Directors is classified;
- the ability of Apergy's directors, and not stockholders, to fill vacancies (including those resulting from an enlargement of the Board of Directors) on Apergy's Board of Directors; and
- a provision that Apergy's Board of Directors is expressly authorized to make, alter, or repeal Apergy's amended and restated by-laws and that its stockholders may only amend its by-laws or amend certain provisions of its amended and restated certificate of incorporation with the approval of 80% or more of all of the outstanding shares of its capital stock entitled to vote, provided, however that effective as of the completion of the third annual meeting of stockholders following the separation, the provision relating to the 80% voting threshold will be of no force and effect, and stockholders may thereafter amend Apergy's amended and restated bylaws or certain provisions of its amended and restated certificate of incorporation with the approval of a majority of all of the outstanding shares of its capital stock entitled to vote.

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In addition, following the distribution, Apergy will be subject to Section 203 of the DGCL. Section 203 provides that, subject to limited exceptions, persons that (without prior board approval) acquire, or are affiliated with a person that acquires, more than 15 percent of the outstanding voting stock of a Delaware corporation shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or its affiliate becomes the holder of more than 15 percent of the corporation's outstanding voting stock.

Apergy believes these provisions will protect its stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with Apergy's Board of Directors and by providing Apergy's Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make Apergy immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that Apergy's Board of Directors determines is not in the best interests of Apergy and its stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

In addition, an acquisition or further issuance of Apergy's stock could trigger the application of Section 355(e) of the Code. For a discussion of Section 355(e), see the section entitled "Material U.S. Federal Income Tax Consequences." Under the tax matters agreement, Apergy may be required to indemnify Dover for all or a portion of the tax imposed under Section 355(e) of the Code resulting from an acquisition or issuance of its stock, even if it did not participate in or otherwise facilitate the acquisition, and this indemnity obligation might discourage, delay or prevent a change of control that you may consider favorable.

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#### **CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This information statement and other materials Dover and Apergy have filed or will file with the SEC contain, or will contain, certain statements regarding business strategies, market potential, future financial performance, future action, results and other matters which are “forward-looking” statements within the meaning of the Exchange Act. The words “believe,” “expect,” “anticipate,” “project,” “estimate,” “budget,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “seek,” “should,” “will,” “would,” “expect,” “objective,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target” and similar expressions, among others, generally identify forward-looking statements, which speak only as of the date the statements were made. Additionally, forward-looking statements include, but are not limited to:

- Apergy’s expectations as to future sales of products;
- Apergy’s ability to protect its intellectual property in the United States and abroad;
- Apergy’s estimates regarding its capital requirements and its needs for additional financing;
- Apergy’s estimates of its expenses, future revenues and profitability;
- Apergy’s estimates of the size of the markets for its products and services;
- Apergy’s expectations related to the rate and degree of market acceptance of its products; and
- Apergy’s estimates of the success of other competing technologies that may become available.

In particular, information included under the sections entitled “Information Statement Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” and “The Separation and Distribution” contain forward-looking statements.

The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those projected, anticipated or implied in the forward-looking statements. Where, in any forward-looking statement, an expectation or belief as to future results or events is expressed, such expectation or belief is based on the current plans and expectations of management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. Factors that could cause actual results or events to differ materially from those anticipated include the matters described under the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Neither Dover nor Apergy undertakes any obligation to update any forward-looking statement, except as required by applicable law.



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#### **DIVIDEND POLICY**

The timing, declaration, amount, and payment of any dividends following the separation by Apergy is within the discretion of its Board of Directors and will depend upon many factors, including Apergy's financial condition, earnings, capital requirements of its operating subsidiaries, restrictions under debt agreements or other contractual obligations, legal requirements, regulatory constraints, industry practice, ability to access capital markets, and other factors deemed relevant by its Board of Directors. Moreover, if Apergy determines to pay any dividend in the future, there can be no assurance that it will continue to pay such dividends or the amount of such dividends.

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### CAPITALIZATION

The following table sets forth Apergy's cash and cash equivalents and capitalization as of December 31, 2016 on a historical combined basis and on a pro forma basis to give effect to the pro forma adjustments included in Apergy's unaudited pro forma combined financial information. See the section entitled "Unaudited Pro Forma Combined Financial Statements" and the related notes thereto. The information below is not necessarily indicative of what Apergy's cash and cash equivalents and capitalization would have been had the separation, distribution and related financing transactions been completed as of December 31, 2016. In addition, it is not indicative of Apergy's future capitalization. This table should be read in conjunction with the sections entitled "Unaudited Pro Forma Combined Financial Statements," "Selected Historical Combined Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Apergy's combined financial statements and notes included elsewhere in this information statement.

|   | December 31, 2016     |           |
|---|-----------------------|-----------|
|   | Actual                | Pro Forma |
|   | (Dollars in millions) |           |
| Cash and cash equivalents                       | \$ 26.0               | \$        |
| Debt, including current and long-term:          |                       |           |
| Current debt                                    | \$ —                  | \$        |
| Long-term debt                                  | —                     |           |
| Total debt                                      | \$ —                  | \$        |
| Equity:   |                       |           |
| Common stock, par value \$0.01                  | \$ —                  | \$        |
| Additional paid-in capital                      | —                     |           |
| Parent Company investment in Apergy Corporation | 1,580.0               |           |
| Accumulated other comprehensive loss            | (33.6)                |           |
| Noncontrolling interest                         | 5.0                   |           |
| Total Equity                                    | \$1,551.4             | \$        |
| Total Capitalization                            | \$1,551.4             | \$        |

Apergy has not yet finalized its post-distribution capitalization. Pro forma financial information reflecting Apergy's post-distribution capitalization will be included in an amendment to the registration statement of which this information statement forms a part.

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### SELECTED HISTORICAL COMBINED FINANCIAL DATA

The following table presents Apergy's selected historical combined financial data. The selected historical combined balance sheet data as of December 31, 2016 and 2015, the combined statements of earnings data for the years ended December 31, 2016 and 2015 and the combined statements of cash flows data for the years ended December 31, 2016 and 2015 have been derived from Apergy's combined audited financial statements included elsewhere in this information statement. The historical financial data includes costs of Apergy's businesses, which include the allocation of certain corporate expenses from Dover. Apergy believes these allocations were made on a reasonable basis. The selected financial information may not be indicative of Apergy's future performance as an independent company. It should be read in conjunction with the discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations," the unaudited pro forma combined financial statements and corresponding notes, the combined audited combined financial statements and corresponding notes included elsewhere in this information statement.

| (Dollars in thousands)  | Historical                      |                                 |
|---|---------------------------------|---------------------------------|
|   | Year Ended<br>December 31, 2016 | Year Ended<br>December 31, 2015 |
| <b>Statements of Earnings Data:</b>                                     |                                 |                                 |
| <b>Revenue</b>  | \$ 751,337                      | \$ 1,076,680                    |
| Cost of goods and services  | 510,842                         | 693,702                         |
| <b>Gross profit</b>   | 240,495                         | 382,978                         |
| Selling, general and administrative expenses                            | 250,576                         | 294,062                         |
| <b>Operating (loss) earnings</b>  | (10,081)                        | 88,916                          |
| Other expense, net  | 8,753                           | 11,651                          |
| <b>(Loss) earnings before (benefit from) provision for income taxes</b> | (18,834)                        | 77,265                          |
| (Benefit from) provision for income taxes                               | (8,043)                         | 24,131                          |
| <b>Net (loss) earnings</b>  | (10,791)                        | 53,134                          |
| Less: Net earnings attributable to noncontrolling interest              | 1,851                           | 1,436                           |
| <b>Net (loss) earnings attributable to Company</b>                      | \$ (12,642)                     | \$ 51,698                       |
| <b>Balance Sheet Data (at period end):</b>                              |                                 |                                 |
| Cash and cash equivalents   | \$ 26,027                       | \$ 10,417                       |
| Property, plant and equipment, net                                      | 201,747                         | 232,886                         |
| Total assets  | 1,850,895                       | 1,983,379                       |
| Total current liabilities   | 112,694                         | 127,954                         |
| Total Parent Company equity   | 1,546,322                       | 1,639,865                       |
| Total equity  | 1,551,353                       | 1,644,993                       |
| <b>Statements of Cash Flows Data:</b>                                   |                                 |                                 |
| Net cash provided by operating activities                               | \$ 128,580                      | \$ 207,903                      |
| Net cash used in investing activities                                   | (26,899)                        | (26,333)                        |
| Net cash used in financing activities                                   | (85,981)                        | (194,977)                       |

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**UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

The unaudited pro forma combined financial statements of Apergy consist of an unaudited pro forma combined statement of earnings for the fiscal year ended December 31, 2016, and an unaudited pro forma combined balance sheet as of December 31, 2016. The unaudited pro forma combined financial statements reported below should be read in conjunction with Apergy's "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the historical combined financial statements and the corresponding notes included elsewhere in this information statement.

The following unaudited pro forma combined financial statements are subject to assumptions and adjustments described in the accompanying notes. Apergy's management believes these assumptions and adjustments are reasonable under the circumstances and given the information available at this time. The unaudited pro forma combined financial statements do not purport to represent what Apergy's financial position and results of operations actually would have been had the separation and distribution occurred on the dates indicated, or to project Apergy's financial performance for any future period.

The pro forma balance sheet adjustments assume that Apergy's separation from Dover occurred as of December 31, 2016. The pro forma adjustments to the unaudited pro forma combined statements of earnings assume that the separation occurred as of January 1, 2016.

The unaudited pro forma combined financial statements give effect to the following:

- the contribution by Dover to Apergy, pursuant to the separation and distribution agreement, of all the assets and liabilities that comprise the Apergy business;
- the incurrence of \$        million in new debt at an annual interest rate of approximately    %;
- the reclassification of Dover's remaining net investment in Apergy to additional paid-in capital;
- the impact of the separation and distribution agreement, tax matters agreement, employee matters agreement and transition services agreement and the provisions contained therein;
- the distribution of approximately        million shares of Apergy's common stock at a par value of \$0.01 per share; and
- the assumption by Apergy of certain benefit plan net liabilities.

Apergy's historical combined financial statements include expense allocations for certain support functions that are provided on a centralized basis within Dover, which include corporate executive management, human resources, information technology, facilities, tax, shared services, finance and legal services. Upon completion of the separation, pursuant to agreements with Dover, Apergy expects that Dover will continue to provide it with some of the services related to these functions on a transitional basis in exchange for agreed-upon fees, and Apergy expects to incur other costs to replace the services and resources that will not be provided by Dover. Apergy will also incur additional costs related to being a stand-alone public company. As a stand-alone public company, Apergy's total costs related to such support functions may differ from the costs that were historically allocated to it from Dover. Apergy estimates that these costs may exceed the allocated amount for full year 2016 of \$19.5 million by a range of approximately \$        million to \$        million in 2017. Apergy has not adjusted the accompanying unaudited pro forma combined statement of earnings for any of these estimated costs as they are projected amounts based on estimates and, therefore, are not factually supportable.

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Additionally, in connection with the spin-off, Apergy expects to incur and pay non-recurring transaction, transition, financing and related costs. The accompanying unaudited pro forma combined statement of earnings has not been adjusted for these estimated expenses as they are not expected to have an ongoing impact on Apergy's operating results. Due to the scope and complexity of these activities, the amount of these costs could increase or decrease and the timing of when they are incurred could change.

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**APERGY CORPORATION**  
**UNAUDITED PRO FORMA COMBINED STATEMENT OF EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(dollars and shares in thousands, except per share amounts)**

|  | <u>Historical</u>  | <u>Pro Forma Adjustments</u> | <u>Pro Forma</u> |
|--|--------------------|------------------------------|------------------|
| <b>Revenue</b>   | \$751,337          | \$                           | \$               |
| Cost of goods and services   | 510,842            | —                            | —                |
| <b>Gross profit</b>  | 240,495            | —                            | —                |
| Selling and administrative expenses                                    | 250,576            | —                            | —                |
| <b>Operating loss</b>  | (10,081)           | —                            | —                |
| Other expense, net   | 8,753              | (A)                          | —                |
| <b>Loss before benefit from income taxes</b>                           | (18,834)           | —                            | —                |
| Benefit from income taxes  | (8,043)            | (B)                          | —                |
| <b>Net loss</b>  | (10,791)           | —                            | —                |
| Less: Net earnings attributable to noncontrolling interest             | 1,851              | —                            | —                |
| <b>Net loss attributable to Company</b>                                | <u>\$ (12,642)</u> | <u>\$</u>                    | <u>\$</u>        |
| <b>Unaudited Pro Forma Earnings Per Share</b>                          |                    |                              |                  |
| Basic  |                    | (C)                          | —                |
| Diluted  |                    | (D)                          | —                |
| <b>Average Number of Shares Used in Calculating Earnings Per Share</b> |                    |                              |                  |
| Basic  |                    | (C)                          | —                |
| Diluted  |                    | (D)                          | —                |

See Notes to Unaudited Pro Forma Combined Financial Statements

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**APERGY CORPORATION**  
**UNAUDITED PRO FORMA COMBINED BALANCE SHEET**  
**AS OF DECEMBER 31, 2016**  
**(In thousands)**

|  | <u>Historical</u>  | <u>Pro Forma Adjustments</u> | <u>Pro Forma</u> |
|--|--------------------|------------------------------|------------------|
| <b>Current assets:</b>                     |                    |                              |                  |
| Cash and cash equivalents                  | \$ 26,027          | \$ (E)                       | \$               |
| Receivables, net of allowances of \$5,634  | 139,485            |                              |                  |
| Inventories                                | 184,558            |                              |                  |
| Prepaid and other current assets           | 6,251              |                              |                  |
| Total current assets                       | <u>356,321</u>     |                              |                  |
| <b>Property, plant and equipment, net</b>  | 201,747            |                              |                  |
| <b>Goodwill</b>                            | 902,579            |                              |                  |
| <b>Intangible assets, net</b>              | 386,817            |                              |                  |
| <b>Other assets and deferred charges</b>   | 3,431              |                              |                  |
| <b>Total assets</b>                        | <u>\$1,850,895</u> | <u>\$</u>                    | <u>\$</u>        |
| <b>Current liabilities:</b>                |                    |                              |                  |
| Accounts payable                           | \$ 66,280          | \$                           | \$               |
| Accrued compensation and employee benefits | 24,788             | (F)                          |                  |
| Short-term debt                            | —                  | (E)                          |                  |
| Other accrued expenses                     | 21,626             |                              |                  |
| Total current liabilities                  | <u>112,694</u>     |                              |                  |
| <b>Long-term debt</b>                      | —                  | (E)                          |                  |
| <b>Deferred income taxes</b>               |                    |                              | (F)              |
|  | 167,565            |                              | (G)              |
| <b>Other liabilities</b>                   |                    |                              | (F)              |
|  | 19,283             |                              | (G)              |
| <b>Equity</b>                              |                    |                              |                  |
| Common stock                               | —                  |                              |                  |
| Additional paid-in capital                 | —                  |                              |                  |
| Parent Company investment in Apergy        |                    |                              | (F)              |
|  | 1,579,951          |                              | (G)              |
| Accumulated other comprehensive loss       |                    |                              | (F)              |
|  | (33,629)           |                              | (G)              |
| Total Parent Company Equity                | 1,546,322          |                              |                  |
| Noncontrolling interest                    | 5,031              |                              |                  |
| Total equity                               | <u>1,551,353</u>   |                              |                  |
| <b>Total liabilities and equity</b>        | <u>\$1,850,895</u> | <u>\$</u>                    | <u>\$</u>        |

See Notes to Unaudited Pro Forma Combined Financial Statements

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**APERGY CORPORATION**  
**NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**  
**(Amount in thousands, except where otherwise indicated)**

- A. The pro forma adjustment to Other expense, net gives effect to the incurrence of \$                    million of new indebtedness in connection with the separation, as well as the amortization of debt issuance costs and initial fees. Pro forma interest expense was calculated based on an assumed annual, blended rate of    % before debt costs and fees. A 1/8% change to the annual interest rate would change interest expense by approximately \$                    million on an annual basis. Debt costs and initial fees assumed will be amortized over the terms of the associated debt, which is                    years. Actual interest expense and terms of debt may differ than the pro forma adjustments depending on fluctuations in interest rates or other variables.
- B. Reflects the tax effects of the pro forma adjustments at the applicable statutory income tax rates.
- C. The number of Apergy shares used to compute basic earnings per share is based on the number of shares of Apergy's common stock assumed to be outstanding on the distribution date, based on the number of shares of Dover's common stock outstanding on December 31, 2016, assuming a distribution ratio of one share of Apergy's common stock for every                    shares of Dover's common stock outstanding.
- D. The number of shares used to compute diluted earnings per share is based on the number of basic shares of Apergy's common stock as described in Note C above, plus incremental shares assuming exercise of dilutive outstanding options and restricted stock awards. This calculation may not be indicative of the dilutive effect that will actually result from Apergy's stock-based awards issued in connection with the adjustment of outstanding Dover stock-based awards or the grant of new stock-based awards. The number of dilutive shares of common stock underlying Apergy's stock-based awards issued in connection with the adjustment of outstanding Dover stock-based awards will not be determined until the distribution date or shortly thereafter.
- E. Reflects the incurrence of approximately \$                    in new indebtedness, net of debt issuance costs of \$                    as described in Note (A) and the payment of a cash distribution to Dover in the amount of \$                    .
- F. Reflects the addition of net benefit plan liabilities that are accounted for as multi-employer plans that will be transferred to Apergy by Dover as part of the completion of Apergy's separation from Dover. These net benefit plan liabilities are excluded from the historical combined balance sheet. The benefit plan expenses associated with these liabilities are included in Apergy's historical combined statements of earnings.
- G. Reflects the addition of liabilities related to certain management employees for a deferred compensation plan and a non-qualified supplemental retirement plan, accounted for as multi-employer plans. The benefit obligations attributed to Apergy employees upon spin-off for these plans will be reflected in Apergy's combined balance sheet as of the distribution date. The benefit plan expenses associated with the plans are recorded in Apergy's historical combined statements of earnings.



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## **MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) presented below refers to and should be read in conjunction with the audited Combined Financial Statements and related notes and the unaudited pro forma combined financial statements and related notes, each included elsewhere in this information statement. The following discussion contains forward-looking statements. The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this information statement, particularly in “Risk Factors” and “Cautionary Statement Concerning Forward-Looking Statements.” Apergy believes the assumptions underlying the Combined Financial Statements are reasonable. However, the Combined Financial Statements included herein may not necessarily reflect Apergy’s results of operations, financial position and cash flows in the future or what they would have been had Apergy been a separate, stand-alone company during the periods presented.

Unless otherwise indicated or context otherwise requires, all references in this information statement to “Apergy Corporation,” “Apergy,” “we,” “us,” “our” and “our company” refer (i) prior to the consummation of the reorganization described herein, to the Apergy businesses, consisting of operations, assets and liabilities comprising a substantial portion of Dover’s upstream energy businesses within its Energy segment and reflected in the combined financial statements included herein; and (ii) after the reorganization, to Apergy Corporation and its consolidated subsidiaries. References in this information statement to “Dover” or “parent” refer to Dover and its consolidated subsidiaries (excluding Apergy), unless the context otherwise requires.

### **OVERVIEW AND OUTLOOK**

Apergy is a leading provider of highly engineered technologies that help companies drill for and produce oil and gas efficiently and safely around the world. Our products include a full range of equipment and technologies that enable efficient drilling and safe and efficient production throughout the lifecycle of a well. Our principal products consist of artificial lift equipment and solutions, including electric submersible pump systems (“ESP”), rod pumping systems (“Rod Lift”), gas lift systems, progressive cavity pump systems (“PCP”) and plunger lift systems, as well as polycrystalline diamond cutters (“PDCs”) for drilling. We also provide a comprehensive automation offering consisting of equipment, software and Industrial Internet (“IIoT”) solutions for downhole monitoring, wellsite productivity enhancement and asset integrity management. Our expansive automation offering includes quartz pressure transducers and hybrid electronics, artificial lift controllers and optimization software, monitoring and predictive diagnostic instruments, and software for reciprocating machinery. Our products and technologies enhance our customers’ drilling and production economics.

Apergy’s products are used by a broad spectrum of customers in the global oil and gas industry, including national oil and gas companies, large integrated and independent oil and gas companies, all of the major oilfield equipment and services providers, and pipeline companies. We compete across major oil and gas markets globally with a particular strength in the North American onshore market. Our products are particularly well suited for unconventional/shale oil and gas markets. While our products are used in both the oil and gas markets, over 75% of our revenues come from oil markets.

Our business is organized into two reportable segments:

- **Production & Automation Technologies.** Our Production & Automation Technologies segment generated revenues of \$638.0 million in 2016, representing 85% of our total 2016 revenues. Production & Automation Technologies facilitates the efficient, safe and cost effective extraction of oil

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and gas. We design, manufacture, market and service a full range of artificial lift equipment, end-to-end automation solutions, as well as other production equipment. A portion of Production & Automation Technologies revenue is derived from activity-based consumable products, as customers routinely replace items such as sucker rods, plunger lifts and pump parts. We believe that the combination of our artificial lift equipment and our proprietary automation solutions help oil and gas operators lower production costs and optimize well efficiency by enabling them to monitor, predict and optimize performance. Our products are sold under a collection of premier brands, which we believe are recognized by customers as leaders in their market spaces, including Harbison-Fischer, Norris, Alberta Oil Tool, Oil Lift Technology, PCS Ferguson, Pro-Rod, Upco, Accelerated, Norriseal-Wellmark, Quartzdyne, Spirit, Theta, Timberline and Windrock.

- **Drilling Technologies.** Our Drilling Technologies segment generated revenues of \$113.3 million in 2016, representing 15% of our total 2016 revenues. In operation for over 30 years, Drilling Technologies provides highly specialized products used in drilling oil and gas wells. We design, manufacture and market PDCs for use in oil and gas drill bits under the US Synthetic brand. Our proprietary PDCs are based on years of innovation and intellectual property development in material science applications including the production of highly stable synthetic diamonds, known as “polycrystalline diamonds.” US Synthetic has historically filed new patents at a rate of over 50 patents per year and has previously received the prestigious Shingo Prize for operational excellence. We believe our highly engineered PDCs are distinguished by their quality, rate of penetration and longevity. PDCs are a relatively small cost to the oil and gas operator in the context of overall drilling costs, but are critical to successful drilling. As a result, we believe our customers value the quality and performance of US Synthetic PDCs over less expensive alternatives because a lower quality PDC can cause unnecessary and expensive drilling delays. Over 95% of our PDCs are custom designed to meet unique customer requirements and are finished to exact customer specification to ensure optimal performance. PDCs are utilized in both vertical and horizontal drilling and need to be replaced as they wear out during the drilling process.

### **Spin-off**

On December 7, 2017, Dover announced its intention to spin-off a substantial portion of Dover’s upstream energy businesses within its Energy segment into a stand-alone, publicly traded company known as Apergy.

The spin-off will be in the form of a distribution of 100% of the shares of common stock of Apergy, which will become an independent, publicly-traded company. The distribution is intended to be tax-free to Apergy, Dover, and its U.S. stockholders. Dover currently expects that the distribution will be completed in . Completion of the transaction is subject to certain conditions, including that (A) Dover will have received either (i) the IRS Ruling together with an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code, and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code or (ii) an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code, (B) Dover will have received final approval of Dover’s Board of Directors, (C) the NYSE will have approved the listing of Apergy’s common stock, subject to official notice of issuance and (D) that the SEC will have declared effective the registration statement of which this information statement forms a part, and that no stop order relating to such registration statement will be in effect. For a complete discussion of all of the conditions to the distribution, see the section entitled “The Separation and Distribution—Conditions to the Distribution.”

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Upon completion of the spin-off, we will enter into agreements with Dover, including a transition services agreement, that have either not existed historically, or that may be on different terms than the terms of the arrangement or agreements that existed prior to the spin-off. The Combined Financial Statements do not reflect the effect of these new or revised agreements, and our historical expenses, including Selling, general and administrative expenses, may not be reflective of our consolidated results of operations, financial position and cash flows had we been a stand-alone company during the periods discussed in “—Combined Results of Operations.” For a more detailed description of the spin-off, see “The Spin-Off.”

**Market Conditions**

Our business provides a broad range of technologies and products for the oil and gas drilling and production industry and, as a result, is substantially dependent upon activity levels in the oil and gas industry. Demand for our products is impacted by overall global demand for oil and gas, ongoing depletion rates of existing wells which produce oil and gas, and our customers’ willingness to invest in the development and production of oil and gas resources. Our customers determine their operating and capital budgets primarily based on their current and projected crude oil and natural gas prices, U.S. and worldwide rig count and U.S. well completions. Crude oil and natural gas prices are impacted by geopolitical, macroeconomic and local events and have historically been subject to substantial volatility. Projected higher oil and gas prices typically translate into higher exploration and production budgets, and vice versa. Indicators, such as rig count and capital spending, have often been used as a proxy for the level of drilling activity in the oil and gas sector.

Beginning in the second half of 2014 and continuing through 2016, crude oil and natural gas prices experienced a steep decline due to high levels of global oil and gas production. The average price of West Texas Intermediate crude oil (WTI) decreased from a high of \$103.35 per barrel in the second quarter of 2014 to a low of \$33.35 in the first quarter of 2016. During the same period, the average price of Brent crude oil decreased from a high of \$109.70 per barrel to \$33.70 per barrel. The decline in crude oil and natural gas prices during this period in turn caused a decrease in our customers’ capital spending as they reduced drilling activity, postponed the completion of previously drilled wells and delayed some of the maintenance spending on producing wells. As a result, the average U.S. rig count decreased from a peak of 1,912 in the fourth quarter of 2014 to a trough of 422 in the second quarter of 2016, while the international rig count decreased from a peak of 1,348 in the third quarter of 2014 to a trough of 925 in the fourth quarter of 2016. This reduction in our customers’ spending had an adverse impact on our financial results during this period.

In response to these unprecedented market conditions, we pursued a comprehensive contingency plan that aimed at managing short-term financial performance and preserving long-term competitive advantage. As part of this plan, we identified and preserved the core capabilities that will position us well for the recovery. We implemented aggressive restructuring actions aimed at facility and cost structure rationalization, including headcount reductions. Enterprise wide working capital reduction efforts were deployed specifically targeting inventory reductions and increases in supplier payment terms. Additionally, our global sourcing teams secured incremental material savings to lower product costs, while our operations teams drove incremental productivity gains within our factories. In parallel, we worked diligently to preserve key technology investments and customer relationships, as well as retention of key talent during this period. As a result of our efforts, we continued to generate positive cash from operating activities, and positive adjusted free cash flow (non-GAAP measure). Refer to “—Financial Condition—Liquidity and Capital Resources—Adjusted Free Cash Flow” for further details on this non-GAAP measure.

As oil prices have begun to stabilize in 2017, we have seen an increase in our customers’ spending and activity levels. While the North American market recovery began in the latter half of 2016 and continued through 2017, international markets remained under pressure through the beginning of 2017 and have now begun to

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recover. The price of WTI has averaged \$49.30 per barrel during the nine months ended September 30, 2017 compared with \$43.29 for the year ended December 31, 2016. The price of Brent crude oil has similarly averaged \$51.82 per barrel through September 30, 2017, compared with \$43.55 for the year ended December 31, 2016. Similarly, U.S. rig counts have recovered to 946 and international rig counts to 947 as of September 30, 2017.

Although there remains a risk that oil prices and activity levels could deteriorate from current levels, we believe that the outlook for our businesses over the long-term is favorable. Increasing global demand for oil & gas as well as continued depletion of existing reservoirs will drive continued investment in the drilling and completion of new wells. In addition, productivity and efficiency are becoming increasingly important in the oil and gas industry as operators focus on improving per-well economics, driven by a flattening of the WTI forward price curve, and the North American onshore oil and gas industry moving from an exploration phase into a more mature production phase.

The table below summarizes oil and gas prices, rig counts, and well completions over the last three years.

|   | 2017    |         |         |         | 2016    |         |         |         |         | 2015    |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   | Q1      | Q2      | Q3      | YTD     | Q1      | Q2      | Q3      | Q4      | FY      | Q1      | Q2      | Q3      | Q4      | FY      |
| Average Price WTI Crude (per bbl) (a)               | \$51.62 | \$48.10 | \$48.18 | \$49.30 | \$33.35 | \$45.46 | \$44.85 | \$49.14 | \$43.29 | \$48.49 | \$57.85 | \$46.49 | \$41.94 | \$48.66 |
| Average Price Brent Crude (per bbl) (a)             | \$53.68 | \$49.67 | \$52.11 | \$51.82 | \$33.70 | \$45.52 | \$45.79 | \$49.18 | \$43.55 | \$53.92 | \$61.69 | \$50.23 | \$43.57 | \$52.35 |
| Average Price Henry Hub Natural Gas (per mmBtu) (a) | \$ 3.01 | \$ 3.08 | \$ 2.95 | \$ 3.01 | \$ 2.00 | \$ 2.14 | \$ 2.88 | \$ 3.04 | \$ 2.52 | \$ 2.90 | \$ 2.75 | \$ 2.76 | \$ 2.12 | \$ 2.63 |
| U.S. Rig Count (b)                                  | 742     | 895     | 946     | 861     | 551     | 422     | 479     | 589     | 509     | 1,403   | 907     | 866     | 753     | 978     |
| Canada Rig Count (b)                                | 295     | 117     | 208     | 207     | 173     | 48      | 121     | 181     | 130     | 313     | 98      | 190     | 168     | 192     |
| International Rig Count (b)                         | 939     | 958     | 947     | 948     | 1,016   | 943     | 936     | 925     | 955     | 1,261   | 1,169   | 1,132   | 1,105   | 1,167   |
| Worldwide Rig Count                                 | 1,976   | 1,970   | 2,101   | 2,016   | 1,740   | 1,413   | 1,536   | 1,695   | 1,594   | 2,977   | 2,174   | 2,188   | 2,026   | 2,337   |
| U.S. Well Completions (a) (Quarter Average)         | 760     | 899     | 1,009   | 889     | 650     | 613     | 685     | 718     | 666     | 1,404   | 1,084   | 1,029   | 825     | 1,086   |

(a) Source: U.S. Energy Information Administration (EIA).

(b) Source: Baker Hughes Rig Count.

**Components of our Results of Operations**

**Revenues**—Our Revenues are generated substantially from product sales, which approximated over 90% of our 2016 and 2015 revenues. The remaining revenue is derived from services and leases, which represented less than 7% and 3%, respectively, in both years. Product revenues are derived from the sale of drilling and production equipment. Service revenues are earned as we provide technical advisory assistance and field services related to our products. Lease revenue is derived from rental income of leased production equipment. Most of our operations are in the United States with approximately 74% and 75% of our sales derived domestically in 2016 and 2015, respectively. International operations are spread across Canada, Europe, Australia, the Middle East and South America. Foreign sales approximated 26% and 25% of our total revenues in 2016 and 2015, respectively.

**Cost of goods and services**—The principal elements of Cost of goods and services are labor, raw materials and manufacturing overhead. Cost of goods and services as a percentage of revenues is influenced by the product mix sold in any particular period, the over or under absorption of manufacturing overhead and market conditions. Our costs related to our foreign operations do not significantly differ from our domestic costs.

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**Selling, general and administrative expenses**—Selling, general and administrative expenses include the costs associated with sales and marketing, general corporate overhead, business development expenses, compensation expense, stock-based compensation expense, legal expenses and expenses from other related administrative functions. Selling, general and administrative expenses also include allocations of costs that were incurred by Dover for functions such as corporate executive management, human resources, information technology, facilities, tax, shared services, finance and legal, including the costs of salaries, benefits and other related costs. These expenses have been allocated to Apergy based on direct usage or benefit where identifiable, with the remainder allocated on the basis of revenues, headcount, or other measures.

**Other expense, net**—Other expense, net primarily includes royalty expense and foreign currency gains and losses. Royalty expense is payable to Dover for our use of patents and intangible assets owned by Dover. The royalty is charged based upon Apergy revenues. Patents and intangibles owned by Dover related to Apergy will transfer to Apergy upon separation. Upon separation, no further royalty charges are expected to be incurred by Apergy from Dover. Foreign currency gains and losses includes re-measurement and settlement of foreign currency denominated balances and foreign currency hedging activities.

**(Benefit from) provision for income taxes**—We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining the provision for income taxes and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws. In our historical Combined Financial Statements, (Benefit from) provision for income taxes and Deferred income tax balances have been calculated on a stand-alone basis, although our operations have historically been included in the tax returns filed by Dover. In the future, as a stand-alone entity, we will file tax returns on our own behalf and our deferred taxes and effective tax rate may differ from those in historical periods. Our overall effective income tax rate can be lower or higher than the statutory rate depending on foreign operations tax effect, research and experimentation tax credits, domestic manufacturing deductions and foreign tax credits.

**Key Performance Indicators and Other Performance Measures**

Throughout this MD&A, we refer to measures used by management to evaluate performance, including a number of financial and operational measures. Additionally, we evaluate performance using financial measures that are not defined under accounting principles generally accepted in the United States of America (“GAAP”). Please see “Non-GAAP Disclosures” at the end of this MD&A section for further detail on these financial measures. We believe these measures provide investors with important information that is useful in understanding our business results and trends. Reconciliations within this MD&A provide more details on the use and derivation of these measures.

**Bookings and book-to-bill ratio**—Bookings represent the dollar value of customer orders for a particular period. The book-to-bill ratio is used as an indicator of demand versus current period revenue, and it compares the total amount of orders received relative to revenues for the corresponding period. A ratio above 1.0 implies that more orders were received than filled, indicating strong customer demand, while a ratio below 1.0 implies weaker customer demand. We believe that both of these operational measures provide us and our investors an indication of our performance and outlook.

**Organic revenue growth**—Organic revenue growth represents the increase in revenue based on an increase in output, customer base expansion, or new product development, as opposed to mergers and acquisitions, which is inorganic growth. Organic revenue growth also excludes changes in revenue driven by foreign currency fluctuations. We use this non-GAAP measure in order to monitor and evaluate our comparable revenue performance and trends across periods.

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**Adjusted free cash flow**—Adjusted free cash flow is a non-GAAP measure, which represents net cash provided by operating activities minus capital expenditures as set forth in the Combined Statements of Cash Flows plus the change in income taxes payable computed under the stand-alone return basis, which is classified within Parent Company investment in Apergy and included in financing activities in the Combined Statements of Cash Flows. We believe that adjusted free cash flow is an important measure of liquidity because it provides management and investors a measurement of cash generated from operations that is available for mandatory payment obligations and investment opportunities, such as funding acquisitions, paying dividends, repaying debt and repurchasing our common stock. The change in income taxes payable classified within financing activities is included in the adjusted free cash flow calculation to be more representative of the tax cash flows for a stand-alone company. Actual stand-alone tax cash flows may differ from those in historical periods.

**Adjusted working capital**—Adjusted working capital is a non-GAAP measure calculated as accounts receivable, plus inventory, less accounts payable. We believe adjusted working capital provides a meaningful measure of our operational results by showing changes caused by revenue or operational initiatives.

**Adjusted segment EBITDA and adjusted segment EBITDA margins**—Adjusted segment EBITDA and adjusted segment EBITDA margin, are non-GAAP measures and do not purport to be alternatives to operating income or segment earnings as a measure of operating performance. We believe that these measures are useful to investors and other users of our financial information in evaluating ongoing operating profitability as they exclude depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years, as well as restructuring expenses related primarily to exit costs and employee termination benefits. These measures are also useful in evaluating operating performance in relation to our peers.

**COMBINED RESULTS OF OPERATIONS**

| <i>(dollars in thousands)</i>   | <b>Years Ended December 31,</b> |             | <b>% / Point</b>     |
|---|---------------------------------|-------------|----------------------|
|   | <b>2016</b>                     | <b>2015</b> | <b>Change</b>        |
|   |                                 |             | <b>2016 vs. 2015</b> |
| Revenue   | \$751,337                       | \$1,076,680 | (30.2)%              |
| Cost of goods and services  | 510,842                         | 693,702     | (26.4)%              |
| Gross profit  | 240,495                         | 382,978     | (37.2)%              |
| <i>Gross profit margin</i>  | 32.0%                           | 35.6%       | (3.6)                |
| Selling, general and administrative expenses                                | 250,576                         | 294,062     | (14.8)%              |
| <i>Selling, general and administrative expenses as a percent of revenue</i> | 33.4%                           | 27.3%       | 6.1                  |
| Other expense, net  | 8,753                           | 11,651      | (24.9)%              |
| (Benefit from) provision for income taxes                                   | (8,043)                         | 24,131      | (133.3)%             |
| <i>Effective tax rate</i>   | 42.7%                           | 31.2%       | 11.5                 |
| Net (loss) earnings   | (10,791)                        | 53,134      | (120.3)%             |
| Less: Net earnings attributable to noncontrolling interest                  | 1,851                           | 1,436       | 28.9%                |
| Net (loss) earnings attributable to Company                                 | \$ (12,642)                     | \$ 51,698   | (124.5)%             |

**Revenue**

For the year ended December 31, 2016, Revenue decreased \$325.3 million, or 30.2% to \$751.3 million compared with 2015, composed of an organic revenue decline of 30.1% and an unfavorable impact from foreign

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currency translation of 0.1%. This result was driven by significant declines in market fundamentals, especially with regard to U.S. rig count and end-customer capital spending. These reductions broadly impacted our segments. Customer pricing unfavorably impacted revenue by approximately 1.9% in 2016.

For the year ended December 31, 2016, U.S. revenue declined 30.8% compared with 2015, primarily as a result of a U.S. rig count decline of 48.0%, from 978 rigs in 2015 to 509 rigs in 2016. Non U.S. revenue declined 28.4% for the year ended December 31, 2016 compared with 2015 largely due to the decline in oil and gas prices leading to decreased exploration and production activities outside of the United States.

***Gross Profit***

For the year ended December 31, 2016, our Gross profit decreased \$142.5 million, or 37.2% to \$240.5 million compared with 2015, primarily due to the significant decline in organic sales volumes related to the decline in the oil and gas market. This decline was partially offset by supply chain cost containment initiatives, cost savings realized from restructuring programs, net of costs, and a decrease in depreciation and amortization costs of \$3.7 million. Gross profit margin declined 360 basis points primarily due to significant decline in sales volume combined with pricing weakness.

***Selling, General and Administrative Expenses***

For the year ended December 31, 2016, Selling, general and administrative expenses decreased \$43.5 million, or 14.8% to \$250.6 million compared with 2015 reflecting the impact of cost savings realized from restructuring programs and reduced discretionary spending, as well as a decrease in restructuring charges of \$6.4 million and depreciation and amortization costs of \$4.3 million. As a percentage of revenue, selling, general and administrative expenses increased 610 basis points in 2016 to 33.4%, as we were unable to reduce costs as rapidly as sales were declining due to overall market weakness.

***Other Expense, Net***

For the years ended December 31, 2016 and 2015, Other expense, net of \$8.8 million and \$11.7 million, respectively, included royalty expenses paid to Dover of \$7.4 million and \$10.4 million, respectively, for the use of patents and intangible assets owned by Dover. Patents and intangibles owned by Dover related to Apergy will transfer to Apergy upon separation. Upon separation, no further royalty charges are expected to be incurred by Apergy from Dover. Other expense, net also included \$0.7 million of net foreign exchange losses for both 2016 and 2015 resulting from the re-measurement and settlement of foreign currency denominated balances including gains and losses on hedging activities.

***Income Taxes***

The effective tax rates for the years ended December 31, 2016 and 2015 were 42.7% and 31.2%, respectively. The 2016 tax rate increased from 2015 primarily due to the impact of foreign operations and domestic manufacturing deductions. See Note 10—Income Taxes in the Combined Financial Statements included elsewhere in this information statement for additional details.

***Net Earnings Attributable to Noncontrolling Interest***

For the year ended December 31, 2016, earnings attributable to noncontrolling interest increased \$0.4 million or 28.9% compared to prior year. This noncontrolling interest represents 40% of the net earnings attributable to an outside investor in a subsidiary company Norris Production Solutions Middle East LLC where

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we are the majority owner at 60% and have the controlling financial interest. Total earnings of this subsidiary increased due to an increase in revenues, as Norris Production Solutions Middle East LLC was not affected by the decline in oil prices in 2016 as a result of contractual pricing for some large customers.

***Net (Loss) Earnings Attributable to Company***

For the year ended December 31, 2016, net (loss) earnings attributable to the Company decreased \$64.3 million, or 124.5%, to a \$12.6 million net loss, compared with earnings of \$51.7 million, for the year ended December 31, 2015. This decrease is primarily driven by significantly lower volume attributable to deteriorating oil and gas related market conditions, partially offset by savings from restructuring actions of approximately \$60 million and decreases in restructuring charges of \$6.1 million and depreciation and amortization of \$7.9 million.

***Restructuring Activities***

The restructuring charges of \$15.2 million incurred in 2016 relate to restructuring programs designed to better align our operations with prevailing conditions through targeted facility consolidations, headcount reductions and other activities to further optimize operations.

The \$15.2 million of restructuring charges incurred during 2016 included the following programs:

- The Production & Automation Technologies segment incurred restructuring charges of \$12.8 million related to various programs across the segment focused on workforce reductions and targeted facility consolidations. These programs were initiated to better align the cost base with the significantly lower demand environment.
- The Drilling Technologies segment recorded \$2.4 million of restructuring charges relating to headcount reductions across various businesses to better align the cost base with the significantly lower demand environment.

In 2015, we incurred restructuring charges totaling \$21.2 million relating to targeted facility consolidations at certain businesses, headcount reductions and other actions taken to optimize our cost structure. See Note 8—Restructuring Activities in the Combined Financial Statements included elsewhere in this information statement for additional details regarding our recent restructuring activities.

The cost savings realized as a result of restructuring programs and other cost management actions previously initiated were approximately \$60 million and \$45 million during 2016 and 2015, respectively. The carryover benefits into 2017 related to 2016 restructuring actions are estimated to exceed \$17 million. The cost savings associated with these actions are reflected in Cost of goods and services and Selling, general and administrative expense in the Combined Statements of Earnings.

**SEGMENT RESULTS OF OPERATIONS**

Historically, Apergy was part of the Dover Energy operating segment. As Apergy is transitioning into a stand-alone company, Apergy's Chief Executive Officer, its Chief Operating Decision Maker ("CODM"), evaluated how to view and measure its business performance. Based upon such evaluation, and effective during the fourth quarter of 2017, Apergy determined it is organized into two operating segments, which are also its reportable segments based on how the CODM analyzes performance, allocates capital and makes strategic and operational decisions. The CODM allocates resources to and evaluates the financial performance of each operating segment primarily based on revenues and segment earnings. The 2016 and 2015 segment results have been presented in accordance with this new structure.



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The summary that follows provides a discussion of the results of operations of both reportable segments: Production & Automation Technologies and Drilling Technologies. See Note 15—Segment Information in the Combined Financial Statements for the years ended December 31, 2016 and 2015 included elsewhere in this information statement for a reconciliation of segment revenue and segment earnings to our combined results.

Adjusted segment EBITDA and adjusted segment EBITDA margin, which are presented in the segment discussion that follows, are non-GAAP measures and do not purport to be alternatives to operating income or segment earnings as measures of operating performance. We believe that these measures are useful to investors and other users of our financial information in evaluating ongoing operating profitability as they exclude the depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years and restructuring expense related primarily to exit costs and employee termination benefits. These measures are also useful in evaluating operating performance in relation to our peers. Adjusted segment EBITDA is calculated by adding back depreciation and amortization expense and restructuring charges to segment earnings, which is the most directly comparable GAAP measure and included in the tables below. Adjusted segment EBITDA margin is calculated as adjusted segment EBITDA divided by segment revenue. We do not present segment net income because corporate expenses are not allocated at a segment level. For further information, see “Non-GAAP Disclosures” at the end of MD&A.

**Production & Automation Technologies**

| <i>(dollars in thousands)</i>         | <u>Years Ended December 31,</u> |             | <u>% Change</u>      |
|---------------------------------------|---------------------------------|-------------|----------------------|
|                                       | <u>2016</u>                     | <u>2015</u> | <u>2016 vs. 2015</u> |
| Revenue                               | \$638,017                       | \$ 912,383  | (30.1)%              |
| Segment (loss) earnings               | (12,942)                        | 66,839      | (119.4)%             |
| Depreciation and amortization (1)     | \$ 99,607                       | \$ 103,612  | (3.9)%               |
| Restructuring charges (2)             | \$ 12,757                       | \$ 18,750   | (32.0)%              |
| Adjusted segment EBITDA               | \$ 99,422                       | \$ 189,201  | (47.5)%              |
| Adjusted segment EBITDA margin        | 15.6%                           | 20.7%       |                      |
| <b>Other measures:</b>                |                                 |             |                      |
| Bookings                              | \$625,149                       | \$ 869,947  | (28.1)%              |
| Book-to-bill                          | 0.98                            | 0.95        | 3.2%                 |
| <b>Components of revenue decline:</b> |                                 |             |                      |
| Organic decline                       |                                 |             | (30.0)%              |
| Foreign currency translation          |                                 |             | (0.1)%               |
| Total revenue decline                 |                                 |             | (30.1)%              |

- (1) Depreciation and amortization expense reported in: 1) Cost of goods and services was \$49.6 million and \$52.1 million for the years ended December 31, 2016 and 2015, respectively; and 2) Selling, general and administrative expenses was \$50.0 million and \$51.5 million for the years ended December 31, 2016 and 2015, respectively. Depreciation and amortization expense includes acquisition-related depreciation and amortization of \$60.0 million and \$63.2 million for the years ended December 31, 2016 and 2015, respectively.
- (2) Restructuring charges reported in: 1) Cost of goods and services was \$7.8 million and \$6.9 million for the years ended December 31, 2016 and 2015, respectively; and 2) Selling, general and administrative expenses was \$5.0 million and \$11.9 million for the years ended December 31, 2016 and 2015, respectively.

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**2016 Versus 2015**

Production & Automation Technologies segment revenue decreased for the year ended December 31, 2016, by \$274.4 million, or 30.1%, compared to the prior year, including an organic decline of 30.0%, and an unfavorable impact from foreign currency translation of 0.1%. This decline in revenue was the result of significantly lower demand from our customers as a result of the dramatic decrease in the price of oil and a decline of active drilling rigs and well completions in the U.S. and abroad due to global supply of oil and gas exceeding demand. Customer pricing unfavorably impacted revenue by approximately 1.9% in 2016.

Production & Automation Technologies segment loss for the year ended December 31, 2016 compared to prior year segment earnings decreased by \$79.8 million or 119.4%, primarily driven by a decline in sales volume due to deteriorating oil and gas markets. The decline was partially offset by the impact of cost savings realized from restructuring programs of approximately \$47 million as well as a reduction in depreciation and amortization expense of \$4.0 million and restructuring charges of \$6.0 million. Adjusted segment EBITDA for the year ended December 31, 2016 decreased by \$89.8 million or 47.5% compared to the prior year, primarily driven by a decline in sales volume due to deteriorating oil and gas markets, partially offset by the impact of cost savings realized from restructuring programs. Adjusted segment EBITDA margins decreased by 510 basis points to 15.6% compared to the prior year driven by significant decline in sales volume combined with weakness in pricing, partially offset by restructuring savings.

Bookings for the year ended December 31, 2016 decreased \$244.8 million, or 28.1%, compared to the prior year, reflecting ongoing market weakness. Segment book-to-bill was 0.98 in 2016, an increase of 3.2% compared to the prior year.

**Drilling Technologies**

| <i>(dollars in thousands)</i>         | <b>Years Ended December 31,</b> |             | <b>% Change</b>      |
|---------------------------------------|---------------------------------|-------------|----------------------|
|                                       | <b>2016</b>                     | <b>2015</b> | <b>2016 vs. 2015</b> |
| Revenue                               | \$ 113,320                      | \$ 164,297  | (31.0)%              |
| Segment earnings                      | 12,946                          | 31,133      | (58.4)%              |
| Depreciation and amortization (1)     | \$ 12,448                       | \$ 16,380   | (24.0)%              |
| Restructuring charges (2)             | \$ 2,405                        | \$ 2,480    | (3.0)%               |
| Adjusted segment EBITDA               | \$ 27,799                       | \$ 49,993   | (44.4)%              |
| Adjusted segment EBITDA margin        | 24.5%                           | 30.4%       |                      |
| <b>Other measures:</b>                |                                 |             |                      |
| Bookings                              | \$ 118,433                      | \$ 160,756  | (26.3)%              |
| Book-to-bill                          | 1.05                            | 0.98        | 7.1%                 |
| <b>Components of revenue decline:</b> |                                 |             |                      |
| Organic decline                       |                                 |             | (31.0)%              |
| Total revenue decline                 |                                 |             | (31.0)%              |

(1) Depreciation and amortization expense reported in: 1) Cost of goods and services was \$11.9 million and \$13.0 million for the years ended December 31, 2016 and 2015, respectively; and 2) Selling, general and administrative expenses was \$0.6 million and \$3.4 million for the years ended December 31, 2016 and 2015, respectively. Depreciation and amortization expense includes acquisition-related depreciation and amortization of \$0.1 million and \$3.0 million for the years ended December 31, 2016 and 2015, respectively.

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- (2) Restructuring charges reported in: 1) Cost of goods and services was \$1.7 million and \$2.2 million for the years ended December 31, 2016 and 2015, respectively; and 2) Selling, general and administrative expenses was \$0.7 million and \$0.3 million for the years ended December 31, 2016 and 2015, respectively.

**2016 Versus 2015**

Drilling Technologies segment revenue for the year ended December 31, 2016 decreased \$51.0 million, or 31.0% compared to the prior year, driven by an organic decline of 31.0%. This decline in revenue was the result of significantly lower demand from our customers as a result of the dramatic decrease in the price of oil and a decline in active drilling rigs in the U.S. and abroad. Customer pricing did not have a significant impact to revenue for the year ended December 31, 2016.

Drilling Technologies segment earnings for the year ended December 31, 2016 decreased \$18.2 million, or 58.4% compared to the prior year primarily driven by declining sales volume. The decline was partially offset by the impact of cost savings realized from restructuring actions of approximately \$13 million as well as a reduction in depreciation and amortization expense of \$3.9 million. Adjusted segment EBITDA for the year ended December 31, 2016 decreased by \$22.2 million or 44.4% compared to the prior year, primarily driven by a decrease in sales volume, partially offset by the impact of cost savings realized from restructuring actions. Adjusted segment EBITDA margins decreased by 590 basis points to 24.5% compared to the prior year driven by a significant decline in sales volume, partially offset by restructuring savings.

Bookings for the year ended December 31 2016, decreased \$42.3 million or 26.3%, compared to the prior year, due to ongoing market weakness. Segment book-to-bill was 1.05 in 2016, an increase of 7.1% compared to the prior year.

**FINANCIAL CONDITION**

Historically, we have generated and expect to continue to generate positive cash flow from operations. In response to the unprecedented market conditions commencing in 2015 and continuing through most of 2016, we pursued a comprehensive contingency plan that aimed at managing short-term financial performance and preserving long-term competitive advantage. As part of this plan, we identified and preserved the core capabilities that will position us well for the recovery. We implemented aggressive restructuring actions aimed at facility and cost structure rationalization, including headcount reductions. Enterprise wide working capital reduction efforts were deployed specifically targeting inventory reductions and increases in supplier payment terms. Additionally, our global sourcing teams secured incremental material savings to lower product costs, while our operations teams drove incremental productivity gains within our factories. In parallel, we worked diligently to preserve key technology investments and customer relationships, as well as retention of key talent during this period. As a result of our efforts, we continued to generate positive cash from operating activities, and positive adjusted free cash flow (non-GAAP measure) in 2015 and 2016. Refer to “—Liquidity and Capital Resources—Adjusted Free Cash Flow” for further details on this non-GAAP measure.

Subsequent to the separation, we will no longer participate in cash management and funding arrangements with Dover. Historically, we have utilized these arrangements to fund significant expenditures, such as manufacturing capacity expansion and acquisitions. Our ability to fund our operations and capital needs will depend on our ongoing ability to generate cash from operations and access capital markets. We believe that our future cash from operations and access to capital markets will provide adequate resources to fund working capital needs, pay dividends (if any), and make capital expenditures and strategic investments (if any). As a general matter, we intend to evaluate capital allocation decisions consistent with a goal to maintain a strong and flexible balance sheet, targeting appropriate leverage levels and maintaining sufficient liquidity throughout the industry cycle.

Our ability to make payments on and to refinance our indebtedness, including any third-party debt incurred in conjunction with the distribution, as well as any debt that we may incur after the distribution, will depend on

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our future ability to generate cash from operations, financings or asset sales, as well as the tax consequences of repatriating overseas cash. Our cash and cash equivalents totaled \$26.0 million and \$10.4 million at December 31, 2016 and 2015, respectively, which was held by our non-pooling, non-U.S. operations. Our U.S. cash was historically swept to Dover through intercompany advances and is not reflected on our Combined Balance Sheets. Norris Production Solutions Middle East LLC, where the Company is the majority owner at 60% and has the controlling financial interest, holds \$11.3 million and \$5.0 million of Apergy's total cash and cash equivalents at December 31, 2016 and 2015, respectively. The funds are not formally segregated or legally restricted. Distributions are determined based upon simple majority vote and subject to customary statutory requirements. Apergy is entitled to 60% of any approved distributions.

We have not provided for U.S. federal income taxes or tax benefits on the undistributed earnings of our international subsidiaries, totaling approximately \$140.0 million at December 31, 2016, because such earnings are permanently reinvested and it is currently intended that we will continue to be reinvested indefinitely. It is not practicable to estimate the amount of tax that might be payable if some or all of such earnings were to be repatriated, and the amount of foreign tax credits that would be available to reduce or eliminate the resulting U.S. income tax liability.

We generate cash flow in the U.S. primarily through ongoing product sales and we utilize cash in the U.S. primarily for expenses relating to operations and corporate functions, including management, administration and research and development. Apergy has generated approximately \$105.9 million and \$186.8 million of cash flow from operating activities in the U.S. during the years ended December 31, 2016 and 2015, respectively, which has been sufficient to meet our domestic cash needs in each such year. This information is intended to assist the reader in assessing our U.S. liquidity. U.S. cash flow is defined as operating cash flow, generated within the U.S. which includes corporate expense allocations. We project that our cash generation within the U.S. for the foreseeable future will be self-sustaining to meet all estimated U.S. expenditures and, as such, we do not anticipate the need to repatriate earnings from our foreign subsidiaries to satisfy domestic cash needs, including the service of any third-party debt incurred in the United States.

### Cash Flow Summary

The following table is derived from our Combined Statements of Cash Flows:

| Cash Flows from Continuing Operations (in thousands) | Years Ended December 31, |            |
|--|--------------------------|------------|
|  | 2016                     | 2015       |
| Net cash flows provided by (used in):                |                          |            |
| Operating activities                                 | \$128,580                | \$ 207,903 |
| Investing activities                                 | (26,899)                 | (26,333)   |
| Financing activities                                 | (85,981)                 | (194,977)  |

### Operating Activities

Cash provided by operating activities for the year ended December 31, 2016 decreased \$79.3 million compared to 2015. This decrease was driven primarily by lower earnings of \$72.3 million, excluding depreciation and amortization, due to lower volumes from the deteriorating oil and gas related market conditions. The decrease was also driven by lower cash inflows from adjusted working capital of \$50.6 million primarily due to the aforementioned lower sales levels. These decreases were partially offset by lower cash outflows for employee incentives.

We believe adjusted working capital (a non-GAAP measure calculated as accounts receivable, plus inventory, less accounts payable) provides a meaningful measure of our operational results by showing changes

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caused by revenue or operational initiatives. Adjusted working capital decreased from December 31, 2015 by \$52.3 million, or 16.9%, to \$257.8 million at December 31, 2016, which reflected a decrease in receivables of \$30.5 million and a decrease in inventory of \$32.1 million, partially offset by a decrease in accounts payable of \$10.3 million.

***Investing Activities***

Cash used in investing activities results primarily from cash outflows for capital expenditures and the additions of intangible assets, partially offset by proceeds from the sale of property, plant and equipment.

*Capital spending:* Capital expenditures, primarily to support productivity and new product launches, were \$25.7 million in 2016 and \$24.2 million in 2015 or 3.4% and 2.2%, respectively, as a percentage of revenue. Our capital expenditures increased \$1.5 million in the 2016 period as compared to 2015, primarily within Production & Automation Technologies, to invest in facility expansion to accommodate reorganization and consolidation elsewhere in the business.

*Additions to intangible assets.* During the years ended December 31, 2016 and 2015, we acquired patents for \$3.7 million and \$10.0 million, respectively, from our parent company. We capitalized the patent costs in the Combined Balance Sheets and are amortizing them to the Combined Statements of Earnings based upon their estimated useful lives.

***Financing Activities***

Cash used in financing activities results primarily from using cash for net transfers to parent and the distribution to non-controlling interest. Transfers of cash to and from Dover are reflected as a component of Parent Company investment in Apergy in the Combined Balance Sheets.

*Distribution to non-controlling interest:* During the year ended December 31, 2016, we made a distribution to our non-controlling interest holder in Norris Production Solutions Middle East LLC, a subsidiary company in the Sultanate of Oman, of approximately \$1.7 million, with no similar activity during the year ended December 31, 2015.

**Liquidity and Capital Resources**

***Adjusted Free Cash Flow***

In addition to measuring our cash flow generation and usage based upon the operating, investing and financing classifications included in the Combined Statements of Cash Flows, we also measure adjusted free cash flow (a non-GAAP measure), which represents net cash provided by operating activities minus capital expenditures as set forth in the Combined Statements of Cash Flows plus the change in income taxes payable computed under the stand-alone return basis, which is classified within Parent Company investment in Apergy and included in financing activities in the Combined Statements of Cash Flows. We believe that adjusted free cash flow is an important measure of liquidity because it provides management and investors a measurement of cash generated from operations that is available for mandatory payment obligations and investment opportunities, such as funding acquisitions (if any), paying dividends (if any), repaying debt and repurchasing our common stock. The change in income taxes payable classified within financing activities is included in the adjusted free cash flow calculation to be more representative of the tax cash flows for a stand-alone company. Actual stand-alone tax cash flows may differ from those in historical periods.

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The following table reconciles our adjusted free cash flow to cash flow provided by operating activities:

| Adjusted Free Cash Flow (dollars in thousands)     | Years Ended December 31, |           |
|--|--------------------------|-----------|
|  | 2016                     | 2015      |
| Cash flow provided by operating activities         | \$128,580                | \$207,903 |
| Less: Capital expenditures                         | (25,725)                 | (24,217)  |
| Add: Change in income taxes payable                | (21,851)                 | (74,770)  |
| Adjusted free cash flow                            | \$81,004                 | \$108,916 |
| Adjusted free cash flow as a percentage of revenue | 10.8%                    | 10.1%     |

In 2016, we generated adjusted free cash flow of \$81.0 million, representing 10.8% of revenue. Adjusted free cash flow in 2015 was \$108.9 million or 10.1% of revenue. The full year decrease in adjusted free cash flow reflects lower earnings attributable to Company and higher capital expenditures as previously discussed.

**Off-Balance Sheet Arrangements and Contractual Obligations**

As of December 31, 2016 and 2015, we had approximately \$16.0 million and \$15.9 million, respectively, outstanding in letters of credit with financial institutions, which expire at various dates in 2017 through 2019. These letters of credit are primarily maintained as security for insurance, warranty and other performance obligations. In general, we would only be liable for the amount of these guarantees in the event of default in the performance of our obligations, the probability of which we believe is remote.

A summary of our combined contractual obligations and commitments as of December 31, 2016 and the years when these obligations are expected to be due is as follows:

| (in thousands)                                | Total           | Payments Due by Period |                 |                 |                   |
|---|-----------------|------------------------|-----------------|-----------------|-------------------|
|   |                 | Less than 1 Year       | 1-3 Years       | 3-5 Years       | More than 5 Years |
| Rental commitments (1)                        | 42,226          | 11,088                 | 17,968          | 10,865          | 2,305             |
| Purchase obligations (1)                      | 28,568          | 27,826                 | 742             | —               | —                 |
| Capital leases                                | 2,306           | 1,551                  | 755             | —               | —                 |
| Supplemental and post-retirement benefits (2) | 16,028          | 2,307                  | 4,132           | 3,490           | 6,099             |
| <b>Total obligations</b>                      | <b>\$89,128</b> | <b>\$42,772</b>        | <b>\$23,597</b> | <b>\$14,355</b> | <b>\$8,404</b>    |

- (1) Represents off-balance sheet commitments and obligations for rental commitments related to operating leases and purchase obligations related to open purchase orders with our vendors.
- (2) Amounts represent estimated benefit payments under our unfunded defined benefit plans. See Note 13 to the Combined Financial Statements included elsewhere in this information statement for additional information.

**Subsequent Events**

We evaluated subsequent events through December 4, 2017. On October 2, 2017, we acquired 100% of the stock of PCP Oil Tools S.A. and Ener Tools S.A., a supplier of progressive cavity pump products and services, for \$10.5 million in cash. This acquisition will become part of the Production & Automation Technologies segment and will broaden our ability to supply Argentina with additional products to customers. At December 4, 2017, the initial purchase price allocation was not complete for this acquisition.

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**Risk Management**

We are exposed to certain market risks which exist as part of our ongoing business operations, including price volatility for certain commodities, the dependence on key customers, and changes in currency exchange rates. We do not engage in speculative or leveraged transactions and do not hold or issue financial instruments for trading purposes.

***Commodity Price Exposure***

We use a wide variety of raw materials, primarily metals and semi-processed or finished components, which are generally available from a number of sources. While the required raw materials are generally available, commodity pricing for metals, such as nickel, chrome, molybdenum, vanadium, manganese and steel scrap, fluctuate with the market. As a result, our operating results are exposed to market price fluctuations. Although some cost increases may be recovered through increased prices to customers if commodity prices trend upward, we attempt to control such costs through fixed-price contracts with suppliers and various other programs, such as our global supply chain activities.

***Dependence on Key Customers; Concentration of Credit***

The loss of any key customer and our inability to replace revenues provided by a key customer may have a material adverse effect on our business and financial condition. For the years ended December 31, 2016 and 2015, there were no customers that accounted for more than 10% of total revenues. If a key customer fails to meet payment obligations, our operating results and financial condition could be adversely affected.

***Foreign Currency Exposure***

We conduct business through our subsidiaries in different countries, and fluctuations in currency exchange rates could have a significant impact on the reported results of operations, which are presented in U.S. dollars. Cross-border transactions, both with external parties and intercompany relationships, result in increased exposure to foreign exchange effects. Accordingly, significant changes in currency exchange rates, particularly the Canadian Dollar, the Australian Dollar and the Colombian Peso, could cause fluctuations and negative impacts in the reported results of operations.

In addition, sales and expenses of our non-U.S. businesses are also translated into U.S. dollars for reporting purposes and the strengthening or weakening of the U.S. dollar could result in unfavorable translation effects.

**Critical Accounting Policies**

**Critical Accounting Policies and Estimates**

Our Combined Financial Statements and related public financial information are based on the application of GAAP. GAAP requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts we report. These estimates can also affect supplemental information contained in our public disclosures, including information regarding contingencies, risk and our financial condition. The significant accounting policies used in the preparation of our Combined Financial Statements are discussed in Note 2 — Summary of Significant Accounting Policies to the Combined Financial Statements included elsewhere in this information statement. The accounting assumptions and estimates discussed in the section below are those that we consider most critical to an understanding of our financial statements because they inherently involve significant judgments and estimates. We believe our use of estimates and underlying accounting assumptions conforms to GAAP and is consistently applied. We review valuations based on estimates for reasonableness on a consistent basis.

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**Revenue Recognition**—Revenue is recognized when all of the following conditions are satisfied: a) persuasive evidence of an arrangement exists, b) price is fixed or determinable, c) collectability is reasonably assured and d) delivery has occurred or services have been rendered. The majority of our revenue is generated through the manufacture and sale of a broad range of specialized products and components, with revenue recognized upon transfer of title and risk of loss, which is generally upon shipment. Certain product sales are recognized based on the percentage-of-completion method, which is based on the estimated costs to completion and represented 2.5% and 2.2% of total revenue for the years ended December 31, 2016 and 2015, respectively. When necessary, provisions for estimated losses on these contracts are made in the period in which such losses are determined. We derive product revenue from the sale of software standalone products and software-enabled tangible products, which in aggregate represented 8.7% of total revenue for both the years ended December 31, 2016 and 2015. Software product revenue is recorded when the software product is shipped to the customer or over the term of the contract. Service revenue represented 6.8% and 5.2% of our total revenue for the years ended December 31, 2016 and 2015, respectively and is recognized as the services are performed. Leasing revenue represented 2.7% and 2.6% of our total revenue for the years ended December 31, 2016 and 2015, respectively. Lease revenue is recognized ratably over the lease term and the leased asset is included in property, plant and equipment and depreciated to its estimated residual value over the lease term.

In limited cases, our revenue arrangements with customers require delivery, installation, testing or other acceptance provisions to be satisfied before revenue is recognized. We include shipping costs billed to customers in revenue and the related shipping costs in cost of goods and services.

**Inventories**—Inventories for the majority of our subsidiaries, including all international subsidiaries, are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market. Other domestic inventories are stated at cost, determined on the last-in, first-out (LIFO) basis, which is less than market value. Under certain market conditions, estimates and judgments regarding the valuation of inventories are employed by us to properly value inventories.

**Goodwill and Other Intangible Assets**—We have significant goodwill and intangible assets on our balance sheet as a result of past acquisitions. The valuation and classification of these assets and the assignment of useful lives involve significant judgments and the use of estimates. In addition, the testing of goodwill and intangibles for impairment requires significant use of judgment and assumptions, particularly as it relates to the determination of fair market value. Our indefinite-lived intangible assets and reporting units are tested and reviewed for impairment on an annual basis during the fourth quarter, or more frequently when indicators of impairment exist.

Historically the Company was part of the Dover Energy operating segment. We performed the annual goodwill impairment test for the Combined Financial Statements using our two historical reporting units within Dover Energy: (i) Drilling and Production, excluding a business component that will be retained by Dover (“D&P”); and (ii) Dover Energy Automation (“DEA”) as of October 1, 2016 and 2015. Beginning in the fourth quarter of 2017, we will also perform the annual goodwill impairment testing based upon the new segment structure discussed in “—Segment Results of Operations”. When performing an impairment test, we estimate fair value using the income approach. Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rate based on our most recent views of the long-term outlook for each reporting unit. Actual results may differ from these estimates. The discount rates used in these analyses vary by reporting unit and are based on a capital asset pricing model and published relevant industry rates. We use discount rates commensurate with the risks and uncertainties inherent to each reporting unit and in our internally developed forecasts. Discount rates used in our 2016 and 2015 valuations, excluding a business component that will be retained by Dover, were 10.5% and 11.0%, respectively.



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Based on the impairment tests performed, the fair value of our reporting units exceeded their carrying value. As such, no goodwill impairment was recognized. The goodwill balances for the D&P reporting unit were \$731.2 million and \$730.7 million as of October 1, 2016 and 2015, respectively. The goodwill balance for the DEA reporting unit was \$172.5 million as of both October 1, 2016 and 2015. We experienced an overall decline in demand due to lower oil prices and the resulting economic pressures within the oil and gas industry, resulting in lower estimated cash flows. However, in the second half of 2016, U.S. rig count and oil prices began to increase sequentially, which led to improvement compared to 2015. The D&P and DEA reporting units had fair values in excess of their carrying values of 21% and 54% in 2016, respectively, and 20% and 36% in 2015, respectively. While we believe the assumptions used in the impairment analyses are reasonable and representative of expected results, if market conditions worsen or persist for an extended period of time, an impairment of goodwill or assets may occur. We will continue to monitor the long-term outlook and forecasts, including estimated future cash flows, for these businesses and the impact on the carrying value of goodwill and assets.

**Employee Benefit Plans**—Dover provides a defined benefit pension plan for its eligible U.S. employees and retirees. This plan was closed to new participants effective December 31, 2013. All pension-eligible employees as of December 31, 2013 continue to earn a pension benefit through December 31, 2023 as long as they remain employed by an operating company participating in the plan. As of the spin-off date, Apergy participants in this plan (other than Norris USW participants) will no longer accrue benefits. The portion of our liability associated with this U.S. plan is not reflected in our Combined Balance Sheets and will not be recorded at the distribution date as this obligation will be maintained and serviced by Dover. Norris USW participants will be moved to a new pension plan, and will continue to accrue benefits at Dover pre-spin-off and Apergy post-spin-off. In addition, Apergy will not assume any funding requirements or obligations related to the defined benefit pension plan upon the distribution date.

Dover also provides a defined benefit pension plan for its eligible salaried non-U.S. employees and retirees in Canada. As this obligation is being maintained and serviced by Dover, the portion of our liability associated with this non-U.S. plan is not reflected in the Combined Balance Sheets. This plan will be transferred to Apergy at the distribution date and will be recorded at that point. As of the spin-off date, all non-Apergy participants in this plan will no longer accrue benefits.

Dover also provides to certain U.S. management employees, through non-qualified plans, supplemental retirement benefits in excess of qualified plan limits imposed by federal tax law. Shortly before the spin-off date, Apergy participants in these non-qualified plans will no longer accrue benefits. The benefit obligation attributable to our employees for these non-qualified plans will be reflected in our Combined Balance Sheets as of the distribution date.

The Company also provides one defined benefit plan for certain hourly non-U.S. employees and retirees in Canada. The plan is closed to new participants; however, all active participants in this plan continue to accrue benefits. The plan is considered a direct obligation of the Company and has been recorded within the Combined Financial Statements.

The Company sponsors non-qualified plans covering certain employees and retirees of the Company. The plans provide supplemental retirement benefits in excess of qualified plan limits imposed by federal tax law. These plans are closed to new hires and all benefits under the plans are frozen. These plans are considered direct obligations of the Company and have been recorded within the Combined Financial Statements.

The valuation of our pension and other post-retirement plans requires the use of assumptions and estimates that are used to develop actuarial valuations of expenses and assets/liabilities. Inherent in these valuations are key

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assumptions, including discount rates, investment returns, projected salary increases and benefits and mortality rates. Annually, we review the actuarial assumptions used in our pension reporting and compare them with external benchmarks to ensure that they accurately account for our future pension obligations. Changes in assumptions and future investment returns could potentially have a material impact on our pension expense and related funding requirements. Our expected long-term rate of return on plan assets is reviewed annually based on actual returns, economic trends and portfolio allocation. Our discount rate assumption is determined by developing a yield curve based on high quality corporate bonds with maturities matching the plans' expected benefit payment streams. The plans' expected cash flows are then discounted by the resulting year-by-year spot rates. As disclosed in Note 13—Employee Benefit Plans to the Combined Financial Statements included elsewhere in this information statement, the 2016 weighted-average discount rate used to measure our qualified defined benefit was 3.75%, a decrease from the 2015 discount rate of 4.00%. The lower 2016 discount rate is reflective of decreased market interest rates over this period. A 25 basis point decrease in the discount rate used for this plan would not have a material impact to the post-retirement benefit obligations from the amount recorded in the financial statements at December 31, 2016. Our pension expense is also sensitive to changes in the expected long-term rate of return on plan assets.

**Income Taxes**—For purposes of the historical Combined Financial Statements, the Company's income tax expense and deferred tax balances have been estimated as if we filed income tax returns on a stand-alone basis separate from Dover. Income taxes payable at each balance sheet date computed under the stand-alone return basis are classified within Parent Company investment in Apergy since Dover is legally liable for the tax. Accordingly, changes in income taxes payable are recorded as a component of financing activities in the Combined Statements of Cash Flows. As a stand-alone entity, our deferred taxes and effective tax rate may differ from those of Dover in the historical periods.

We record a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. A valuation allowance is recorded to reduce deferred tax assets to the net amount that is more likely than not to be realized.

We review deferred tax assets for recoverability at each reporting period. These assets are evaluated by using estimates of future taxable income streams and the impact of tax planning strategies. The need for reserves are evaluated, using more likely than not criteria, for ongoing audits regarding federal, state and international issues that are currently unresolved. We routinely monitor the potential impact of these situations and there are no reserves recorded for uncertain tax positions for Apergy. Reserves related to tax accruals and valuations related to deferred tax assets can be impacted by changes in tax codes and rulings, changes in statutory tax rates and our future taxable income levels. The provision for uncertain tax positions provides a recognition threshold and measurement attribute for financial statement tax benefits taken or expected to be taken in a tax return and disclosure requirements regarding uncertainties in income tax positions. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. It is our policy to record interest and penalties related to unrecognized tax benefits as a component of our provision for income taxes.

We have not provided for any residual U.S. income taxes on the unremitted earnings of non-U.S. subsidiaries as such earnings are currently intended to be indefinitely reinvested outside the U.S. It is not practicable to estimate the amount of tax that might be payable if some or all of such earnings were to be repatriated, or the amount or foreign tax credits that would be available to reduce or eliminate the resulting U.S. income tax liability.

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**Contingencies**—We have established liabilities for environmental and legal contingencies at both the business and corporate levels. A significant amount of judgment and the use of estimates are required to quantify our ultimate exposure in these matters. The liability balances are adjusted to account for changes in circumstances for ongoing issues and the establishment of additional liabilities for emerging issues. While we believe that the amount accrued to-date is adequate, future changes in circumstances could impact these determinations.

**Restructuring**—We establish liabilities for restructuring activities at an operation when management has committed to an exit or reorganization plan and when termination benefits are probable and can be reasonably estimated based on circumstances at the time the restructuring plan is approved by management or when termination benefits are communicated. Exit costs include future minimum lease payments on vacated facilities and other contractual terminations. In addition, asset impairments may be recorded as a result of an approved restructuring plan. The accrual of both severance and exit costs requires the use of estimates. Though we believe that these estimates accurately reflect the anticipated costs, actual results may be different than the estimated amounts.

**Stock-Based Compensation**—Our employees have historically participated in Dover’s stock-based compensation plans. Stock-based compensation has been allocated to Apergy based on the awards and terms previously granted to our employees. The principal awards issued under the stock-based compensation plans include stock options, stock-settled stock appreciation rights (“SSARs”), restricted stock units and performance share awards. The cost for such awards is measured at the grant date based on the fair value of the award. The value of the portion of the award that is expected to ultimately vest is recognized as expense on a straight-line basis, generally over the explicit service period of three years (except for retirement-eligible employees and retirees) and is included in Selling, general and administrative expenses in the Combined Statements of Earnings. Expense for awards granted to retirement-eligible employees is recorded over the period from the date of grant through the date the employee first becomes eligible to retire and is no longer required to provide service.

We use the Black-Scholes valuation model to estimate the fair value of SSARs and stock options granted to employees. The model requires that we estimate the expected life of the SSAR or option, expected forfeitures and the volatility of Dover’s stock using historical data. See Note 11—Equity and Cash Incentive Program for additional information related to our stock-based compensation.

**Recent Accounting Pronouncements**—See Note 2—Summary of Significant Accounting Policies to our Combined Financial Statements included elsewhere in this information statement for a discussion of recent accounting pronouncements and recently adopted accounting standards.

**Non-GAAP Disclosures**

In an effort to provide investors with additional information regarding our results as determined by GAAP, we also disclose non-GAAP information that we believe provides useful information to investors. Adjusted segment EBITDA, adjusted segment EBITDA margin, adjusted free cash flow, adjusted working capital and organic revenue growth are not financial measures under GAAP and should not be considered as a substitute for cash flows from operating activities, working capital or revenue as determined in accordance with GAAP, and they may not be comparable to similarly titled measures reported by other companies. We believe that adjusted segment EBITDA and adjusted segment EBITDA margin are useful to investors and other users of our financial information in evaluating ongoing operating profitability as they exclude the depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years and restructuring expense related primarily to exit costs and employee termination benefits. This measure is also useful in evaluating operating performance in relation to our peers. Adjusted segment EBITDA is calculated by adding

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back depreciation and amortization expense and restructuring charges to segment earnings, which is the most directly comparable GAAP measure. Adjusted segment EBITDA margin is calculated as adjusted segment EBITDA divided by segment revenue. We do not present segment net income because corporate expenses are not allocated at a segment level.

We believe adjusted free cash flow is an important measure of liquidity. Adjusted free cash flow provides both management and investors a measurement of cash generated from operations that is available to fund acquisitions. The definition and reconciliations of adjusted free cash flow can be found above in MD&A. We believe that reporting adjusted working capital, which is calculated as accounts receivable, plus inventory, less accounts payable, provides a meaningful measure of our operational results by showing the changes caused by revenue or operational initiatives. We believe that reporting organic revenue and organic revenue growth, which exclude the impact of foreign currency exchange rates and the impact of acquisitions and divestitures, provides a useful comparison of our revenue performance and trends between periods.

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**BUSINESS**

**Overview**

Apergy is a leading provider of highly engineered technologies that help companies drill for and produce oil and gas efficiently and safely around the world. Our products include a full range of equipment and technologies that enable efficient drilling and safe and efficient production throughout the lifecycle of a well. Our principal products consist of artificial lift equipment and solutions, including ESP, Rod Lift, gas lift systems, PCP and plunger lift systems, as well as PDCs for drilling. We also provide a comprehensive automation offering consisting of equipment, software and IIoT solutions for downhole monitoring, wellsite productivity enhancement and asset integrity management. Our expansive automation offering includes quartz pressure transducers and hybrid electronics, artificial lift controllers and optimization software, monitoring and predictive diagnostic instruments and software for reciprocating machinery. Our products and technologies enhance our customers' drilling and production economics.

Apergy's products are used by a broad spectrum of customers in the global oil and gas industry, including national oil and gas companies, large integrated and independent oil and gas companies, all of the major oilfield equipment and services providers, and pipeline companies. We compete across major oil and gas markets globally with a particular strength in the North American onshore market. Our products are particularly well suited for unconventional/shale oil and gas markets. While our products are used in both the oil and gas markets, over 75% of our revenues come from oil markets.

The quality, innovative technology and performance of our technologies drive improved cost-effectiveness, productivity, efficiency and safety for our customers. We believe our strong market share in our core markets and our long-term customer relationships are due to our focus on technological advancement, product reliability and our commitment to superior customer service across the organization. Our long-term customer relationships and the consumable nature of many of our products also enable us to benefit from recurring revenues throughout the lifecycle of a producing well. We believe we are also differentiated from competitors through our proven business model focused on high customer intimacy, innovative technology and application engineering.

**History and Development**

Apergy is currently a part of the Energy segment within Dover, a global, diversified industrial manufacturer. Apergy has a long history of innovation across these businesses and our heritage in the oil field equipment industry extends over 60 years. During this time, Apergy has been expanded through a series of strategic acquisitions of well-known businesses and brands as well as internal growth initiatives. Key acquisitions that built our artificial lift platform include Harbison-Fischer, Accelerated, Wellmark, PCS Ferguson (f/k/a Production Controls Services, Inc.) and Oil Lift Technology. Our leading PDC business was created through the acquisition of US Synthetic. Over this time, Apergy has developed experience as an effective operator as well as a successful integrator of businesses.

**Our Industry**

We principally operate in the oil and gas drilling and production industry and provide a broad range of technologies and products that enhance oilfield efficiency, improve productivity, maximize reserve recovery and increase asset value. Demand for our products is impacted by overall global demand for oil and gas, which is expected to benefit from a variety of long-term fundamental trends.

According to the EIA International Energy Outlook, global economic expansion, coupled with a growing population, will help drive up global energy consumption by about 41% by the year 2050. The majority of this

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growth is forecast to come from China, India and other Asian nations. Increasing urbanization and a significant expansion of the middle class globally is expected to contribute to higher personal and commercial transportation needs, rising electricity in homes and greater industrial energy demand. For these reasons, the EIA International Energy Outlook projects that demand for petroleum and other liquid fuels will grow by 28% from 2015 through 2050, while demand for natural gas will increase by 69% and natural gas will overtake coal as the world's second largest fuel source during this period.

As new technology has unlocked resources previously considered too costly to produce, unconventional oil and natural gas reservoirs, particularly in the United States, have become a larger part of the global energy supply landscape. Technological developments in horizontal drilling and hydraulic fracturing have enabled E&P companies to access the vast hydrocarbon reserves contained in the unconventional oil and natural gas reservoirs of the United States. In addition, North America is expected to become the largest LNG exporter due to growing demand for LNG from Asia and Europe. As a result, the United States, an oil importer for decades, is on pace to become a net exporter of oil in the near-term.

The oil and gas industry has traditionally been volatile and is influenced by long-term, short-term and cyclical trends, including oil and gas supply and demand, current and projected oil and gas prices, and the level of upstream spending by E&P companies. As a result, demand for our technologies and products depends primarily upon the level of expenditures by our customers in the oil and natural gas industry, particularly those within the United States. A rapid increase in supply over a seven year period from 2008 to 2015 contributed to a decline in oil and gas prices and reduced customer spending levels from year-end 2014 through 2016. In November 2016, May 2017 and November 2017, certain oil producing nations and OPEC agreed to limit production of crude oil with the goal of raising oil prices. The agreement has been extended most recently through the end of 2018. Oil prices have rebounded meaningfully in 2017 and have begun to stabilize, resulting in an increase in our customers' spending and demand for Apergy's technologies and products. Although there remains a risk that oil prices and activity levels could deteriorate from current levels, we believe that the outlook for our businesses over the long-term is favorable. Increasing global demand for oil and gas as well as continued depletion of existing reservoirs will drive continued investment in the drilling and completion of new wells. In addition, productivity and efficiency are becoming increasingly important in the oil and gas industry as operators focus on improving per-well economics, driven by a flattening of the WTI forward price curve, and the North American onshore oil and gas industry moving from an exploration phase into a more mature production phase.

Technology has become increasingly critical to oil and natural gas producers as a result of the maturity of the world's oil and natural gas reservoirs, the acceleration of production decline, the focus on complex well designs and the oil and gas industry's aging workforce. While the aggregate number of wells drilled per year has fluctuated relative to market conditions, E&P companies, on a proportional basis, have increased expenditures on technology in an effort to improve reservoir performance, increase oil and gas recovery and lower the cost per barrel produced over the life of a well. Our customers continue to seek, test and use production-enabling technologies at an increasing rate. We have invested substantially in building our technology offerings, which help us to provide more efficient tools and solutions to produce oil and natural gas. Apergy's portfolio of data collection, automation, and remote monitoring solutions are intended to improve reliability and drive down costs. We believe our efficiency enhancing products contribute to a reduction in the breakeven cost of unconventional development for our E&P customers. We believe our business will benefit as operators increasingly focus on optimizing production and improving per-well economics.

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**Business Segments**

Our business is organized into two reportable segments: Production & Automation Technologies and Drilling Technologies. The following chart provides an overview of our two segments.

| <b>Apergy Segments</b>       |   |  |  |   |
|------------------------------|---|--|--|---|
|                              | <b>Production &amp; Automation Technologies</b> |  |  | <b>Drilling Technologies</b>                            |
|                              | <b>Artificial Lift Technologies</b>             | <b>Automation Technologies</b>                       | <b>Other Production Equipment</b>          | <b>Drilling Technologies</b>                            |
| <b>2016 Sales</b>            | <b>\$638m</b>                                   |  |  | <b>\$113m</b>   |
| <b>Our Brands</b>            |   |  |  |   |
| <b>Illustrative Products</b> | <p>Electrical Submersible Pumping</p>           | <p>Rod Lift</p>                                      | <p>Progressive Cavity Pumping</p>          | <p>Diamond Drill Bit Inserts</p>                        |
|                              | <p>Plunger Lift</p>                             | <p>Hydraulic &amp; Jet Lift Systems</p>              | <p>Wellhead Production Equipment</p>       | <p>Diamond Thrust, Radial, and Combination Bearings</p> |
|                              | <p>Wellsite Automation &amp; Optimization</p>   | <p>Asset Reliability Monitoring &amp; Management</p> | <p>Chemical Injection &amp; Management</p> |   |

**Production & Automation Technologies**

Our Production & Automation Technologies segment generated revenues of \$638.0 million in 2016, representing 85% of our total 2016 revenues. Production & Automation Technologies facilitates the efficient, safe and cost effective extraction of oil and gas. We design, manufacture, market and service a full range of artificial lift equipment and automation solutions, as well as other production equipment. A portion of Production & Automation Technologies revenue is derived from activity-based consumable products, as customers routinely replace items such as sucker rods, plunger lifts and pump parts. We believe that the combination of our artificial lift equipment and our end-to-end proprietary automation solutions helps oil and gas operators lower production costs and optimize well efficiency by enabling them to monitor, predict and optimize performance. Our products are sold under a collection of premier brands, which we believe are recognized by customers as leaders in their market spaces, including Harbison-Fischer, Norris, Alberta Oil Tool, Oil Lift Technology, PCS Ferguson, Pro-Rod, Upco, Accelerated, Norriseal-Wellmark, Quartzdyne, Spirit, Theta, Timberline and Windrock.

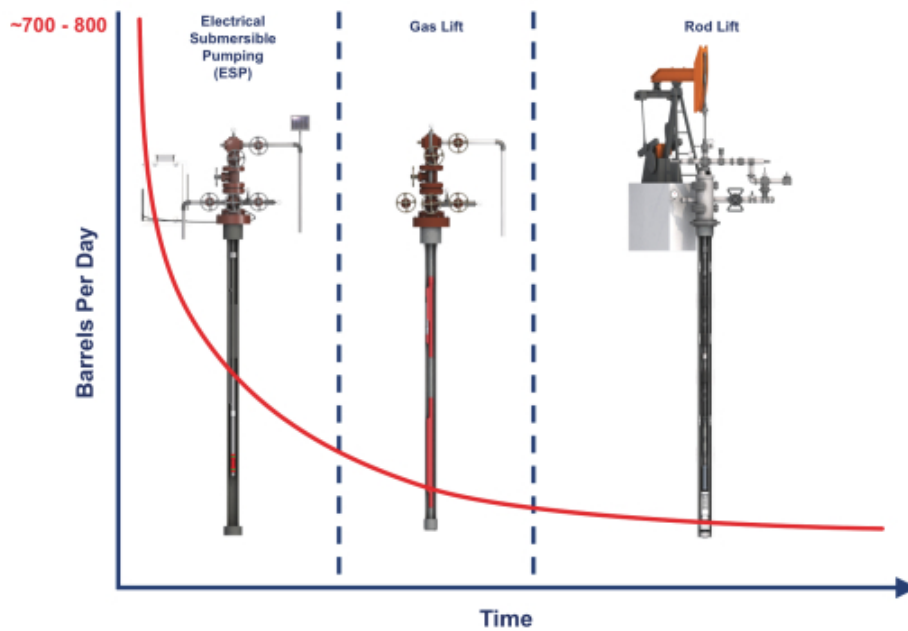
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Within our Production & Automation Technologies segment, we offer artificial lift technologies, automation technologies and other production equipment.

*Artificial Lift Technologies*

We believe artificial lift equipment is mission-critical to oil and gas operators as a means to increase pressure within the reservoir and improve oil and gas production. Artificial lift is a key technology for increasing oil and gas production throughout the lifecycle of a producing well and is therefore directly linked to operator economics. Apergy offers a full suite of artificial lift solutions to meet the varying needs of operators as oil production volume levels decline over the lifecycle of a producing well, as demonstrated in the figure below. Apergy's comprehensive offering provides our customers with cost effective solutions tailored to a well's specific characteristics and production volumes. Apergy is particularly strong within key U.S. basins where artificial lift technologies are prevalent. According to Spears, the U.S. is the world's largest lift market, followed by Canada, and artificial lift technologies are used in approximately 95% of all producing wells in North America. We believe that our offerings also have significant international potential, as production rates continue to decline in existing wells in regions such as the Middle East, South America and Eastern Europe. Our artificial lift technologies represented approximately 78% of our Production & Automation Technologies segment revenues in 2016.

**Artificial Lift: Life of Well Solutions**  
*Full portfolio of artificial lift technologies to drive productivity through life of well*





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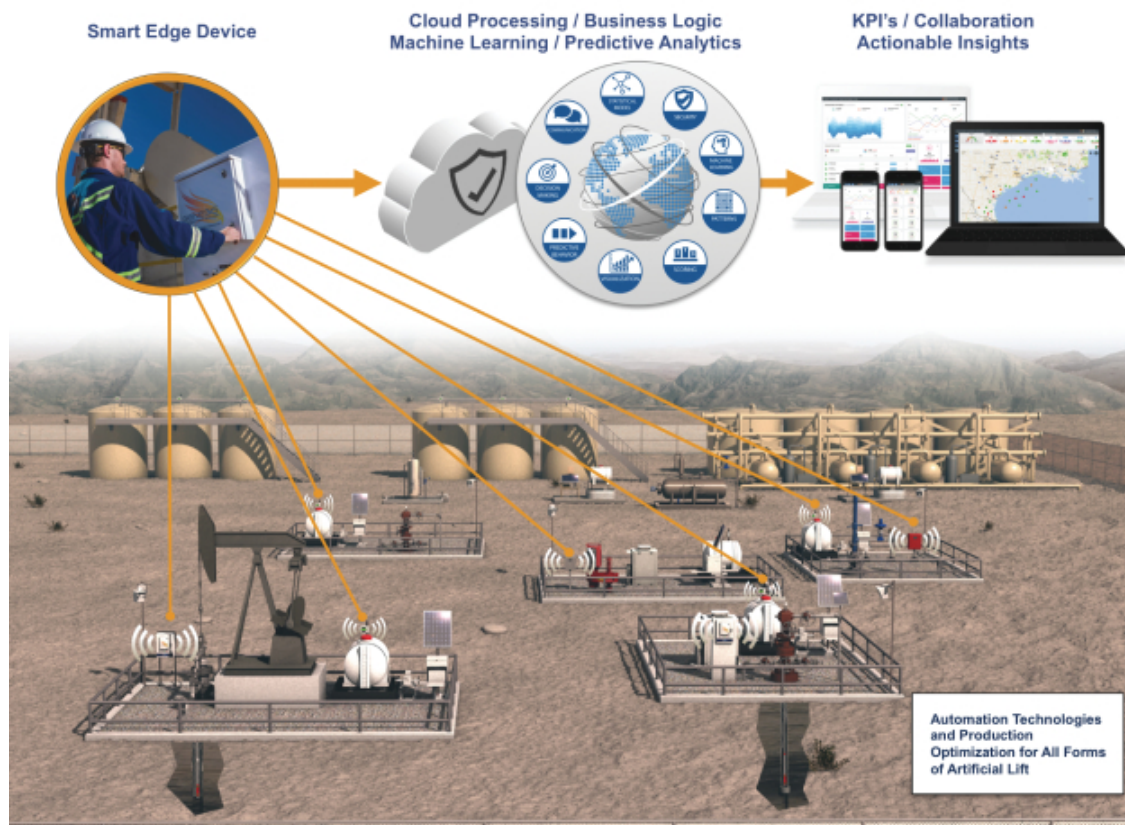
Key products included in our Artificial Lift Technologies offering include:

- **ESP:** Our ESPs are fully integrated and customizable ESP systems that are used during the earlier stages of production when barrels per day volume is at its highest level. Apergy's ESP products include centrifugal pumps, gas handling devices, motors, controls and digital solutions to monitor and optimize ESP performance.
- **Gas Lift:** Gas lift is a method of artificial lift that involves injecting high pressure gas to lift oil from the wells. Gas lift is a preferred artificial lift for deviated wells and wells characterized by large amounts of sand or solid materials. Apergy has been delivering innovative and flexible gas lift solutions to our customers for more than 30 years. Our software takes into account the well complexity and production characteristics of the well to deliver the best gas lift solution for each well.
- **Rod Lift:** As well production extends beyond the initial years, operators typically begin to employ a Rod Lift extraction solution. Apergy's Rod Lift solutions include standard and fit-for-purpose sucker rods and accessories as well as a full range of downhole pumps that address all rod pumping applications. We believe Rod Lift is one of the more prevalent lift solutions employed in wells in the United States and globally. Our Rod Lift business provides for significant recurring revenue as sucker rods, pumps and accessories are replaced with use.
- **PCP (Progressive Cavity Pump), Plunger, Hydraulic and Jet Lift Systems:** Apergy also offers a full range of PCP solutions including top drives, high performance pumps, drive rods and controls; a broad range of plunger lift systems including surface, downhole equipment and controllers; and a full range of hydraulic and jet lift systems including jet pumps, hydraulic reciprocating pumps, surface multiplex pumps and automation controllers. These solutions are typically used in wells that have been producing for multiple years and are essential for increasing productivity at lower production volumes.

*Automation Technologies*

Our proprietary automation solutions are aimed at creating an end-to-end production optimization platform that enables oil and gas operators to monitor, predict and optimize well performance and drive improved return on investment during the production process. Apergy is a leading provider of productivity tools and performance management software for artificial lift and asset integrity management. Our software has modular architecture that enables specific solutions to be tailored to meet exact customer needs. Real-time data is used by our customers to drive decisions, enhance well servicing and obtain an accurate picture of the well's functioning over time, resulting in a more connected, digital wellsite that not only operates more efficiently but is also safer and more secure. Our automation technologies represented approximately 10% of our Production & Automation Technologies segment revenues in 2016.

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Automation solutions touch multiple parts of the wellsite and allow an operator centralized monitoring and control. Smart instrumentation and hardware at the wellsite have sensing capabilities that allow the capture of data. Once captured, that data is communicated to a cloud based IIoT infrastructure platform where it can be analyzed and used to drive insights for customers. We believe that the combination of Apergy's automation technologies and its strong artificial lift presence enables Apergy to drive the continued adoption of automation technologies by its customers. Apergy sees automation adoption as a key secular trend in the oil and gas industry, particularly in the current lower oil price environment where operators are focused on lowering the cost per barrel produced over the lifecycle of a well.

Automation technologies bring together multiple layers of equipment, sensors and software. A site may employ a full-scale solution (e.g., a fully connected wellsite using Apergy equipment and software) or a more application specific solution (e.g., a controller used for diagnostics on an ESP lift). Technologies included in Apergy's Automation Technologies offering include:

- **Apergy Automation Controllers and Digital Solutions:** Controllers for artificial lift solutions and end-to-end digital solutions, including proprietary cloud-based software, to monitor and optimize artificial lift and production. Software is sold on a subscription based model and can be tailored to the breadth of solution the customer is seeking.

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- **Downhole Monitoring, Logging and Management:** Quartz pressure transducers and smart downhole tools for measuring, monitoring and logging downhole well conditions to improve well productivity.
- **Asset Integrity Management Solutions:** End-to-End digital IIoT Solutions and portable analyzers to monitor, predict, and optimize health and performance of reciprocating compressors and engines used in wellsites, pipelines, refineries and chemical plants.

*Other Production Equipment*

Apergy also offers other production equipment including chemical injection systems, flow control valves, oil and water separation, gas conditioning, process heating and pressure vessel products. These products are complementary to our artificial lift and automation technologies offerings and are used by customers in the production of oil and gas. Apergy's other production equipment allows Apergy to build its share of customers' wallets and enhances our ability to cross-sell products across the production equipment portfolio. Our other production equipment represented approximately 12% of our Production & Automation Technologies segment revenues in 2016.

As of December 31, 2016, our Production & Automation Technologies segment operated 18 manufacturing facilities in North America, Australia, Colombia and Oman as well as 118 sales and service facilities in North America.

***Drilling Technologies***

Our Drilling Technologies segment generated revenues of \$113.3 million in 2016, representing 15% of our total 2016 revenues. In operation for over 30 years, Drilling Technologies provides highly specialized products used in drilling oil and gas wells. We design, manufacture and market PDCs for use in oil and gas drill bits under the US Synthetic brand. Our proprietary PDCs are based on years of innovation and intellectual property development in material science applications including the production of highly stable synthetic diamonds, known as "polycrystalline diamonds." US Synthetic has historically filed new patents at a rate of over 50 patents per year and has previously received the prestigious Shingo Prize for operational excellence. We believe our highly engineered PDCs are distinguished by their quality, rate of penetration and longevity. PDCs are a relatively small cost to the oil and gas operator in the context of overall drilling costs, but are critical to successful drilling. As a result, we believe our customers value the quality and performance of US Synthetic PDCs over less expensive alternatives because a lower quality PDC can cause unnecessary and expensive drilling delays. Over 95% of our PDCs are custom designed to meet unique customer requirements and are finished to exact customer specification to ensure optimal performance. PDCs are utilized in both vertical and horizontal drilling and need to be replaced as they wear out during the drilling process.

Key products of our Drilling Technologies segment include:

- **PDC Drill Bit Inserts:** Custom designed and manufactured drill bit inserts that fit within a customer's drill.
- **Other Drilling Equipment:** Apergy also offers long-lasting diamond bearings for process-fluid lubricated applications, including underwater applications, downhole drilling tools and industrial pumps, as well as diamond roof bolt mining tools for underground mining.

As of December 31, 2016, our Drilling Technologies segment operated two facilities, which are located in North America.

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The following graphic illustrates where they key products of our Production & Automation Technologies and Drilling Technologies segments are used at a wellsite.

**Production & Automation Technologies:**  
Facilitating the efficient, safe and effective extraction of oil and gas through a suite of premier brands.

**Drilling Technologies:**  
Providing highly specialized, innovative, and proprietary products used in drilling oil and gas wells.

| Production & Automation Technologies:   |  |   | Drilling Technologies:  |
|---|--|---|---|
| <b>Artificial Lift Technologies</b><br>1. Progressive Cavity Pumps<br>2. Rod Lift<br>3. Plunger Lift<br>4. ESP<br>5. Gas Lift | <b>Automation Technologies</b><br>6. IIoT Enabled Technologies<br>7. Optimization Software<br>8. Remote Monitoring | <b>Other Production Equipment</b><br>9. Well Head Production Equipment<br>10. Chemical Injection<br>11. Flow Control Valves | <b>Drilling Technologies</b><br>12. PDC Cutters<br>13. Diamond Bearings |

**Apergy’s Strengths**

We believe that the following strengths position us well to achieve our primary business objective of creating value for all of our stakeholders, including our customers, employees and stockholders:

**Attractive businesses benefiting from favorable industry trends in oil and gas.**

We believe that increasing global demand for oil and gas and steady depletion of existing reservoirs will continue to drive investment in the drilling and completion of new wells, despite the current oversupply. The EIA International Energy Outlook forecasts that global tight gas, shale gas and coalbed methane production will grow by 3.6% per annum through 2050, driven primarily by the United States. Additionally, the EIA International Energy Outlook projects that global tight oil production will more than double between 2015 and 2040, growing from 5.0 Mmb/d in 2015 to 10.3 Mmb/d in 2040. At the same time, we believe the current oil price environment supports increased investment to maximize productivity from existing oil fields and increase the efficiency of oilfield operations. We believe operators’ continued focus on improving per-well economics, driven by a flattening of the WTI forward price curve, and the North American onshore oil and gas industry moving from an

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exploration phase into a more mature production phase, will increase demand for our artificial lift and wellsite automation solutions.

***Substantial presence in growing basins, segments and regions.***

82% of our revenue for the year ended December 31, 2016 was generated in North America, where the onshore rig activity was the highest growth region in the oil and gas industry in 2017, achieving a 70% year-over-year increase. Onshore unconventional oil and gas production is expected to continue to grow in North America through 2050, according to the EIA Annual Outlook. Apergy has established positions in key North American unconventional basins, such as the Permian, Eagle Ford and Bakken, that are expected to experience continued growth in the coming years. We have also been expanding our presence in key international markets, including the Middle East, Latin America and Australia.

***Significant recurring revenue enhances the stability of our results.***

Historically, approximately 40% of our revenue is recurring. This includes replacement hardware, such as rod pumps and sucker rods, which replace previously deployed equipment in established producing wells. It also includes equipment service revenue, as well as ongoing revenue connected with our automation offering, particularly subscription-based revenue for automated well monitoring and management. We believe this recurring revenue enhances the predictability and stability of our revenue and cash flow, and helps to mitigate the impact of down market cycles.

***Proven business model driving strong relative performance across market cycles.***

We have built our business through differentiated technology and application engineering, high customer intimacy and superior customer service, continuous new product innovation and a culture of continuous improvement. We have also focused on delivering products and solutions that are non-commoditized and that we believe are critical to an oil or gas producer's efficiency and profitability. Through this consistent approach, we have achieved strong relative operating results across market cycles, especially during down cycles, demonstrating the resilience of our business model. Despite the recent oil and gas market downturn, we achieved significant adjusted free cash flow (a non-GAAP measure) during 2015 and 2016, in part through proactive working capital management. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview and Outlook—Key Performance Indicators and Other Performance Measures" for a definition of adjusted free cash flow.

***Industry leadership with strong brand portfolio and reputation for quality, performance and service.***

Our products are sold under a collection of premier brands with strong reputations for quality, performance and service in the industry. These brands include Norris, Harbison-Fischer, Accelerated, PCS Ferguson, Oil Lift Technology, Norriseal-Wellmark, Spirit, Quartzdyne, Theta, Windrock and US Synthetic. Our heritage in the oil field equipment industry extends over 60 years. We believe the quality of our brands has enabled us to achieve a strong Net Promoter Score, which we believe is among the highest in the artificial lift market.

***Comprehensive artificial lift portfolio in an attractive market segment.***

Artificial lift is one of the fastest growing segments in oilfield equipment, as spending for artificial lift per well has outpaced other areas of growth. According to Spears, the global artificial lift market was approximately \$8.3 billion in 2016 and is expected to grow 5% in 2017. During the previous oil and gas upcycle from 2009 to 2014, the artificial lift market grew at an average annual rate of approximately 19%, according to Spears.

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Additionally, according to Spears, artificial lift spending per active rig has grown at an average annual rate of almost 8% between 2006 and 2017. We believe we are well positioned to benefit from this favorable trend with a broad portfolio of artificial lift solutions to drive productivity throughout the lifecycle of the well, including ESP, Rod Lift, PCP, plunger lift, hydraulic and jet lift systems.

***Our automation business is well positioned to capitalize on increasing adoption of digital applications by our customers.***

As our customers increasingly focus on maximizing the productivity and efficiency of existing wells, we believe they will continue to adopt automation technologies at the wellsite and that our business is well positioned to capitalize on this trend. We believe technology has become increasingly important to the oil and natural gas marketplace as a result of the maturity of the world's oil and natural gas reservoirs, the acceleration of production decline, the focus on complex well designs and the oil and gas industry's aging workforce. In the current lower oil price environment, our customers are focused on lowering the cost per barrel produced over the lifecycle of a well and have begun to seek, test and use production-enabling technologies at an increasing rate. We believe that our strong domain expertise, customer access and innovative hardware and proprietary optimization software offer advantages in this regard.

***We are an award-winning global leader in PDCs for oil and gas drilling and an important partner to customers in achieving drilling productivity.***

Our US Synthetic business has over thirty years of experience in the development and production of PDCs and has achieved a strong leadership position in the industry primarily due to our expertise in diamond science technology and our ongoing commitment to innovation, quality and superior customer service. We custom design PDCs to the specific characteristics of the unique geological formations in which our customers are drilling. We are able to analyze the needs of our customers and deliver customized solutions in a reliable and timely manner, enabling our customers to operate more efficiently and reduce their total drilling costs. US Synthetic is a recognized leader in lean manufacturing and engineering. Currently US Synthetic remains the only upstream oilfield equipment company to receive the Shingo Prize for operational excellence.

***Strong operating system that delivers sustainable performance.***

We utilize an operating system that we believe distinguishes us from our peers. Our operating system is built on a foundation of a strong CI program that drives relentless focus on business process improvements and eliminating waste. Key focus areas of our operating system include strategic planning, organic growth, pricing, productivity, strategic sourcing and talent management. Our operating system has enabled us to deliver attractive margin and cash flow performance. We also believe this operating system allows us to integrate new businesses effectively and deliver value.

***Executive management team with proven track record of success.***

Our senior management team will be led by Sivasankaran ("Soma") Somasundaram, who will serve as our President and CEO. Our senior management team consists of proven industry operators, with an average of \_\_\_\_\_ years of relevant experience. We believe our senior leadership team has the extensive operational, financial and managerial experience needed to effectively navigate the key opportunities and challenges facing our business today and have been responsible for developing and executing our success to date.

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**Apergy's Strategies**

Our goal is to continue to create stockholder value and to become the leader at the wellsite, driving customer productivity and efficiency. We intend to achieve this goal by executing the following strategies:

***Expand market coverage and increase market share in growing unconventional basins.***

Onshore unconventional oil and gas production is expected to continue to grow in North America. The EIA International Energy Outlook projects global tight gas, shale gas and coalbed methane production to grow by 3.6% per annum through 2050, driven primarily by the United States. According to the EIA Annual Outlook, shale output in the U.S. is expected to double over this period, while U.S. tight oil output will grow by approximately 28%. As a result, North America is projected to become a major exporter of natural gas during this period. Apergy has established positions in key North American unconventional basins, such as the Permian, Eagle Ford and Bakken, that are expected to experience continued growth in the coming years. We intend to expand our market coverage and increase our share in these markets by leveraging our existing customer relationships, sales and service infrastructure and new product initiatives. Key elements of the strategy will include expanding sales coverage, key account management to drive cross selling, targeted product launches to capture market share, data analytics to drive increased customer penetration opportunities and educational programs to drive awareness of our technology differentiation.

***Capitalize on increasing customer adoption of automation solutions to drive wellsite productivity.***

We believe our customers will increasingly adopt automation solutions to drive productivity and efficiency in the coming years. Technology has become increasingly critical to the oil and natural gas marketplace as a result of the maturity of the world's oil and natural gas reservoirs, the acceleration of production decline, the focus on complex well designs and the oil and gas industry's aging workforce. While the aggregate number of wells being drilled per year has fluctuated relative to market conditions, E&P companies have increased expenditures on technology in an effort to improve reservoir performance, increase oil and gas recovery and to lower the cost per barrel produced over the life of a well. Customers continue to seek, test and use production-enabling technologies at an increasing rate. We have invested a substantial amount of our time and resources into building our technology offerings, which help us to provide our customers with more efficient tools to produce oil and natural gas. Apergy's proprietary automation solutions improve reliability and drive down costs. We offer a full range of automation solutions consisting of equipment, software and full end-to-end IIoT solutions to meet specific customer needs. We believe our automation solutions contribute to a reduction in the breakeven cost of unconventional development, improving the efficient use of capital and operating budgets of our E&P customers. We believe our business will benefit as operators increasingly focus on optimizing production and improving per-well economics. We intend to leverage our extensive customer access and deep domain expertise in these applications to capitalize on this growth trend.

***Continue to innovate and expand our product offerings.***

We intend to continue our strong track record of developing and launching new and innovative products that drive improved cost-effectiveness, productivity, efficiency and safety for our customers. We operate in a market that is characterized by rapidly changing technology and frequent new product introductions. As a result, we maintain an active research, development and engineering program with a focus on solving customer challenges and developing innovative technologies to improve customer efficiency and profitability. We believe maintaining a robust innovation pipeline will allow us to continue to win market share and increase our penetration in key markets and with key customers. In the near-term, we expect to launch several new products that will help our customers gain efficiency, reduce operating costs and improve safety. Key focus areas for innovation and new product launches include increasing the performance of our artificial lift systems, developing new digital

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platforms for our production management and asset integrity management solutions, increasing the drilling productivity of our PDC cutters and developing diamond bearings for new applications.

***Continue to expand our global reach.***

As producing wells in the Middle East continue to age and deplete and shale-based production continues to expand in areas like South America, our globally recognized brands, market ready products and application knowledge offer the opportunity for international market penetration and growth. We believe there will be a substantial opportunity in the coming years to leverage our technologies currently used in unconventional oil and gas production in North America in targeted international markets. To capitalize on these opportunities, we are focused on expanding our operations and capabilities in targeted global markets such as the Middle East, Latin America and Australia, regions which we believe have aging wells and significant unconventional resource development potential. For example, we recently completed an acquisition in Argentina that will give us access to the market and enable us to capitalize on shale developments in that country. We have begun to win tenders in these markets and we expect to continue to build on these successes in the future, especially as these international markets move towards adopting artificial lift and automation technologies.

***Continue to drive margin expansion and adjusted free cash flow generation through operational excellence.***

We remain focused on driving margin expansion and adjusted free cash flow generation as the oil and gas markets continue to recover. We have a demonstrated track record of strong relative performance through market cycles, including remaining adjusted free cash flow positive throughout the recent oil and gas downturn. We are committed to continuing operational excellence and driving strong performance by utilizing our differentiated operating system. We plan to achieve this through a rigorous focus on improving productivity in our facilities, reducing material costs by strategic sourcing in best value countries, reducing working capital through effective inventory, receivables and payables management and eliminating waste in our processes through lean and CI principles. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Overview and Outlook—Key Performance Indicators and Other Performance Measures” for a definition of adjusted free cash flow.

***Expand our technology and product portfolio through selective acquisitions.***

In addition to our organic growth initiatives, we may choose to pursue select strategic acquisition opportunities as part of our growth strategy. We benefit from a track record of successfully growing our earnings and technology offering through selective acquisitions. For example, over the last cycle, we expanded our comprehensive artificial lift platform through several acquisitions, including Harbison-Fischer, Oil Lift Technology, PCS Ferguson, and Accelerated. Most recently, we completed the acquisition of an Argentina-based supplier of progressive cavity pump products and services in October of 2017. We have historically employed a disciplined approach to acquisitions focused on opportunities where we believe we can achieve an attractive return on our investment. These have included opportunities that (i) increased our exposure to the most important growth trends in the industry, (ii) added key products and technologies, (iii) enhanced our market position, (iv) expanded our geographic scope and/or (v) provided the opportunity to realize synergies while strengthening our capabilities. To the extent we choose to pursue acquisition opportunities, as part of our disciplined approach, we intend to focus on those that we believe will be accretive to earnings while consistent with our goal to maintain a strong and flexible balance sheet and healthy credit profile. In order to preserve the tax-free nature of the spin-off, we must execute any such transactions in compliance with the tax matters agreement. As a result, the ability of Apergy to engage in, among other things, certain mergers and equity transactions could be limited or restricted for a two-year period following the spin-off. See “Risk Factors—Risks Related to the Separation—Apergy may not be able to engage in certain corporate transactions after the separation.”



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**Competition**

The markets in which we operate are highly competitive. The principal bases of competition in our markets are customer service, product quality and performance, price, breadth of product offering, market expertise and innovation. We believe we differentiate ourselves from our competitors through our model of high customer intimacy, differentiated technology, innovation and a high level of customer service.

We face competition from other manufacturers and suppliers of oil and gas production and drilling equipment. Key competitors include Weatherford International Ltd., Baker Hughes, a GE Company, Halliburton, BORETS, Tenaris, Novomet and Emerson in Production and Automation Technologies; as well as DeBeers (Element 6), Schlumberger Ltd. (Mega Diamond) and various Chinese suppliers in Drilling Technologies.

**Customers, Sales and Distribution**

We have built our business through high customer intimacy and superior customer service and we view intense customer focus as being central to our goal of creating value for all of our stakeholders. Drawing on our deep industry and application engineering expertise, we strive to develop close, collaborative relationships with our customers. We work closely with our customers' engineering teams to develop technologies and applications that help improve efficiency and productivity.

We have established deep and long-standing customer relationships with some of the largest operators in the oil and gas drilling and production markets. Our customers include national oil and gas companies, large and integrated independent oil and gas companies, all of the major oil field equipment and service providers, and pipeline companies.

We market and sell our products and technologies through a combination of sales representatives, technical seminars, trade shows and print advertising. We sell directly to customers through our direct sales force and indirectly through independent distributors and sales representatives. Our direct sales force is comprised of highly trained industry experts who can advise our customers on the advantages of our technology and product offering. We have also developed an extensive network of 118 sales and service locations throughout key regions and basins in North America to better serve our customers. We also host forums and training sessions, such as our Artificial Lift Academy, where our customers can share their experiences and we can educate and train our customers in the use of our new technologies. Nearly all of our Drilling Technologies sales and over 70% of our Production and Automation Technologies sales in 2016 were sold directly to the end-use customer.

In addition to our direct sales force, we support a global network of distributors and representatives. We provide our distributors with sales and product literature, advertising and sales promotions, and technical assistance and training with our products. Many of our distributors also stock our products.

Our customer base is diverse and no single customer accounted for more than 10% of total revenue for the year ended December 31, 2016.

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The following table details the sales of Apergy by geographic location for the years ended 2016 and 2015. These results do not necessarily indicate the geographies where Apergy's products are deployed or where end-customer demand is originated.

|                       | Years Ended December 31, |              |
|-----------------------|--------------------------|--------------|
|                       | 2016                     | 2015         |
| United States         | \$ 559,266               | \$ 808,549   |
| Middle East           | 54,767                   | 69,951       |
| Canada                | 54,714                   | 64,961       |
| Europe                | 19,935                   | 34,970       |
| Australia             | 18,177                   | 47,811       |
| Latin & South America | 23,588                   | 23,208       |
| Other                 | 20,890                   | 27,230       |
| Subtotal non-U.S.     | 192,071                  | 268,131      |
| Combined total        | \$ 751,337               | \$ 1,076,680 |

Apergy's international operations are subject to certain risks, such as price and exchange rate fluctuations and non-U.S. governmental restrictions, which are discussed further under "Risk Factors—Risks Related to Apergy's Business." See Note 15 to the Combined Financial Statements included elsewhere in this information statement for Apergy's long-lived assets by geographic region.

### Intellectual Property

Apergy owns many patents, trademarks, licenses and other forms of intellectual property, which have been acquired over a number of years and, to the extent relevant, expire at various times over a number of years. A large portion of Apergy's intellectual property consists of patents, unpatented technology and proprietary information constituting trade secrets that Apergy seeks to protect in various ways, including confidentiality agreements with employees and suppliers where appropriate. In addition, a significant portion of Apergy's intangible assets relate to customer relationships. While Apergy's intellectual property and customer relationships are important to its success, the loss or expiration of any of these rights or relationships, or any group of related rights or relationships, is not likely to materially affect Apergy's results on a combined basis. Apergy believes that its commitment to continuous engineering improvements, new product development and improved manufacturing techniques, as well as strong sales, marketing and service efforts, are significant to its general leadership positions in the niche markets that it serves.

### Research and Development and Engineering

Apergy operates in markets that are characterized by changing technology and frequent new product introductions. As a result, Apergy's success is dependent on its ability to develop and introduce new technologies and products for its customers. Apergy maintains an active research, development and engineering program with a focus on developing innovative products and solutions as well as upgrading and improving existing offerings to satisfy the changing needs of its customers, expand revenue opportunities domestically and internationally, maintain or extend competitive advantages, improve product reliability and reduce production costs. Apergy believes maintaining a robust innovation pipeline will allow it to continue to win market share and increase its penetration in key markets and with key customers. Apergy spent approximately \$16.5 million and \$19.3 million on research and development and qualifying engineering activities during the years ended December 31, 2016 and 2015, respectively. Apergy intends to increase its spending on research and development, particularly given

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the market recovery in technologies that improve customer productivity and efficiency, such as automation, PDCs and high efficiency artificial lift technologies.

**Raw Materials**

Apergy uses a wide variety of raw materials, primarily metals and semi-processed or finished components. We have not historically experienced material impacts to our results due to shortages or the loss of any single supplier. Although the required raw materials are generally available, commodity pricing for metals, such as nickel, chrome, molybdenum, vanadium, manganese and steel scrap, fluctuate with the market. Although cost increases in commodities may be recovered through increased prices to customers, Apergy's operating results are exposed to such fluctuations. Apergy attempts to control such costs through short-duration fixed-price contracts with suppliers and various other programs, such as Apergy's global supply chain activities. In addition, Apergy sources material globally. This global supply chain is intended to provide Apergy with a cost-effective solution for raw materials. Our supply chain could be exposed to logistical disruptions. Apergy maintains domestic suppliers in most cases to provide temporary contingencies. Despite contingencies and back-up processes, sustained inflation and unpredictable disruptions to supply could have an adverse impact on our business.

**Regulation and Environmental and Occupational Health and Safety Matters**

Apergy's operations are subject to a variety of international, national, state and local laws and regulations, including those relating to the discharge of materials into the environment, health and worker safety, or otherwise relating to human health and environmental protection. Failure to comply with these laws or regulations may result in the assessment of administrative, civil and criminal penalties, imposition of remedial or corrective action requirements, and the imposition of injunctions to prohibit certain activities or force future compliance.

In addition, Apergy depends on the demand for its products and services from the oil and gas industry and, therefore, is affected by changing taxes, price controls and other laws and regulations relating to the oil and gas industry in general, including those specifically directed to hydraulic fracturing and onshore products. The adoption of laws and regulations curtailing exploration, drilling or production in the oil and gas industry, or the imposition of more stringent enforcement of existing regulations, could adversely affect Apergy's operations by limiting demand for Apergy's products and services or restricting Apergy's or its customers operations. For more information, see "Risk Factors—Risks Related to Apergy's Business—Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing and the potential for related litigation could result in increases costs and additional operating restrictions or delays for Apergy's customers, which could reduce demand for Apergy's products and negatively impact Apergy's business, financial condition and results of operation," "Risk Factors—Risks Related to Apergy's Business—Apergy and its customers are subject to extensive environmental and health and safety laws and regulations that may increase Apergy's costs, limit the demand for Apergy's products and services or restrict Apergy's operations. In addition, future regulations, or more stringent enforcement of existing regulations, could increase those costs and liabilities, which could adversely affect Apergy's results of operations" and "Risk Factors—Risks Related to Apergy's Business—Climate change legislation and regulatory initiatives could result in increased compliance costs for Apergy and its customers."

Apergy utilizes behavioral-based safety practices to promote a safe working environment for all its employees. On a consistent and regular basis, safety is discussed, measured and promoted in all levels of the organization. Additionally, Apergy's operations are subject to a number of federal and state laws and regulations relating to workplace safety and worker health, such as the Occupational Safety and Health Act and regulations promulgated thereunder.

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Apergy has incurred and will continue to incur operating and capital expenditures to comply with environmental, health and safety laws and regulations. Historically, there have been no material effects upon Apergy's earnings and competitive position resulting from Apergy's compliance with such laws or regulations; however, there can be no assurance that such costs will not be material in the future or that such future compliance will not have a material adverse effect on our business or operational costs.

### Employees

Apergy expects to employ approximately 3,100 persons in nine countries as of the distribution date. Approximately 67 of Apergy's employees in the United States (out of a total of approximately 107 employees who are union-eligible) are subject to collective bargaining agreements. Outside the United States, some of Apergy's employees are represented by unions or works councils. Apergy believes that it has good relations with its employees.

### Properties

Apergy's corporate headquarters is located in The Woodlands, Texas. Apergy maintains technical customer support offices and operating facilities in North America, the Middle East, Latin America and Australia.

The number, type, location and size of the properties used by Apergy's continuing operations as of December 31, 2016 are shown in the following charts, by segment:

|                                      | Number and Nature of Facilities |           |                            |       | Square Footage (in 000s) |            |
|--------------------------------------|---------------------------------|-----------|----------------------------|-------|--------------------------|------------|
|                                      | Manufacturing                   | Warehouse | Sales / Service /<br>Other | Total | Owned                    | Leased (1) |
| Production & Automation Technologies | 18                              | 73        | 45                         | 136   | 1,329                    | 2,098      |
| Drilling Technologies                | 1                               | —         | 1                          | 2     | 173                      | 11         |

|                                      | Locations     |           |       |       |
|--------------------------------------|---------------|-----------|-------|-------|
|                                      | North America | Australia | Other | Total |
| Production & Automation Technologies | 126           | 7         | 3     | 136   |
| Drilling Technologies                | 2             | —         | —     | 2     |

(1) Expiration dates on leased facilities range from 1 to 15 years.

Apergy believes that its owned and leased facilities are well-maintained and suitable for its operations.

### Legal Proceedings

Apergy and certain of its subsidiaries are also parties to a number of other legal proceedings incidental to their businesses. These proceedings primarily involve claims by private parties alleging injury arising out of use of Apergy's products, intellectual property infringement, employment matters and commercial disputes. Management and legal counsel, at least quarterly, review the probable outcome of such proceedings, the costs and expenses reasonably expected to be incurred and currently accrued to-date. Apergy has reserves for other legal matters that are probable and estimable, and at December 31, 2016 and 2015, these reserves were not significant. While it is not possible at this time to predict the outcome of these legal actions, in the opinion of management, based on the aforementioned reviews, Apergy is not currently involved in any legal proceedings which, individually or in the aggregate, could have a material effect on its financial position, results of operations, or cash flows.

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## MANAGEMENT

### Executive Officers Following the Separation

The following table sets forth information regarding Mr. Somasundaram, who will serve as Apergy's President & CEO. Apergy has not yet determined the other individuals who will serve as Apergy's executive officers following the completion of the separation. Upon Apergy's separation from Dover, none of Apergy's executive officers will continue to be employees or executive officers of Dover.

| Name                      | Age | Position                            |
|---------------------------|-----|-------------------------------------|
| Sivasankaran Somasundaram | 52  | President & Chief Executive Officer |

Sivasankaran Somasundaram will serve as Apergy's President and CEO, and is expected to serve as a member of its Board of Directors. Mr. Somasundaram currently serves as a Vice President of Dover Corporation and as President and CEO of Dover Energy, in which capacity he has acted since August 2013. Previously, Mr. Somasundaram served as Executive Vice President (from November 2011 to August 2013) of Dover Energy, Executive Vice President (from January 2010 to November 2011) of Dover Fluid Management and President (from January 2008 to December 2009) of Dover's Fluid Solutions Platform.

### Board of Directors Following the Separation

Mr. Somasundaram is expected to serve on Apergy's Board of Directors following the completion of the separation and his biographical information is set forth above under "—Executive Officers Following the Separation." Apergy has not yet determined the other individuals who will serve as members of its Board of Directors following the completion of the separation. The nominees will be presented to Apergy's sole stockholder, Dover, for election prior to the separation. Apergy may name and present additional nominees for election prior to the separation.

| Name                      | Age | Title   |
|---------------------------|-----|---|
| Sivasankaran Somasundaram | 52  | Director, President & Chief Executive Officer |

Upon completion of the separation, Apergy's Board of Directors will be initially be divided into three approximately equal classes. The directors designated as Class I directors will have terms expiring at the first annual meeting of stockholders following the distribution, which Apergy expects to hold in 2019. The directors designated as Class II directors will have terms expiring at the second annual meeting of stockholders following the distribution, which Apergy expects to hold in 2020, and the directors designated as Class III directors will have terms expiring at the third annual meeting of stockholders following the distribution, which Apergy expects to hold in 2021. Apergy expects that Class I will be comprised of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_; Class II will be comprised of \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_; and Class III will be comprised of \_\_\_\_\_ and \_\_\_\_\_. Commencing with the first annual meeting of stockholders following the separation, directors elected to succeed those directors whose terms then expire will be elected for a term of office to expire at the 2022 annual meeting.

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Beginning at the 2022 annual meeting, all of Apergy's directors will stand for election each year for annual terms, and Apergy's Board of Directors will therefore no longer be divided into three classes. Members of Apergy's Board of Directors will be elected by a plurality of the votes cast at each annual meeting of stockholders.

**Director Independence**

Apergy currently expects that, upon the consummation of the separation, its Board of Directors will consist of \_\_\_\_\_ members, a substantial majority of whom Apergy expects to satisfy the independence standards established by the Sarbanes-Oxley Act and the applicable rules of the SEC and the NYSE.

Apergy expects to make a determination of the independence of each nominee for director prior to his or her nomination for (re)election. No director may be deemed independent unless the board determines that he or she has no material relationship with Apergy, directly or as an officer, stockholder or partner of an organization that has a material relationship with Apergy.

**Committees of the Board of Directors**

Effective immediately prior to the "when-issued" trading date of Apergy common stock on the NYSE, Apergy's Board of Directors will have a standing Audit Committee, and effective upon the completion of the separation, Apergy's Board of Directors will have a standing Governance and Nominating Committee and a Compensation Committee.

***Audit Committee***

\_\_\_\_\_ is expected to be a member of the Audit Committee of Apergy's Board of Directors effective as of immediately prior to the "when-issued" trading date of Apergy common stock on the NYSE, which is expected to occur on or about \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ are expected to be members of the Audit Committee of Apergy's Board of Directors effective as of the distribution date. \_\_\_\_\_ is expected to be the Chairman of the Audit Committee effective as of the distribution date. Apergy's Board of Directors is expected to determine that each member of the Audit Committee is an "audit committee financial expert" for purposes of the rules of the SEC. In addition, Apergy expects that its Board of Directors will determine that each of the members of the Audit Committee will be independent, as defined by the rules of the NYSE, Section 10A(m)(3) of the Exchange Act, and in accordance with Apergy's Corporate Governance Guidelines. The Audit Committee will meet at least quarterly and will assist the Board of Directors in fulfilling its oversight responsibilities. The primary functions of the Audit Committee will consist of:

- selecting and engaging an independent registered public accounting firm ("independent auditors");
- overseeing the work of the independent auditors and Apergy's internal audit function;
- approving in advance all services to be provided by, and all fees to be paid to, the independent auditors, who report directly to the committee;
- overseeing the adequacy and integrity of Apergy's financial statements and its financial reporting and disclosure practices;
- reviewing with management and the independent auditors the audit plan and results of the auditing engagement; and
- reviewing with management and the independent auditors the quality and adequacy of Apergy's internal control over financial reporting.

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With respect to Apergy's reporting and disclosure matters, the responsibilities and duties of the Audit Committee will include reviewing and discussing with management and the independent auditors Apergy's annual audited financial statements and quarterly financial statements prior to inclusion in Apergy's Annual Report on Form 10-K or other public filings in accordance with applicable rules and regulations of the SEC

Apergy's Board of Directors is expected to adopt a written charter for the Audit Committee that will describe its responsibilities, authority and resources in greater detail. The charter of the Audit Committee will be posted on Apergy's website at .

***Governance and Nominating Committee***

, and are expected to be the members of the Governance and Nominating Committee of Apergy's Board of Directors. is expected to be the Chairman of the Governance and Nominating Committee. Apergy's Board of Directors is expected to determine that each of the members of the Governance and Nominating Committee will be independent, as defined by the rules of the NYSE and in accordance with Apergy's Corporate Governance Guidelines. The primary functions of the Governance and Nominating Committee will consist of:

- developing and recommending corporate governance principles to the Apergy Board of Directors;
- identifying and recommending to Apergy's Board of Directors candidates for election as directors and any changes it believes desirable in the size and composition of the Board of Directors; and
- making recommendations to Apergy's Board of Directors concerning the structure and membership of the Board committees.

Apergy's Board of Directors is expected to adopt a written charter for the Governance and Nominating Committee that will describe its responsibilities, authority and resources in greater detail. The charter of the Governance and Nominating Committee will be posted on Apergy's website at .

***Compensation Committee***

, and are expected to be the members of the Compensation Committee of Apergy's Board of Directors (the "Apergy Compensation Committee"). is expected to be the Chairman of the Apergy Compensation Committee. Apergy's Board of Directors is expected to determine that each member of the Apergy Compensation Committee will be independent, as defined by the rules of the NYSE and in accordance with Apergy's Corporate Governance Guidelines. In addition, Apergy expects that the members of the Apergy Compensation Committee will qualify as "non-employee directors" for purposes of Rule 16b-3 under the Exchange Act and as "outside directors" for purposes of Section 162(m) of the Code. The Apergy Compensation Committee, together with the independent directors on Apergy's Board of Directors, will approve the compensation of Apergy's CEO. The other primary functions of the Apergy Compensation Committee will consist of:

- approving compensation for executive officers who report directly to the CEO (together with the CEO, "senior executive officers");
- granting awards and approving payouts under Apergy's equity plans and its annual executive incentive plan;
- approving changes to Apergy's compensation plans;
- reviewing and recommending compensation for the Apergy Board of Directors;
- overseeing the succession planning and management development programs; and
- supervising the administration of the compensation plans.

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Apergy's Board of Directors is expected to adopt a written charter for the Apergy Compensation Committee that will describe its responsibilities, authority and resources in greater detail. The charter of the Apergy Compensation Committee will be posted on Apergy's website at .

**Compensation Committee Interlocks and Insider Participation**

During Apergy's fiscal year ended 2016, Apergy was not an independent company, and did not have a compensation committee or any other committee serving a similar function. Decisions as to Mr. Somasundaram's compensation in 2016 were made by the Compensation Committee of Dover's Board of Directors (the "Dover Compensation Committee").

**Corporate Governance**

Apergy is committed to conducting its business in accordance with the highest level of ethical and corporate governance standards. The Board of Directors of Apergy expects to periodically review its corporate governance practices and take other actions to address changes in regulatory requirements, developments in governance best practices and matters raised by stockholders. The following describes some of the actions Apergy expects to take to help ensure that Apergy's conduct earns the respect and trust of stockholders, customers, business partners, employees and the communities in which we live and work.

***Governance Guidelines and Codes***

In connection with the separation, the Board of Directors of Apergy will adopt written corporate governance guidelines that set forth the responsibilities of the Board and the qualifications and independence of its members and the members of its standing committees. In addition, in connection with the separation, the Board of Directors of Apergy will adopt, among other codes and policies, a code of business conduct and ethics setting forth standards applicable to all of Apergy's companies and their employees, a code of ethics for Apergy's CEO and senior financial officers, policies prohibiting Apergy's employees from buying or selling instruments to hedge against decreases in the market value of Apergy's equity securities, and charters for each of its standing committees. All of these documents (referred to collectively as "governance materials") will be available on Apergy's website at .

***Board Leadership Structure and Risk Oversight***

Apergy's Board of Directors will adopt a structure in connection with the separation whereby the Chairman of the Board of Directors is an independent director. Apergy believes that having a chairman independent of management provides strong leadership for the Board of Directors and helps ensure critical and independent thinking with respect to Apergy's strategy and performance. Apergy's CEO is also expected to serve as a member of Apergy's Board of Directors as the management representative on the Board of Directors. Apergy believes this is important to make information and insight directly available to the directors in their deliberations. This structure gives Apergy an appropriate, well-functioning balance between non-management and management directors that combines experience, accountability and effective risk oversight.

Apergy believes that risk oversight is the responsibility of the Board of Directors as a whole and not of any one of its committees. Apergy's Board of Directors will periodically review the processes established by management to identify and manage risks and communicate with management about these processes. Apergy expects to establish a risk assessment team consisting of senior executives, which annually will oversee an assessment made at the operating companies and the segments of the risk at those levels and, with that information in mind, will perform an assessment of the overall risks Apergy may face. This team is expected to reassess on a quarterly basis the list at the Apergy level, the severity of these risks and the status of efforts to mitigate them and report to Apergy's Board of Directors on that reassessment.



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***Audit Committee Procedures; Disclosure Controls and Procedures Committee***

The Audit Committee expects to hold regular quarterly meetings at which it will meet separately with each of Apergy's independent registered public accounting firm, Apergy's head of internal audit, financial management and Apergy's General Counsel to assess certain matters including the status of the independent audit process, management's assessment of the effectiveness of internal control over financial reporting and the operation and effectiveness of Apergy's compliance program. In addition, the Audit Committee, as a whole, will review and meet to discuss the contents of each Form 10-Q and review and approve the Form 10-K (including the financial statements) prior to its filing with the SEC. Management is expected to have a Disclosure Controls and Procedures Committee, which is expected to include among its members the chief financial officer and other officers of Apergy. This management committee is expected to meet at least quarterly to review Apergy's earnings release and quarterly or annual report, as the case may be, for the prior quarter and Apergy's disclosure controls and procedures.

***Complaints "Hotline"; Communication with Directors***

In accordance with the Sarbanes-Oxley Act of 2002, effective immediately after the distribution date, Apergy's Audit Committee will have established procedures for (i) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters ("accounting matters"), and (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting matters. Such complaints or concerns are expected to be able to be submitted to Apergy, care of its corporate secretary or through the communications coordinator, an external service provider, by mail, fax, telephone or via the internet as published on Apergy website in connection with the separation. The communications coordinator will forward such communications to Apergy's General Counsel without disclosing the identity of the sender if anonymity is requested. Stockholders and other interested persons may also communicate with Apergy's Board of Directors and the non-management directors in any of these same manners. Such communications will be forwarded to the chair of the Governance and Nominating Committee and Apergy's General Counsel.

***Anti-hedging and Anti-pledging Policy***

Apergy expects Apergy's Board of Directors to adopt anti-hedging and anti-pledging policies which would prohibit its employees who receive an award under its long-term incentive plan from hedging or pledging their position in Apergy stock.

***Procedures for Approval of Related Person Transactions***

While Apergy generally does not expect to engage in transactions with related persons, including its senior executive officers or directors, Apergy's Board of Directors will adopt policies and procedures regarding transactions with related persons. Such policies and procedures will provide that such transactions would be subject to review and approval by the Governance and Nominating Committee in accordance with a written policy and the procedures adopted by Apergy's Board of Directors, which will be posted on Apergy's website at .

***Compensation Consultant Independence***

It is expected that the Apergy Compensation Committee will adopt a policy to ensure the continuing independence and accountability to the committee of any advisor hired to assist the committee in the discharge of its duties. It is expected that under the policy, the Apergy Compensation Committee will annually review and pre-approve the services that may be provided by the independent advisor without further committee approval. It is expected that, to ensure independence of the compensation consultant, the consultant will report directly to the Apergy Compensation Committee and work specifically for the committee solely on compensation and benefits.

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***Qualification and Nominations of Directors***

The Governance and Nominating Committee charter that is expected to be adopted in connection with the separation will provide that the Governance and Nominating Committee considers and recommends to Apergy's Board of Directors nominees for election to, or for filling any vacancy on, Apergy's Board of Directors in accordance with its by-laws, its governance guidelines, and the committee's charter. The committee is expected to periodically review the requisite skills and characteristics of Board members as well as the size, composition, functioning and needs of Apergy's Board of Directors as a whole. To be considered for Board membership, a nominee for director must be an individual who has the highest personal and professional integrity, who has demonstrated exceptional ability and judgment, and who will be most effective, in conjunction with the other nominees to Apergy's Board of Directors, in collectively serving the long-term interests of all Apergy stockholders. The committee also considers members' qualifications as independent, the financial literacy of members of the Audit Committee, the qualification of Audit Committee members as "audit committee financial experts," and the diversity, skills, background and experiences of members of the Board of Directors in the context of the needs of the Board of Directors. The Governance and Nominating Committee may also consider such other factors as it may deem to be in the best interests of Apergy and its stockholders. Apergy believes it appropriate and important that at least one key member of Apergy's management participate as a member of Apergy's Board of Directors. In appropriate circumstances this number may be increased to two.

Whenever the committee concludes, based on the reviews or considerations described above or due to a vacancy, that a new nominee to Apergy's Board of Directors is required or advisable, it will consider recommendations from directors, management, stockholders and, if it deems appropriate, consultants retained for that purpose. In such circumstances, it will evaluate individuals recommended by stockholders in the same manner as nominees recommended from other sources. Stockholders who wish to recommend an individual for nomination should send that person's name and supporting information to the committee, care of the Corporate Secretary or through Apergy's communications coordinator. Stockholders who wish to directly nominate an individual for election as a director, without going through the Governance and Nominating Committee or using Apergy's proxy material, must comply with the procedures in Apergy's amended and restated by-laws.

**Executive Compensation**

Apergy is currently a wholly-owned subsidiary of Dover and Dover's senior management and the Dover Compensation Committee determined Apergy's past executive compensation. After the separation, the Apergy Compensation Committee and Board of Directors will determine Apergy's executive compensation.

This Executive Compensation section presents historical compensation information for Sivasankaran Somasundaram, who is expected to serve as the CEO of Apergy and who will be a named executive officer ("NEO") of Apergy. Apergy is currently in the process of determining the composition of Apergy's senior management team. As the process progresses, Apergy will include the relevant disclosure in subsequent amendments to this information statement.

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**Summary Compensation Table**

The Summary Compensation Table and notes show all remuneration paid to Mr. Somasundaram by Dover for the fiscal years ended December 31, 2017, December 31, 2016 and December 31, 2015.

| Name and Principal Position                       | Year | Salary<br>(\$) | Stock<br>Awards<br>\$(1) | Option<br>Awards<br>\$(2) | Non-Equity<br>Incentive Plan<br>Compensation<br>\$(3) | Change in<br>Pension<br>Value and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>\$(4) | All Other<br>Compensation<br>\$(5) | Total<br>(\$) |
|---|------|----------------|--------------------------|---------------------------|---|--|------------------------------------|---------------|
| Sivasankaran Somasundaram                         | 2017 | 535,000        | 549,965                  | 350,483                   |   |  |                                    |               |
| President & Chief Executive Officer, Dover Energy | 2016 | 502,000        | 550,001                  | 355,313                   | 355,000   | 222,090  | 13,832                             | 1,998,236     |
|   | 2015 | 479,167        | 549,967                  | 436,820                   | 385,000   | 161,000  | 10,676                             | 2,022,630     |

- (1) The amounts generally represent (a) the aggregate grant date fair value of performance shares granted by Dover during the year indicated, calculated in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718 and (b) the aggregate grant date fair value of Dover restricted stock unit awards granted during the year, calculated in accordance with FASB ASC Topic 718. Under FASB ASC Topic 718, the 2015, 2016 and 2017 awards were considered performance and service conditioned. The grant date fair value for the 2015 Dover performance share awards was \$73.28, the grant date fair value for the 2016 Dover performance share awards was \$57.25, and the grant date fair value for the 2017 Dover performance share awards was \$79.28, determined in accordance with FASB ASC Topic 718 using the closing price of Dover’s common stock on the date of grant.

The amounts represent the aggregate grant date fair value of Dover awards granted during the year indicated, calculated in accordance with FASB ASC Topic 718 and do not correspond to the actual value that might be realized by the NEOs. The grant date fair value of Dover restricted stock unit awards was calculated in accordance with FASB ASC Topic 718 using the assumptions set forth in the footnotes to the Combined Financial Statements included elsewhere in this information statement. All Dover restricted stock unit grants were eligible for dividend equivalent payments which are paid upon vesting. For a discussion of the assumptions relating to calculation of the cost of equity awards granted in 2015 and 2016, see Note 11 to the Combined Financial Statements included elsewhere in this information statement.

The performance share awards granted in 2017 are considered performance conditioned awards as attainment is based on Dover’s performance relative to established internal metrics. The fair value of these awards was determined using the closing price of Dover’s common stock on the date of grant. The expected attainment of the internal metrics for the performance share awards issued in 2017 is analyzed each reporting period, and the related expense is adjusted based on expected attainment, if that attainment differs from previous estimates.

The fair value of the RSUs granted in 2017 was determined using the closing price of Dover’s common stock on the date of grant.

- (2) The amounts represent the aggregate grant date fair value of Dover Stock-Settled Stock Appreciation Rights (“SSARs”) awards granted during the year indicated, calculated in accordance with FASB ASC Topic 718, and do not correspond to the actual value that may be realized by the NEOs. For a discussion of the assumptions relating to the calculation of the cost of the SSARs granted in 2015 and 2016, see Note 11 to the Combined Financial Statements contained elsewhere in this information statement.

Dover used the Black-Scholes option pricing model to determine the fair value on the date of grant of each SSAR award granted in 2017. Expected volatilities are based on Dover’s common stock price history, including implied volatilities from traded options on Dover common stock. Dover uses historical data to estimate SSAR exercise and employee termination patterns within the valuation model. The expected life of SSARs granted is derived from the output of the option valuation model and represents the average period of time that SSARs granted are expected to be outstanding. The interest rate for periods within the contractual life of the SSARs is based on the U.S. Treasury yield curve in effect at the time of grant.

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The assumptions used in determining the fair value of the SSARs awarded in 2017 were as follows:

|                                       |         |
|---------------------------------------|---------|
| Risk-free interest rate               | 1.80%   |
| Dividend yield                        | 2.27%   |
| Expected life (years)                 | 4.6     |
| Volatility                            | 21.90%  |
| Grant price                           | \$79.28 |
| Fair value per share at date of grant | \$12.63 |

- (3) Amounts generally represent payments under Dover's Annual Incentive Plan (the "Dover AIP") for the year indicated, for which payments were made in the first quarter of the following year. The 2017 amount has not been determined as of the date of this filing. The Company expects the Dover Compensation Committee to make such determination in February 2018.
- (4) Amounts represent changes in present value of accumulated benefits under Dover's pension plan and/or Pension Replacement Plan (the "Dover PRP") during the year indicated. The 2017 amount has not been determined as of the date of this filing. The Company expects to make such determination in February 2018.
- (5) The 2017 amounts have not been determined as of the date of this filing. The Company expects to make such determination in February 2018. The amounts for 2016 are due to \$9,275 in 401(k) matching contributions, as well as dividends received on Dover restricted stock units. The amounts for 2015 are due to \$9,100 in 401(k) matching contributions, as well as dividends received on Dover restricted stock units.

### **Narrative Disclosure to Summary Compensation Table**

#### **Executive Employment Arrangements**

Mr. Somasundaram does not have an individual employment agreement with us or with Dover.

#### **2017 Annual Incentive Plan**

Mr. Somasundaram participated in the Dover AIP in 2017. An annual bonus may be earned each year under the Dover AIP based on an individual's performance against both financial and individual strategic goals.

For 2017, 60% of Mr. Somasundaram's annual bonus was based on the achievement of financial performance criteria. The other 40% of the annual bonus was based on the achievement of individual strategic objectives designed to create long-term value for Dover stockholders, which portion of the annual bonus was subject to a cap if established revenue and EBITDA margin targets were not achieved.

Under the Dover AIP, executives can achieve anywhere between 0% and 200% of their target bonus. However, above-target payout is only earned for performance that is significantly above the targeted performance.

#### *2017 AIP Funding*

The Dover AIP is funded for purposes of Section 162(m) of the Code, by the achievement of an earnings per share ("EPS") goal, as determined under the Dover AIP. Achievement of Dover's EPS target allows maximum bonuses to be paid, subject to the negative discretion of the Dover Compensation Committee in determining the final bonuses. Achievement below the target reduces the bonus pool by 1% for every 1% below target; achievement above target does not increase the bonus pool. The final 2017 AIP funding pool achievement has not been determined as of the date of this filing. The Company expects the Dover Compensation Committee to make such determination in February 2018.

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*2017 AIP Financial Results Performance*

Targets under the Dover AIP are set at the segment level for Dover’s segment NEOs such as Mr. Somasundaram. The financial targets listed below will be utilized to determine the 60% of Mr. Somasundaram’s bonus tied to financial results. Mr. Somasundaram’s achievement of financial performance criteria for 2017 has not been determined as of the date of this filing. The Company expects the Dover Compensation Committee to make such determination in February 2018.

|  | 2017 Targets   |           | 2017 Results |           |
|--|----------------|-----------|--------------|-----------|
|  | In \$ millions |           |              |           |
|  | Sales          | EBITDA(1) | Sales        | EBITDA(1) |
| Dover Energy—Sivasankaran Somasundaram | 1,270          | 276       | —            | —         |

(1) EBITDA refers to earnings before interest, taxes, depreciation and amortization.

*2017 AIP Individual Strategic Objective Performance*

For 2017, each of Dover’s NEOs, including Mr. Somasundaram, had unique strategic objectives that will be utilized to determine 40% of their annual incentive. Dover’s CEO developed strategic goals for his direct reports, including Mr. Somasundaram, which focused on measurable accomplishments in their individual areas of responsibility that would also benefit Dover’s stockholders over the long term. The Dover Compensation Committee has not determined Mr. Somasundaram’s achievement of his individual strategic goals as of the date of this filing. The Company expects the Dover Compensation Committee to make such determination in February 2018.

*2017 AIP Target Performance and Payout*

Mr. Somasundaram’s achievement of financial performance and individual strategic objectives and his AIP payout for 2017 have not been determined as of the date of this filing. The Company expects the Dover Compensation Committee to make such determination in February 2018.

**Going forward:** Apergy expects that Apergy will have an AIP bonus program for its executives. The Apergy Compensation Committee will determine the executives who participate in the AIP, determine the target bonus amounts for each participant, set the specific performance targets for the AIP bonuses and determine the final AIP bonus amounts to be paid to participants.

**2017 Long-Term Incentive Compensation**

The following table summarizes the components of Dover’s 2017 long-term incentive plan (“LTIP”) and the related performance criteria for awards granted in 2017 to Dover’s NEOs, including Mr. Somasundaram. All components of Dover’s 2017 LTIP awards are paid in stock rather than cash.

| LTIP COMPONENT                          | PERFORMANCE CRITERIA                          | VESTING OR EXERCISE PERIOD   |
|---|---|--|
| STOCK SETTLED STOCK APPRECIATION RIGHTS | Market Price of Dover’s Common Stock          | SSARs are not exercisable until three years after grant; they remain exercisable for another seven years |
| RESTRICTED STOCK UNITS                  | Market Price of Dover’s Common Stock          | Awards vest ratably over three years   |
| PERFORMANCE SHARES                      | iTSR (EBITDA growth and cash flow generation) | Performance shares   |

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In 2017, Mr. Somasundaram’s LTIP award was comprised 50% of SSARs, 30% of performance shares and 20% of restricted stock units.

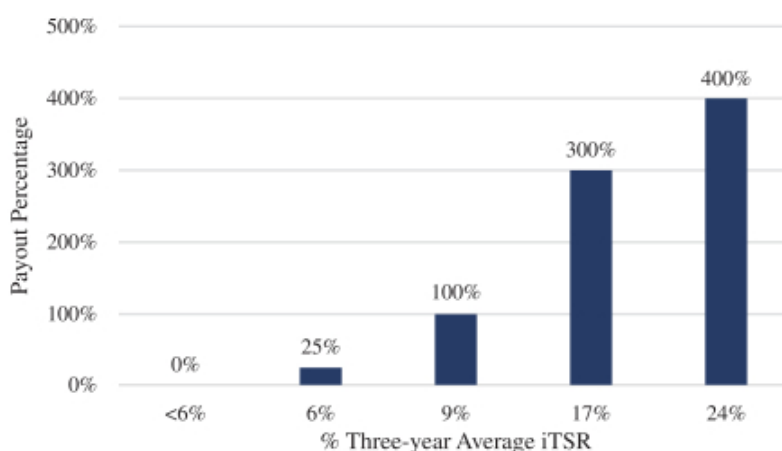
**Going forward:** Apergy anticipates that Apergy will have a long-term incentive plan and that awards made under that plan will be equity-based. In connection with the separation, Apergy anticipates that outstanding Dover performance share awards held by Apergy NEOs will be cancelled.

*Performance Shares & iTSR*

*Definition of iTSR.* iTSR measures the change in enterprise value over a three-year period. EBITDA is assigned a multiple based on prevailing market multiples among industrial companies. iTSR tracks the change in that EBITDA-based value, along with operational free cash flow (defined as operating cash flow less capital spending, less cash used for acquisitions, plus cash received from divestitures) generated during the three-year performance period. The two together work similarly to an external TSR measure: the EBITDA-based value becomes a proxy for share price, and operational free cash flow becomes a proxy for dividends.

*iTSR Targets, Threshold and Cap Levels.* Awards are earned three years after the grant, provided iTSR exceeds a threshold level. No payouts will be made unless iTSR equals or exceeds 6%. The payout to any individual may not exceed 500,000 shares.

Payouts of performance shares are made on a sliding scale using the following formula:



*Stock Settled Stock Appreciation Rights*

SSARs vest on the third anniversary of the grant date. Once SSARs vest, an NEO may exercise them any time prior to the expiration date, which is the tenth anniversary of the grant date. The proceeds from the exercise are paid to the NEO in the form of shares of Dover common stock.

*Illustration of SSARs Exercise:*

|  |       |
|--|-------|
| Base Price/Exercise Price:                     | \$ 60 |
| Fair Market Value (“FMV”) on date of exercise: | \$ 80 |
| Number of SSARs Granted:                       | 100   |

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| EXERCISE STEP       | Gain in Value                       | Total Value after Exercise         | Total Shares Awarded post Exercise* |
|---------------------|-------------------------------------|------------------------------------|-------------------------------------|
| CALCULATION FORMULA | FMV—Exercise Price                  | Gain in Value x<br>Number of SSARs | Total Value ÷ FMV                   |
| RESULT              | \$80—\$60 = \$20<br>(\$20 per SSAR) | \$20 x 100 = \$2,000               | \$2,000 ÷ \$80 = 25                 |

\* Subject to tax withholding.

*Restricted Stock Units*

Restricted stock unit grants vest ratably over three years. Executives do not actually own the shares underlying the units, nor enjoy the benefits of ownership such as dividends and voting, until the vesting conditions are satisfied. Once vested, the NEO receives shares of Dover stock equivalent in number to the vested units and receives a cash amount equal to accrued dividends during the vesting period, net of withholding taxes.

**Treatment of outstanding Dover equity awards:** Effective as of the separation, Apergy anticipates that the Dover SSAR and restricted stock unit awards previously granted to Apergy’s NEOs will be converted to corresponding Apergy equity awards under the new Apergy long-term incentive plan. In general, Apergy anticipates that each award will be subject to the same terms and conditions as were in effect prior to the separation. Apergy anticipates that outstanding performance shares held by Apergy’s NEOs will be cancelled as of the separation. In addition, it is expected that Apergy’s NEOs will receive new Apergy equity-based awards.

**Outstanding Equity Awards at Fiscal Year-End 2017**

Dover awards listed below with grant dates beginning in 2013 were made under the Dover Corporation 2012 Equity and Cash Incentive Plan (the “Dover LTIP”). Awards listed below with grant dates between 2006 through 2012 were made under the Dover Corporation 2005 Equity and Cash Incentive Plan (the “2005 Dover Plan”). All equity awards outstanding as of February 28, 2014 were adjusted as a result of the spin-off of Knowles Corporation to preserve the value of the awards in accordance with the Employee Matters Agreement, dated February 28, 2014, between Dover and Knowles Corporation.

| Name                      | Option Awards   |   |                            |                        | Stock Awards  |  |  |  |
|---------------------------|---|---|----------------------------|------------------------|---|--|--|--|
|                           | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested (\$) |
| Sivasankaran Somasundaram |   | 27,750(1)   | 79.28                      | 2/10/2027              |   |  |  |  |
|                           |   | 38,428(2)   | 57.25                      | 2/11/2026              |   |  |  |  |
|                           |   | 30,022(3)   | 73.28                      | 2/12/2025              |   |  |  |  |
|                           | 24,239(4)   |   | 82.51                      | 3/10/2024              |   |  |  |  |
|                           | 14,211(5)   |   | 63.33                      | 2/14/2023              |   |  |  |  |
|                           | 15,620(6)   |   | 57.62                      | 2/9/2022               |   |  |  |  |
|                           | 15,336(7)   |   | 58.69                      | 2/10/2021              |   |  |  |  |
|                           | 23,816(8)   |   | 37.79                      | 2/11/2020              |   |  |  |  |
|                           |   |   |                            |                        | 2,775(9)  | 280,247(12)  | 16,648(13)   | 1,681,281(16)  |
|                           |   |   |                            |                        | 2,562(10)   | 258,736(12)  | 23,056(14)   | 2,328,425(16)  |
|                           |   |   |                            |                        | 1,001(11)   | 101,091(12)  | 18,012(15)   | 1,819,032(16)  |

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- (1) SSARs granted on February 10, 2017 that are not exercisable until February 10, 2020.
- (2) SSARs granted on February 11, 2016 that are not exercisable until February 11, 2019.
- (3) SSARs granted on February 12, 2015 that are not exercisable until February 12, 2018.
- (4) SSARs granted on March 10, 2014 that became exercisable on March 10, 2017.
- (5) SSARs granted on February 14, 2013 that became exercisable on February 14, 2016.
- (6) SSARs granted on February 9, 2012 that became exercisable on February 9, 2015.
- (7) SSARs granted on February 10, 2011 that became exercisable on February 10, 2014.
- (8) SSARs granted on February 11, 2010 that became exercisable on February 11, 2013.
- (9) Unvested portion of Dover restricted stock units granted on February 10, 2017. The units vest in three equal annual installments beginning on March 15, 2018.
- (10) Unvested portion of Dover restricted stock units granted on February 11, 2016. The units vest in three equal annual installments beginning on March 15, 2017.
- (11) Unvested portion of Dover restricted stock units granted on February 12, 2015. The units vest in three equal annual installments beginning on February 12, 2016.
- (12) The amount reflects the number of unvested Dover restricted stock units multiplied by \$100.99, the closing price of Dover's common stock on December 29, 2017.
- (13) Dover performance shares granted on February 10, 2017 become payable after December 31, 2019 subject to the achievement of the applicable performance goal. The amount reflected in the table represents the number of shares payable based on the achievement of the maximum level of performance (400%).
- (14) Dover performance shares granted on February 11, 2016 become payable after December 31, 2018 subject to the achievement of the applicable performance goal. The amount reflected in the table represents the number of shares payable based on achievement of the maximum level of performance (400%).
- (15) Dover performance shares granted on February 12, 2015 become payable after December 31, 2017 subject to the achievement of the applicable performance goal. The amount reflected in the table represents the number of Dover shares payable based on achievement of the maximum level of performance (400%). Performance has not been determined as of the date of this filing. The Company expects the Dover Compensation Committee to make such determination in February 2018.
- (16) The amount reflects the number of performance shares payable based on achievement of the maximum level of performance multiplied by \$100.99, the closing price of Dover's common stock on December 29, 2017.

### **Executive Severance Policies**

Dover has an executive severance plan (the "Dover Severance Plan") and senior executive Change in Control ("CIC") Severance Plan (the "Dover CIC Severance Plan"). The Dover Severance Plan creates a consistent and transparent severance policy for determining benefits for all similarly-situated executives and formalizes Dover's current executive severance practices. All of Dover's executives, including Mr. Somasundaram, are eligible to participate in the Dover Severance Plan. The Dover CIC Severance Plan likewise establishes a consistent policy regarding double-trigger CIC severance payments based on current market practices. The Dover CIC Severance Plan applies to all executives who are subject to Dover's senior executive shareholding guidelines on the date of a CIC (as defined in such plan), including Mr. Somasundaram. Each of the Dover Severance Plan and the Dover CIC Severance Plan gives Dover the right to recover amounts paid to an executive under the plan as required under any clawback policy of Dover as in effect from time to time or under applicable law. The Dover 2005 Plan, the Dover LTIP and Dover's other benefit plans each has its own provisions relating to rights and obligations under the plan upon termination.

No Dover executive may receive severance benefits under more than one plan or arrangement. If Dover determines that (i) any payment or distribution to an executive in connection with CIC, whether under the Dover CIC Severance Plan or otherwise, would be subject to excise tax as an excess parachute payment under the Code and (ii) the executive would receive a greater net-after-tax amount by reducing the amount of the severance payment, Dover will reduce the severance payments made under the Dover CIC Severance Plan to the maximum amount that might be paid (but not less than zero) without the executive becoming subject to the excise tax. The Dover CIC Severance Plan does not provide any gross-up for excise taxes.



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Under the Dover Severance Plan, Mr. Somasundaram would be entitled to the following payments in the event of non-CIC involuntary termination without “cause”, as defined in the plan:

- Twelve (12) months’ salary continuation plus an amount equal to the pro rata portion of the annual bonus paid for the prior year, subject to the Dover Compensation Committee’s discretion to reduce the payment amount.
- A monthly amount equal to the then cost of COBRA health continuation coverage based on the level of health care coverage in effect on the termination date, if any, for the lesser of 12 months or the period that the executive receives COBRA benefits.

Under the Dover CIC Severance Plan, Mr. Somasundaram will be entitled to receive the following severance payments if, within 18 months after a CIC, either his employment is terminated by Dover without “cause” or he terminates employment for “good reason,” as such terms are defined in the plan:

- A lump sum payment equal to 2.0 multiplied by the sum of (i) his annual salary on the termination date or the CIC date, whichever is higher, and (ii) his target annual incentive bonus for the year in which the termination or the date of the CIC occurs, whichever is higher; and
- A lump sum payment equal to the then cost of COBRA health continuation coverage, based on the level of health care coverage in effect on the termination date, if any, for one year.

Under the Dover LTIP, upon a CIC of Dover (as defined in the Dover LTIP) and if, within 18 months following the date of the CIC, the participant’s employment is either involuntarily terminated other than for cause, death or disability, such that the participant is no longer employed by a Dover company or an event or condition that constitutes “good reason” under the LTIP occurs, and the participant subsequently resigns for good reason within applicable time limits and other applicable requirements under the LTIP:

- All Dover options and Dover SSARs immediately vest upon the date of termination and become exercisable in accordance with the terms of the applicable award agreement;
- All Dover cash performance and performance share awards will be deemed to have been earned “at target” as if the performance target had been achieved and such awards will immediately vest and become immediately due and payable on the date of termination; and
- All outstanding restrictions, including any performance targets, on Dover restricted stock or Dover restricted stock unit awards will immediately vest or expire on the date of termination, and be deemed to have been satisfied or earned “at target” as if the performance targets, if any, have been achieved, and the award will become immediately due and payable on the date of termination.

In the event of a CIC in which a participant’s outstanding awards are impaired in value or rights as determined solely in the discretion of Dover’s “continuing directors” (as defined in the LTIP), are not assumed by a successor corporation or an affiliate thereof, or are not replaced with an award or grant that, solely in the discretion of Dover’s continuing directors, will preserve the existing value of the outstanding awards at the time of the CIC:

- All outstanding Dover options and Dover SSARs will immediately vest on the date of the CIC and become exercisable in accordance with the terms of the applicable award agreement;
- All outstanding Dover performance share awards and cash performance awards will immediately vest and become due and payable on the date of the CIC as follows: the performance period of each such award will terminate on the last day of the month prior to the month in which the CIC occurs; the participant will be entitled to a cash or stock payment, the amount of which will be determined in

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accordance with the LTIP and the applicable award agreement prorated based on the number of months in the performance period which have passed prior to the CIC as compared to the total number of months in the original performance period; and

- All outstanding restrictions, including any performance targets with respect to any Dover options, Dover SSARs, Dover restricted stock or Dover restricted stock unit awards will immediately vest or expire on the date of the CIC and be deemed to have been satisfied or earned at “target” as if the performance targets, if any, have been achieved and such awards will become immediately due and payable on the date of the CIC.

Each person granted an award under the Dover 2005 Plan or Dover LTIP is deemed to agree that, upon a tender or exchange offer, proxy solicitation or other action seeking to effect a CIC of Dover, he or she will not voluntarily terminate employment with Dover or any of its companies and, unless terminated by Dover, will continue to render services to Dover until the person seeking to effect a CIC of Dover has abandoned, terminated or succeeded in such person’s efforts to effect the CIC.

Under the Dover PRP, upon a CIC, each participant will become entitled to receive the actuarial value of the participant’s benefit accrued through the date of the CIC. Under the Dover deferred compensation plan, amounts deferred under the plan will continue to accrue any earnings and will be payable in accordance with the elections made by the executive officer.

**Going forward:** Apergy anticipates that Apergy will offer executive severance and CIC benefits similar to Dover.

## **Employee Benefit Plans**

### **401(k), Pension Plan and Health & Wellness Plans**

Mr. Somasundaram is able to participate in retirement and benefit plans generally available to Dover’s employees on the same terms as other employees. Dover and most of its businesses offer a 401(k) plan to substantially all U.S.-based employees and provide a Dover matching contribution denominated as a percentage of the amount of salary deferred into the plan by a participant during the course of the year. Some of Dover’s U.S.-based employees also participate in a tax-qualified defined benefit pension plan. Effective December 31, 2013, Dover closed both its qualified and non-qualified defined benefit retirement plans to new employees. Dover intends to freeze any future benefit accruals in both plans effective December 31, 2023. All of Dover’s U.S.-based employees are offered a health and wellness plan (including health, term life and disability insurance). Mr. Somasundaram does not receive enhanced health and wellness benefits.

### **Non-Qualified Retirement Plans**

Dover offers two non-qualified plans with participation generally limited to individuals whose annual salary and bonus earnings exceed the IRS limits applicable to its qualified plans: the Dover PRP and the Dover deferred compensation plan. Effective as of 2016, participation in the Dover deferred compensation plan is open to employees with an annual salary equal to or greater than \$175,000.

Mr. Somasundaram participates in the Dover PRP. After December 31, 2009, benefits under the Dover PRP before offsets are determined using the benefit calculation and eligibility criteria as under the pension plan, except that IRS limits on compensation and benefits do not apply. Prior to December 31, 2009, the participants in the Dover PRP accrued benefits greater than those offered in the Dover pension plan. Effective January 1, 2010, Dover modified this plan so that executives subject to IRS compensation limits will accrue future benefits that

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are substantially the same as benefits under the Dover pension plan. Individuals who participated in the Dover PRP prior to January 1, 2010 will receive benefits calculated under the prior benefit formula through December 31, 2009 and benefits calculated under the lower Dover PRP benefit formula on and after January 1, 2010. Amounts receivable by the executives under the Dover PRP are reduced by any amounts receivable by them under the Dover pension plan, any qualifying profit sharing plan, Dover-paid portion of social security benefits, and the amounts of the Dover match in its 401(k) plan.

Effective December 31, 2013, the Dover PRP was closed to new employees. All eligible employees as of December 31, 2013 will continue to earn Dover PRP benefits through December 31, 2023 as long as they remain employed by Dover and its affiliates. Effective December 31, 2023, Dover intends to eliminate any future benefit accruals consistent with the freezing of benefit accruals under the pension plan.

Dover offers a deferred compensation plan to allow participants to elect to defer their receipt of some or all of their salary, bonuses and any payout of a cash performance award. Mr. Somasundaram is eligible to participate in this plan. The plan permits Dover executive officers to defer receipt of part of their compensation to later periods and facilitates tax planning for the participants. Effective January 1, 2014, the Dover deferred compensation plan was amended to provide for certain matching and additional contributions for participants who do not also participate in the Dover PRP. PRP Participants are not eligible for matching or additional contributions under the Dover deferred compensation plan. Participants are not guaranteed any particular return on deferrals.

**Going forward:** Apergy anticipates that Apergy's executive officers will participate in retirement and benefits plans generally available to other Apergy employees on the same terms as other employees. Apergy adopted 401(k) and health and wellness benefits plans for Apergy employees effective January 1, 2018 and anticipates adopting other retirement and benefits plans for certain Apergy employees in 2018.

**Directors' Compensation**

Apergy's non-employee directors will receive annual compensation in an amount Apergy's Board of Directors will set from time to time. The compensation will be payable partly in cash and partly in Apergy common stock, in an allocation Apergy's Board of Directors may adjust from time to time. Additional information regarding directors' compensation will be provided in a subsequent amendment to the registration statement of which this information statement forms a part.

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## **CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

### **Procedures for Approval of Related Person Transactions**

Apergy expects that it will generally not engage in transactions in which Apergy's senior executive officers or directors, any of their immediate family members or any of Apergy's stockholders owning 5% or more of Apergy's outstanding shares of common stock have a material interest. Should a proposed transaction or series of similar transactions involve any such persons in an amount that exceeds \$120,000, it will be subject to review and approval by the Governance and Nominating Committee in accordance with a written policy and the procedures adopted by Apergy's Board of Directors in effect as of the distribution date, which Apergy expects will be available with the governance materials on Apergy's website at .

Under the procedures in effect following the distribution date, management will determine whether a proposed transaction requires review under the policy and, if so, will present the transaction to the Governance and Nominating Committee. The Governance and Nominating Committee will review the relevant facts and circumstances of the transaction and approve or reject the transaction. If the proposed transaction is immaterial or it is impractical or undesirable to defer the proposed transaction until the next committee meeting, the chair of the committee will decide whether to (i) approve the transaction and report the transaction at the next meeting or (ii) call a special meeting of the committee to review and approve the transaction. Should the proposed transaction involve the Chief Executive Officer or enough members of the Governance and Nominating Committee to prevent a quorum, the disinterested members of the committee will review the transaction and make a recommendation to Apergy's Board of Directors, and disinterested members of the Board will then approve or reject the transaction. Under the procedures in effect following the distribution date, no director may participate in the review of any transaction in which he or she is a related person.

### **The Distribution by Dover**

Dover will distribute all of its shares of Apergy's common stock to holders of Dover's common stock entitled to such distribution, as described in "The Separation and Distribution" section included elsewhere in this information statement. Completion of the distribution will be subject to satisfaction or waiver of the conditions to the separation and distribution, as described in "The Separation and Distribution—Conditions to the Distribution" section included elsewhere in this information statement.

### **Agreements with Dover**

Following the separation and distribution, Apergy and Dover will operate separately, each as an independent public company. Prior to the separation and distribution, Apergy and Dover will enter into a separation and distribution agreement and several other agreements with Dover to effect the separation and provide a framework for Apergy's relationship with Dover after the separation. These agreements will govern the relationships between Dover and Apergy subsequent to the completion of the separation and provide for the allocation between Apergy and Dover of Dover's and Apergy's assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after Apergy's separation from Dover. In addition to the separation and distribution agreement (which contains many of the key provisions related to Apergy's separation from Dover and the distribution of Apergy's shares of common stock to Dover stockholders), these agreements include:

- the transition services agreement;
- the tax matters agreement; and
- the employee matters agreement.

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Forms of the material agreements described below have been filed as exhibits to the registration statement of which this information statement forms a part, and the summaries below set forth material terms of such agreements. The summaries of the material agreements are qualified in their entireties by reference to the full text of the applicable agreements, which are incorporated by reference into this information statement.

The terms of the agreements described below that will be in effect following the separation have not yet been finalized; changes to these agreements, some of which may be material, may be made prior to Apergy's separation from Dover. No changes may be made after Apergy's separation from Dover without Apergy's consent.

***The Separation and Distribution Agreement***

The separation and distribution agreement will set forth Apergy's agreement with Dover regarding the principal transactions necessary to separate Apergy from Dover. It will also set forth other agreements that govern certain aspects of Apergy's relationship with Dover after the completion of the separation plan. The parties intend to enter into the separation and distribution agreement immediately before the distribution of Apergy's common stock to Dover stockholders.

*Transfer of Assets and Assumption of Liabilities.* The separation and distribution agreement will identify assets to be transferred, liabilities to be assumed and contracts to be assigned to each of Apergy and Dover as part of the reorganization of Dover, and will describe when and how these transfers, assumptions and assignments will occur. In particular, the separation and distribution agreement will provide that, subject to the terms and conditions contained in the separation and distribution agreement:

- Assets exclusively related to and liabilities (including whether accrued, contingent or otherwise) to the extent relating to the Apergy businesses will be retained by or transferred to Apergy or one of Apergy's subsidiaries.
- All assets (including whether accrued, contingent or otherwise) of Dover, other than the Apergy assets, and all liabilities (including whether accrued, contingent or otherwise) to the extent relating to Dover's retained business, will be retained by or transferred to Dover or one of its subsidiaries (other than Apergy or one of Apergy's subsidiaries).
- Liabilities (including whether accrued, contingent or otherwise) related to, arising out of or resulting from businesses of Dover that were previously terminated or divested will be allocated among the parties to the extent formerly owned or managed by, or associated with, such parties or their respective businesses.
- Each party or one of its subsidiaries will assume or retain any liabilities (including under applicable federal and state securities laws) relating to, arising out of or resulting from any registration statement or similar disclosure document filed by it relating to the registration, sale or distribution of any security after the separation (including periodic disclosure obligations).
- Each party or one of its subsidiaries will assume or retain any liabilities (including under applicable federal and state securities laws) relating to, arising out of or resulting from any registration statement or similar disclosure document relating to the registration, sale or distribution of any security prior to the separation (including periodic disclosure obligations) to the extent such liabilities arise out of, or result from, matters related to businesses or operations allocated to such party in the separation.
- Dover will assume or retain any liability relating to, arising out of or resulting from any registration statement or similar disclosure document related to the separation (including the Form 10 and this

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information statement), but only to the extent such liability derives from a material misstatement or omission contained in certain portions of this information statement that relate to Dover; Apergy will assume or retain any other liability relating to, arising out of or resulting from any registration statement or similar disclosure document related to the separation (including the Form 10 and this information statement).

- Except as otherwise provided in the separation and distribution agreement or any ancillary agreement, all out-of-pocket costs and expenses incurred by Dover or Apergy in connection with the separation will be paid by the party incurring such cost and expense.

The allocation of liabilities with respect to taxes, except for payroll taxes and reporting and other tax matters expressly covered by the employee matters agreement, are solely covered by the tax matters agreement.

Except as may expressly be set forth in the separation and distribution agreement or any ancillary agreement, all assets will be transferred on an “as is,” “where is” basis and the respective transferees will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in the transferee good title, free and clear of any security interest, that any necessary consents or governmental approvals are not obtained and that any requirements of laws, contracts or judgments are not complied with.

Information in this information statement with respect to the assets and liabilities of the parties following the separation is presented based on the allocation of such assets and liabilities pursuant to the separation and distribution agreement, unless the context otherwise requires. Certain of the liabilities and obligations to be assumed by one party or for which one party will have an indemnification obligation under the separation and distribution agreement and the other agreements relating to the separation are, and following the separation may continue to be, the legal or contractual liabilities or obligations of the other party. Each such party that continues to be subject to such legal or contractual liability or obligation will rely on the applicable party that assumed the liability or obligation or the applicable party that undertook an indemnification obligation with respect to the liability or obligation, as applicable, under the separation and distribution agreement, to satisfy the performance and payment obligations or indemnification obligations with respect to such legal or contractual liability or obligation.

*Further Assurances.* To the extent that any transfers of assets or assumptions of liabilities contemplated by the separation and distribution agreement have not been consummated on or prior to the date of the distribution, the parties will agree to cooperate and use commercially reasonable efforts to effect such transfers or assumptions as promptly as reasonably practicable following the date of the distribution. In addition, each of the parties will agree to cooperate with each other and use commercially reasonable efforts to take or to cause to be taken all actions, and to do, or to cause to be done, all things reasonably necessary under applicable law or contractual obligations to consummate and make effective the transactions contemplated by the separation and distribution agreement and the ancillary agreements.

*The Distribution.* The separation and distribution agreement will also govern the rights and obligations of the parties regarding the proposed distribution. Prior to the distribution, Apergy will distribute to Dover a stock dividend, or Dover and Apergy will take such other actions, so that, in either case, Dover holds a sufficient number of shares of Apergy’s common stock to effect the distribution as described in this information statement. Subject to the conditions and other terms of the separation and distribution agreement, on the distribution date, Dover will cause its agent to distribute to Dover stockholders as of the record date for the distribution all the issued and outstanding shares of Apergy’s common stock held by Dover immediately prior to the distribution date based on the distribution ratio of one share of Apergy’s common stock for every \_\_\_\_\_ shares of Dover’s common stock. Dover will have the sole and absolute discretion to determine (and change) the terms of, and

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whether to proceed with, the distribution and, to the extent it determines to so proceed, to determine the date of the distribution.

*Conditions.* The separation and distribution agreement will provide that the distribution is subject to several conditions that must be satisfied or waived by Dover in its sole discretion. For further information regarding the conditions relating to Apergy's separation from Dover, see the section entitled "The Separation and Distribution—Conditions to the Distribution."

*Releases and Indemnification.* Except as otherwise provided in the separation and distribution agreement or any ancillary agreement, each party will release and forever discharge the other party and its subsidiaries, affiliates and other related parties from all liabilities existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the distribution. The releases will not extend to obligations or liabilities under any agreements between the parties that remain in effect following the separation pursuant to the separation and distribution agreement or any ancillary agreement. In addition, the separation and distribution agreement will provide for cross-indemnities that, except as otherwise provided in the separation and distribution agreement, are principally designed to place financial responsibility for the obligations and liabilities of Apergy's business with Apergy and financial responsibility for the obligations and liabilities of Dover's business with Dover. Specifically, each party will, and will cause its subsidiaries and affiliates to, indemnify, defend and hold harmless the other party, its affiliates and subsidiaries and each of its officers, directors, employees and agents for any losses arising out of or otherwise in connection with:

- the liabilities each such party assumed or retained pursuant to the separation and distribution agreement; and
- any breach by such party of the separation and distribution agreement or any ancillary agreement.

Indemnification with respect to taxes will be governed solely by the tax matters agreement.

*Legal Matters.* Except as otherwise set forth in the separation and distribution agreement (or as further described below), each party to the separation and distribution agreement will assume the liability for, and control of, all pending, threatened and future legal matters related to its own business or assumed or retained liabilities and will indemnify the other party for any liability arising out of or resulting from such assumed legal matters. With respect to any third party claims that implicate both Dover and Apergy (or their respective subsidiaries) the applicable parties will use commercially reasonable efforts to cooperate in defending any such claims. Subject to certain conditions, Dover may elect to have exclusive control of any actions pending at the time of the distribution that relate to the business, assets or liabilities of Apergy and also relate to the business, assets or liabilities of Dover and Dover or its subsidiaries are named as a target or defendant thereunder.

*Insurance.* Apergy will be responsible for obtaining and maintaining Apergy's own insurance coverage and will no longer be an insured party under Dover's insurance policies following the separation, except that, to the extent reasonably possible, Apergy will continue to have coverage under shared policies for claims arising out of insured events that occurred prior to the distribution.

*Dispute Resolution.* If a dispute arises with Dover under the separation and distribution agreement, the general counsels of the parties and such other representatives as the parties may designate will negotiate to resolve any such dispute for a reasonable period of time. If the parties are unable to resolve the dispute in this manner then, unless otherwise agreed by the parties and except as otherwise set forth in the separation and distribution agreement, the dispute will be resolved through binding arbitration.

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*Term/Termination.* Prior to the distribution date, Dover has the unilateral right to terminate or modify the separation and distribution agreement. After the effective time of the distribution, the term of this agreement is indefinite and it may only be terminated with the prior written consent of Dover and Apergy.

*Other Matters.* Other matters governed by the separation and distribution agreement include access to financial and other information, intellectual property, confidentiality, access to and provision of records and treatment of outstanding guarantees and similar credit support.

***Transition Services Agreement***

Prior to Apergy's separation from Dover, Apergy will enter into a transition services agreement with Dover to provide for an orderly transition to being an independent company. Under the transition services agreement, Dover will agree to provide Apergy with various services, which may include services relating to human resources, benefits administration, pension administration, payroll, tax compliance and information technology services.

Apergy will pay a fee to Dover for any services utilized under the transition services agreement at an agreed amount as set forth in the agreement, which fee is generally intended to allow Dover to recover all of its direct and indirect costs, generally without profit. The transition services agreement is being prepared in the context of a parent-subsidiary relationship and in the context of the separation of Dover into two companies. All services to be provided under the transition services agreement will be provided for a specified period of time. After the expiration of the arrangements contained in the transition services agreement, Apergy may not be able to replace these services in a timely manner or on terms and conditions, including cost, as favorable as those Apergy has received from Dover. Apergy is developing a plan to increase its own internal capabilities in the future to reduce its reliance on Dover for these services. Apergy will have the right to receive reasonable information with respect to the charges to it by Dover and other service providers for transition services provided by them.

***Tax Matters Agreement***

Dover and Apergy will enter into a tax matters agreement prior to the distribution which will generally govern the respective rights, responsibilities and obligations of Dover and Apergy after the distribution with respect to taxes for any tax period ending on or before the distribution date, tax periods beginning before and ending after the distribution date, and tax periods beginning after distribution date. Generally, Dover and Apergy will each be liable for all pre-distribution U.S. federal income taxes, foreign income taxes and non-income taxes imposed on them or any of their subsidiaries (determined following the distribution). The tax matters agreement will provide that Apergy is generally liable for taxes incurred by Dover that may arise if Apergy takes, or fails to take, as the case may be, certain actions that may result in the distribution failing to meet the requirements of a tax-free distribution under Section 355 of the Code.

***Employee Matters Agreement***

Prior to Apergy's separation from Dover, Apergy will also enter into an employee matters agreement with Dover. The employee matters agreement will allocate assets, liabilities and responsibilities relating to employee compensation and benefit plans and programs and other related matters in connection with the separation, including the treatment of outstanding incentive awards and certain retirement and welfare benefit obligations, both inside and outside of the United States. The treatment of outstanding Dover equity awards and other material provisions of the employee matters agreement will be described in a subsequent amendment to the registration statement of which this information statement forms a part.



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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Before the distribution, all of the outstanding shares of Apergy’s common stock will be owned beneficially and of record by Dover. After the distribution, Dover will not directly or indirectly own any shares of Apergy’s common stock. The following tables sets forth information with respect to the expected beneficial ownership of Apergy’s common stock, upon the distribution, by (1) each person who Apergy believes will be a beneficial owner of 5% or more of Apergy’s outstanding common stock, (2) each identified director or director nominee and Named Executive Officer of Apergy and (3) all of Apergy’s identified directors, director nominees and identified executive officers as a group. Apergy based the share amounts on each person’s beneficial ownership of Dover’s common stock as of \_\_\_\_\_, unless Apergy indicates some other basis for the share amounts, and applied a distribution ratio of one share of Apergy’s common stock for every \_\_\_\_\_ shares of Dover common stock. Apergy will not issue fractional shares of its common stock in the distribution, and the number of shares calculated below have been reduced to the extent that cash payments are to be made in lieu of the issuance of fractional shares of Apergy’s common stock.

Except as otherwise noted in the footnotes below, each person or entity identified below is expected to have sole voting and investment power with respect to such securities. Following the distribution, Apergy is expected to have outstanding an aggregate of approximately \_\_\_\_\_ million shares of common stock based upon approximately \_\_\_\_\_ million shares of Dover common stock outstanding on \_\_\_\_\_, excluding treasury shares and assuming no exercise, vesting or settlement of Dover equity awards in shares of Dover common stock, and applying the distribution ratio of one share of Apergy’s common stock for every \_\_\_\_\_ shares of Dover common stock. The percentage of the class of Apergy’s common stock expected to be beneficially owned upon the distribution listed for each such stockholder is calculated based on the number of shares of Apergy’s common stock expected to be beneficially owned by such stockholder upon the distribution, divided by an aggregate of approximately \_\_\_\_\_ million shares of common stock Apergy is expected to have outstanding following the distribution. The actual number of shares of Apergy common stock outstanding immediately following the distribution will be determined on the record date.

To the extent Apergy’s directors and executive officers own Dover’s common stock as of the record date for the distribution, they will participate in the distribution on the same terms as other holders of Dover’s common stock.

The number of shares beneficially owned by each stockholder, director, director nominee or executive officer is determined according to the rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose.

**Holdings of Major Stockholders**

The following table sets forth information regarding each stockholder who is expected, immediately following the distribution, to beneficially own more than 5% of Apergy’s common stock (calculated based on such stockholder’s Schedule 13G filing with the SEC with respect to Dover common stock as of the date of the event which required such filing):

| <u>Name and Address of Beneficial Owner</u> | <u>Shares of Apergy’s Common Stock to be Beneficially Owned Upon the Distribution</u> | <u>% of Class</u> |
|---|---|-------------------|
| _____                                       | _____   | _____             |
| _____                                       | _____   | _____             |

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**Holdings of Directors and Executive Officers**

The following table sets forth the number of shares of Apergy's common stock beneficially owned, based on the amount of each person's beneficial ownership of Dover's common stock as of \_\_\_\_\_, by (1) each identified director, director nominee and Named Executive Officer of Apergy and (2) all of Apergy's identified directors, director nominees and identified executive officers as a group. The address of each person shown in the table below is c/o Apergy Corporation, 2445 Technology Forest Blvd., Building 4, 9<sup>th</sup> Floor, The Woodlands, Texas 77381.

| <u>Name and Address of Beneficial Owner</u>                  | <u>Shares of Apergy's<br/>Common Stock to be<br/>Beneficially Owned<br/>Upon the Distribution</u> | <u>% of Class</u> |
|--|---|-------------------|
| Sivasankaran Somasundaram                                    |   |                   |
|  |   |                   |
| Directors and executive officers as a group ( _____ persons) |   |                   |

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## THE SEPARATION AND DISTRIBUTION

### Background

On December 7, 2017, Dover announced its intention to pursue a plan to separate certain assets and liabilities comprising a substantial portion of Dover's upstream energy businesses within its Energy segment.

In furtherance of this plan, on \_\_\_\_\_, the Dover Board of Directors approved the distribution of all of the issued and outstanding shares of Apergy's common stock on the basis of one share of Apergy's common stock for every \_\_\_\_\_ shares of Dover's common stock held as of the close of business on \_\_\_\_\_, the record date.

On \_\_\_\_\_, the distribution date, each Dover stockholder will receive one share of Apergy common stock for every \_\_\_\_\_ shares of Dover common stock held at the close of business on the record date, as described below. Dover stockholders will receive cash in lieu of any fractional shares of Apergy's common stock which they would have received after application of this ratio. You will not be required to make any payment, surrender or exchange your Dover common stock or take any other action to receive your shares of Apergy's common stock in the distribution.

The distribution of Apergy's common stock as described in this information statement is subject to the satisfaction or waiver of certain conditions. For a more detailed description of these conditions, see this section under "—Conditions to the Distribution."

### Reasons for the Separation

The Dover Board of Directors determined that the separation of Apergy's business from the remainder of Dover's businesses would be in the best interests of Dover and its stockholders and approved the plan of separation. A wide variety of factors were considered by the Dover Board of Directors in evaluating the separation. Among other things, the Dover Board of Directors considered the following potential benefits of the separation:

- *Enhanced strategic and management focus*—The separation will allow each company to more effectively pursue its own distinct operating priorities and strategies, and will enable the management of both companies to pursue separate opportunities for long-term growth and profitability, and to recruit, retain and motivate employees pursuant to compensation policies which are appropriate for their respective lines of business.
- *More efficient allocation of capital*—The separation will permit each company to concentrate its financial resources solely on its own operations, providing greater flexibility to invest capital in its business in a time and manner appropriate for its distinct strategy and business needs. This will facilitate a more efficient allocation of capital.
- *Distinct investment identity*—Dover's Board of Directors believes that Dover's businesses and Apergy's businesses appeal to different types of investors with different industry focuses, investment goals and risk profiles. Dover and Apergy have different investment and business characteristics, including different opportunities for growth, capital structures, business models and financial returns. The separation will enable investors to evaluate the merits, performance and future prospects of each company's businesses and to invest in each company separately based on these distinct characteristics.
- *Independent Equity Structure*—The separation will create an independent equity structure that will afford Apergy direct access to capital markets and will facilitate the ability to capitalize on its unique

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growth opportunities and effect future acquisitions utilizing, among other types of consideration, shares of its common stock. Furthermore, an independent structure should enable each company to provide equity incentive compensation arrangements for its key employees that are directly related to the market performance of each company's common stock. Dover's Board of Directors believes such equity-based compensation arrangements should provide enhanced incentives for performance, and improve the ability for each company to attract, retain and motivate qualified personnel.

Neither Dover nor Apergy can assure you that, following the separation, any of the benefits described above or otherwise will be realized to the extent anticipated or at all.

The Dover Board of Directors also considered a number of potentially negative factors in evaluating the separation, including the following:

- *Loss of synergies and increased costs*—Apergy estimates that its annual post-separation corporate overhead costs and public company expenses will be approximately \$35 million, which is approximately \$16 million higher than the expenses allocated from Dover in the combined financial statements for the year ended December 31, 2016. This increase is due to estimated incremental costs required to operate as a stand-alone public company and anticipated dissynergies due to operational separation and loss of scale. For example, as a current part of Dover, Apergy takes advantage of Dover's size and consolidated purchasing power in procuring certain goods and services (including professional services). After the separation, as a separate, independent entity, Apergy may be unable to obtain these goods, services and technologies at prices or on terms as favorable as those Dover obtained prior to the separation. Apergy may also incur costs for certain functions previously performed by or shared with Dover, such as accounting, tax, finance, legal, human resources, information technology, back-office services, other general and administrative functions and regional management, that are higher than the amounts reflected in Apergy's historical financial statements, which could cause Apergy's profitability to decrease. The impact of certain costs and dissynergies of operational separation are difficult to quantify, and Apergy's estimate of annual post-separation corporate overhead costs and public company expenses involves significant risks, judgments, uncertainties and assumptions that could cause actual results to differ materially from management's estimates. See "Cautionary Statement Concerning Forward-Looking Statements."
- *Disruptions to the business as a result of the separation*—The actions required to separate Dover's and Apergy's respective businesses could disrupt Apergy's operations. For example, the energy and focus required to complete the separation could require substantial time and attention from Apergy's management team, thereby distracting management's attention from the management and operations of Apergy's business.
- *Increased significance of certain costs and liabilities*—In addition to the increase in anticipated annual post-separation corporate overhead costs and public company expenses from historical allocations, certain costs and liabilities that were otherwise less significant to Dover as a whole will be more significant for Apergy as a stand-alone company. This is due to the smaller relative size of Apergy as compared to Dover.
- *One-time costs of the separation*—Apergy will incur certain one-time costs in connection with the transition to being a stand-alone public company that may include accounting, tax, legal and other professional services costs, recruiting and relocation costs associated with hiring key senior management personnel new to Apergy, costs to separate information systems, costs relating to entering into new financing arrangements and one-time rebranding costs. Apergy anticipates that such one-time costs will be in the range of \$            million to \$            million.

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- *Inability to realize anticipated benefits of the separation*—Apergy may not achieve the anticipated benefits of the separation for a variety of reasons, including, among others: (a) the separation will require significant amounts of management’s time and effort, which may divert management’s attention from operating and growing Apergy’s business; (b) following the separation, Apergy may be more susceptible to market fluctuations and other events particular to one or more of Apergy’s products than if it were still a part of Dover; and (c) following the separation, Apergy’s business will be less diversified than Dover’s business prior to the separation.
- *Limitations on Apergy as a result of the tax matters agreement*—The ability of Apergy to engage in certain mergers and equity transactions could be limited or restricted for a two-year period following the spin-off in order to preserve the tax-free nature of the spin-off. See “Risk Factors—Risks Related to the Separation—Apergy may not be able to engage in certain corporate transactions after the separation.”

Notwithstanding these costs and risks, and taking into account the factors discussed above, the Dover Board of Directors concluded that the spin-off provided the best opportunity to achieve the above benefits and enhance stockholder value. However, neither Dover nor Apergy can assure you that, following the separation, any of the benefits described above or otherwise will be realized to the extent anticipated or at all.

As part of its review of strategic alternatives for the separation of its upstream energy businesses, the Dover Board of Directors considered a number of options, including a tax-free spin-off, sale or other strategic combination. Upon completing this assessment, the Dover Board of Directors determined that a tax-free spin-off was the option that would create the best long-term results for the businesses and the most value for shareholders.

**Formation of a Holding Company Prior to the Distribution**

In connection with and prior to the distribution, Dover formed Apergy as a Delaware corporation for the purpose of transferring to Apergy certain assets and liabilities, including any entities holding assets and liabilities, comprising a substantial portion of Dover’s upstream energy businesses within its Energy segment.

**The Number of Shares of Apergy’s Common Stock You Will Receive**

If you are a holder of Dover’s common stock as of the close of business on \_\_\_\_\_, the record date for the distribution, you will be entitled to receive one share of Apergy’s common stock for every \_\_\_\_\_ shares of Dover’s common stock that you hold at the close of business on such date. Dover will not distribute any fractional shares of Apergy’s common stock to its stockholders. Instead, Computershare Inc. and Computershare Trust Company, N.A. will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the aggregate cash proceeds (net of discounts and commissions) of the sales pro rata (based on the fractional share such holder would otherwise have been entitled to receive) to each holder who otherwise would have been entitled to receive a fractional share in the distribution. Computershare Inc. and Computershare Trust Company, N.A., in their sole discretion, without any influence by Dover or Apergy, will determine when, how, through which broker-dealer and at what price to sell the whole shares. Any broker-dealer used by the transfer agent will not be an affiliate of either Dover or Apergy. Neither Apergy nor Dover will be able to guarantee any minimum sale price in connection with the sale of these shares. Recipients of cash in lieu of fractional shares will not be entitled to any interest on the amounts of payment made in lieu of fractional shares.

The aggregate net cash proceeds of these sales will be taxable for U.S. federal income tax purposes. See the section entitled “Material U.S. Federal Income Tax Consequences” for an explanation of the material U.S.

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federal income tax consequences of the distribution. If you hold physical certificates for Dover's common stock and are the registered holder, you will receive a check from the distribution agent in an amount equal to your pro rata share of the aggregate net cash proceeds of the sales. Apergy estimates that it will take approximately two weeks from the distribution date for the distribution agent to complete the distributions of the aggregate net cash proceeds. If you hold your Dover common stock through a bank or brokerage firm, your bank or brokerage firm will receive, on your behalf, your pro rata share of the aggregate net cash proceeds of the sales and will electronically credit your account for your share of such proceeds.

**When and How You Will Receive the Distribution**

With the assistance of the distribution agent, the distribution of Apergy's common stock is expected to occur after the close of trading on the NYSE on \_\_\_\_\_, the distribution date, to all holders of outstanding Dover's common stock as of the close of business on \_\_\_\_\_, the record date. Computershare Trust Company N.A. and Computershare Inc. will serve as the distribution agent in connection with the distribution, and Computershare Trust Company N.A. will serve as the transfer agent and registrar for Apergy's common stock. Dover stockholders will receive cash in lieu of any fractional shares of Apergy's common stock which they would have been entitled to receive.

If you own Dover's common stock as of the close of business on the record date, Apergy's common stock that you are entitled to receive in the distribution will be issued electronically, as of the distribution date, to you or to your bank or brokerage firm on your behalf in direct registration or book-entry form. If you are a registered holder, Computershare Inc. or Computershare Trust Company, N.A. will then mail you a direct registration account statement that reflects your shares of Apergy's common stock. If you hold your shares through a bank or brokerage firm, your bank or brokerage firm will credit your account for the shares. "Direct registration form" refers to a method of recording share ownership when no physical share certificates are issued to stockholders, as is the case in this distribution. Commencing on or shortly after the distribution date, if you hold physical share certificates that represent your Dover common stock and you are the registered holder of the shares represented by those certificates, the distribution agent will mail to you an account statement that indicates the number of shares of Apergy's common stock that have been registered in book-entry form in your name. If you sell Dover's common stock in the "regular-way" market up to and including the distribution date, you will be selling your right to receive shares of Apergy's common stock in the distribution.

Most Dover stockholders hold their common stock through a bank or brokerage firm. In such cases, the bank or brokerage firm would be said to hold the shares in "street name" and ownership would be recorded on the bank or brokerage firm's books. If you hold your Dover common stock through a bank or brokerage firm, your bank or brokerage firm will credit your account for the Apergy common stock that you are entitled to receive in the distribution. If you have any questions concerning the mechanics of having shares held in "street name," please contact your bank or brokerage firm.

**Transferability of Shares You Receive**

Shares of Apergy's common stock distributed to holders in connection with the distribution will be transferable without registration under the Securities Act, except for shares received by persons who may be deemed to be Apergy affiliates. Persons who may be deemed to be Apergy affiliates after the distribution generally include individuals or entities that control, are controlled by or are under common control with Apergy, which may include certain of Apergy executive officers, directors or principal stockholders. Securities held by Apergy affiliates will be subject to resale restrictions under the Securities Act. Apergy affiliates will be permitted to sell shares of Apergy's common stock only pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act, such as the exemption afforded by Rule 144 under the Securities Act.

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**Results of the Distribution**

After its separation from Dover, Apergy will be an independent, publicly-traded company. The actual number of shares to be distributed will be determined as of the close of business on \_\_\_\_\_, the record date for the distribution, and will reflect any exercise of Dover options or other equity awards between \_\_\_\_\_, the date the Dover Board of Directors declares the distribution, and the record date for the distribution. The distribution will not affect the number of Dover’s outstanding common stock or any rights of Dover’s stockholders. Dover will not distribute any fractional shares of Apergy’s common stock.

Before the distribution, Apergy will enter into a separation and distribution agreement and other agreements with Dover to effect the separation and provide a framework for Apergy relationship with Dover after the separation. These agreements will provide for the allocation between Dover and Apergy of Dover’s assets, liabilities and obligations (including employee benefits, intellectual property and tax-related assets and liabilities) attributable to periods prior to Apergy’s separation from Dover and will govern certain relationships between Dover and Apergy after the separation. For a more detailed description of these agreements, see the section entitled “Certain Relationships and Related Person Transactions.”

**Market for Apergy’s Common Stock**

There is currently no public trading market for Apergy’s common stock. Apergy intends to apply to have its common stock listed on the NYSE under the symbol “\_\_\_\_\_.” Apergy has not and will not set the initial price of its common stock. The initial price will be established by the public markets.

Apergy cannot predict the price at which its common stock will trade after the distribution. In fact, the combined trading prices, after the separation, of the shares of Apergy’s common stock that each Dover stockholder will receive in the distribution and the Dover common stock held at the record date may not equal the “regular-way” trading price of a share of Dover’s common stock immediately prior to the separation. The price at which Apergy’s common stock trades may fluctuate significantly, particularly until an orderly public market develops. Trading prices for Apergy’s common stock will be determined in the public markets and may be influenced by many factors. See the section entitled “Risk Factors—Risks Related to Apergy’s Common Stock.”

**Trading Between the Record Date and Distribution Date**

Beginning at least one trading day prior to the record date and continuing up to and including through the distribution date, Dover expects that there will be two markets in Dover’s common stock: a “regular-way” market and an “ex-distribution” market. Shares of Dover’s common stock that trade on the “regular-way” market will trade with an entitlement to Apergy’s common stock distributed pursuant to the separation. Dover’s common stock that trade on the “ex-distribution” market will trade without an entitlement to Apergy’s common stock distributed pursuant to the distribution. Therefore, if you sell Dover’s common stock in the “regular-way” market up to and including the distribution date, you will be selling your right to receive Apergy’s common stock in the distribution. If you own Dover’s common stock at the close of business on the record date and sell those shares on the “ex-distribution” market up to and including the distribution date, you will receive the shares of Apergy’s common stock that you are entitled to receive pursuant to your ownership as of the record date of the Dover common stock.

Furthermore, Apergy expects that beginning at least one trading day prior to the record date and continuing up to and including the distribution date there will be a “when-issued” market in its common stock. “When-issued” trading refers to a sale or purchase made conditionally because the security has been authorized but not

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yet issued. The “when-issued” trading market will be a market for Apergy’s common stock that will be distributed to holders of Dover’s common stock on the distribution date. If you owned Dover’s common stock at the close of business on the record date, you would be entitled to Apergy’s common stock distributed pursuant to the distribution. You may trade this entitlement to shares of Apergy’s common stock, without the Dover common stock you own, on the “when-issued” market. On the first trading day following the distribution date, “when-issued” trading with respect to Apergy’s common stock will end, and “regular-way” trading will begin.

**Conditions to the Distribution**

Apergy expects that the distribution will be effective on \_\_\_\_\_, the distribution date, provided that, among other conditions described in this information statement, the following conditions shall have been satisfied or, if permissible under the separation and distribution agreement, waived by Dover:

- The SEC will have declared effective the registration statement of which this information statement forms a part, and no stop order relating to the registration statement will be in effect.
- The NYSE will have approved the listing of Apergy’s common stock on the NYSE, subject to official notice of issuance.
- Dover will have received either (i) the IRS Ruling together with an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code, and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code or (ii) an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the distribution will qualify as a tax-free distribution to Dover’s shareholders under Section 355 of the Code.
- All permits, registrations and consents required under the securities or blue sky laws of states or other political subdivisions of the United States or of other foreign jurisdictions in connection with the distribution will have been received.
- No order, injunction, or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the separation, distribution or any of the related transactions will be in effect, pending, threatened or issued.
- The reorganization and separation of the Dover and Apergy businesses prior to the distribution will have been effectuated in all material respects.
- The Board of Directors of Dover will have declared the distribution and approved all related transactions.
- Apergy and Dover will have entered into certain agreements in connection with the separation and distribution and Apergy will have entered into certain financing arrangements prior to or concurrent with the separation.
- All governmental approvals necessary to consummate the distribution will have been received.
- The Board of Directors of Dover will have received an opinion from an independent appraisal firm confirming the solvency of Dover and Apergy after the distribution and Dover’s compliance with surplus requirements under Delaware law.
- No events or developments shall have occurred or exist that, in the sole and absolute judgment of the Dover Board of Directors, make it inadvisable to effect the distribution or would result in the distribution and related transactions not being in the best interest of Dover or its stockholders.



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Dover and Apergy cannot assure you that any or all of these conditions will be met and Dover may waive any of the conditions to the distribution to the extent such waiver is permitted by applicable law. The fulfillment of the foregoing conditions does not create any obligations on Dover's part to effect the distribution, and the Dover Board of Directors has reserved the right, in its sole discretion, to amend, modify or abandon the distribution and related transactions at any time prior to the distribution date.

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**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following is a summary of the material U.S. federal income tax consequences of the contribution by Dover of the assets of the Apergy businesses to Apergy and the distribution by Dover of Apergy's shares to Dover's stockholders (i.e., the separation). This summary is based on the Code, the Treasury Regulations promulgated thereunder, and judicial and administrative interpretations thereof, all as in effect as of the date of this information statement and all of which are subject to differing interpretations and may change at any time, possibly with retroactive effect. Any such change could affect the tax consequences described below. This summary assumes that the separation will be consummated in accordance with the Separation and Distribution Agreement and as described in this information statement.

This summary is limited to holders of shares of Dover's common stock that are U.S. Holders, as defined immediately below, and thus does not apply to a holder that is not a U.S. Holder. For purposes of this summary, a U.S. Holder is a beneficial owner of Dover's common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, if (1) a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (2) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable U.S. Treasury Regulations.

This summary does not purport to be a complete description of all U.S. federal income tax consequences of the separation, nor does it address the consequences to stockholders subject to special treatment under the U.S. federal income tax laws, such as:

- dealers or traders in securities or currencies;
- tax-exempt entities;
- cooperatives;
- banks, trusts, financial institutions, or insurance companies;
- persons who acquired shares of Dover's common stock pursuant to the exercise of employee stock options or otherwise as compensation;
- stockholders who own, or are deemed to own, at least 10% or more, by voting power or value, of Dover equity;
- holders owning Dover's common stock as part of a position in a straddle or as part of a hedging, conversion, constructive sale, synthetic security, integrated investment, or other risk reduction transaction for U.S. federal income tax purposes;
- certain former citizens or former long-term residents of the United States;
- holders who are subject to the alternative minimum tax; or
- persons that own Dover's common stock through partnerships or other pass-through entities.

This summary does not address the U.S. federal income tax consequences to Dover stockholders who do not hold shares of Dover's common stock as a capital asset. Moreover, this summary does not address any state, local, or foreign tax consequences or any estate, gift or other non-income tax consequences.

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If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds shares of Dover's common stock, the tax treatment of a partner in that partnership generally will depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to the tax consequences of the distribution.

**YOU SHOULD CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE SPECIFIC U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE SEPARATION IN LIGHT OF YOUR PARTICULAR CIRCUMSTANCES, WHICH CONSEQUENCES MAY DIFFER FROM THOSE DESCRIBED IN THIS INFORMATION STATEMENT (THESE DIFFERENCES MAY INCLUDE, AMONG OTHERS, TREATING THE DISTRIBUTION AS A TAXABLE TRANSACTION UNDER APPLICABLE NON-U.S. TAX LAWS), AND THE EFFECT OF POSSIBLE CHANGES IN LAW THAT MIGHT AFFECT THE TAX CONSEQUENCES DESCRIBED IN THIS INFORMATION STATEMENT.**

*Treatment of the Separation*

It is a condition to the completion of the distribution that Dover receive either (i) the IRS Ruling together with an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code, and the distribution will qualify as a tax-free distribution to Dover's shareholders under Section 355 of the Code or (ii) an opinion of McDermott Will & Emery LLP, tax counsel to Dover, substantially to the effect that, among other things, the contribution and the distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code and the distribution will qualify as a tax-free distribution to Dover's shareholders under Section 355 of the Code. Even if the IRS Ruling is obtained, Dover does not currently intend to complete the transaction if it has not also obtained a tax opinion because, as a result of the IRS's ruling policy as in effect for purposes of the IRS Ruling, the IRS will not rule on whether a distribution satisfies certain critical requirements necessary to obtain tax-free treatment under the Code. Specifically, the IRS will not rule that a distribution was effected for a valid business purpose, that a distribution does not constitute a device for the distribution of earnings and profits, or that a distribution is not part of a plan described in Section 355(e) of the Code. Consequently, the IRS Ruling (if obtained) will be based on representations made to the IRS by Dover that these requirements have been satisfied. In addition, although the IRS Ruling (if obtained) generally would be binding on the IRS, the IRS Ruling will be based on certain facts and assumptions, and certain representations and undertakings from Dover and Apergy that certain necessary conditions to obtain tax-free treatment under the Code have been satisfied. If any of the facts, representations, assumptions, or undertakings described or made in connection with the IRS Ruling (if obtained) are not correct, are incomplete or have been violated, the IRS Ruling (if obtained) could be revoked retroactively or modified by the IRS.

Dover expects to obtain a tax opinion from McDermott Will & Emery LLP that will be based on an analysis of all of the requirements necessary to obtain tax-free treatment under the Code, including those as to which the IRS will not rule. As noted above, the opinion is expected to conclude that, among other things, the contribution and distribution, taken together, will qualify as a tax-free reorganization for U.S. federal income tax purposes under Section 368(a)(1)(D) of the Code, and the distribution will qualify as a tax-free distribution to Dover's shareholders under Section 355 of the Code.

Assuming the separation qualifies as tax-free under Sections 368(a)(1)(D) and 355 of the Code, for U.S. federal income tax purposes:

- no gain or loss will be recognized by Dover or Apergy as a result of the separation except for possible gain or loss arising out of the internal restructuring transactions undertaken in connection with the separation and with respect to certain items required to be taken into account under U.S. Treasury Regulations relating to consolidated U.S. federal income tax returns;

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- no gain or loss will be recognized by, or be includible in the income of, a U.S. Holder of Dover's common stock solely as a result of the receipt of Apergy's common stock in the distribution, except with respect to any cash received in lieu of a fractional share of Apergy's common stock (as described below);
- the aggregate tax basis of the shares of Dover's common stock and shares of Apergy's common stock in the hands of each Dover stockholder immediately after the distribution (including any fractional share interest in Apergy's common stock for which cash is received) will be the same as the aggregate tax basis of the shares of Dover's common stock held by such holder immediately before the distribution, allocated between the shares of Dover's common stock and shares of Apergy's common stock in proportion to their relative fair market values immediately following the distribution;
- the holding period with respect to shares of Apergy's common stock received by each Dover stockholder (including any fractional share interest in Apergy's common stock for which cash is received) will include the holding period of such stockholder's shares of Dover's common stock, provided that such shares of Dover's common stock are held as a capital asset immediately following the distribution; and
- a Dover stockholder who receives cash in lieu of a fractional share of Apergy's common stock in the distribution will be treated as having sold such fractional share for cash, and will recognize capital gain or loss in an amount equal to the difference between the amount of cash received and the stockholder's adjusted tax basis in the fractional share. That gain or loss will be long-term capital gain or loss if the stockholder's holding period for its shares of Dover's common stock exceeds one year at the time of the distribution.

Dover stockholders that have acquired different blocks of Dover's common stock at different times or at different prices should consult their tax advisors regarding the allocation of their aggregate adjusted basis among, and their holding period of, Apergy's shares distributed with respect to such blocks of Dover's common stock.

Any tax opinion received from outside tax counsel to Dover is not expected to be issued until after the date of this information statement. An opinion of counsel represents counsel's best legal judgment based on current law and is not binding on the IRS or any court. Apergy cannot assure you that the IRS will agree with the conclusions set forth in any tax opinion, and it is possible that the IRS or another tax authority could adopt a position contrary to one or all of those conclusions and that a court could sustain that contrary position. If any of the facts, representations, assumptions, or undertakings described or made in connection with the IRS Ruling (if obtained) or any tax opinion are not correct, are incomplete or have been violated, the IRS Ruling (if obtained) could be revoked retroactively or modified by the IRS, and Apergy's ability to rely on such tax opinion could be jeopardized. Apergy is not aware of any facts or circumstances, however, that would cause these facts, representations, or assumptions to be untrue or incomplete, or that would cause any of these undertakings to fail to be complied with, in any material respect.

Notwithstanding receipt by Dover of the IRS Ruling (if obtained) and the opinion of tax counsel, the IRS could assert that the distribution does not qualify for tax-free treatment for U.S. federal income tax purposes. If the IRS were successful in taking this position, Dover stockholders and Dover could be subject to significant U.S. federal income tax liability. In general, Dover would recognize gain in an amount equal to the excess, if any, of the fair market value of Apergy's common stock distributed to Dover stockholders on the distribution date over Dover's tax basis in such shares. In addition, each Dover stockholder that receives shares of Apergy's common stock in the separation could be treated as receiving a taxable distribution from Dover in an amount equal to the fair market value of Apergy's common stock that was distributed to the stockholder, which generally would be taxed as a dividend to the extent of the stockholder's pro rata share of Dover's current and accumulated

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earnings and profits, including Dover's taxable gain, if any, on the distribution, then treated as a non-taxable return of capital to the extent of the stockholder's basis in the Dover stock and thereafter treated as capital gain from the sale or exchange of Dover stock. Also, if the IRS were successful in taking this position, Apergy might be required to indemnify Dover under the circumstances set forth in the tax matters agreement, and such indemnification obligation could materially adversely affect Apergy's financial position.

Under the tax matters agreement between Dover and Apergy, Dover will agree to make protective elections under Section 336(e) of the Code for Apergy and some or all of its domestic subsidiaries with respect to the distribution. If, notwithstanding the IRS Ruling (if obtained) and the opinion of tax counsel, the distribution fails to qualify as tax-free under Section 355 of the Code, the Section 336(e) elections would generally cause deemed sales of the assets of Apergy and its electing subsidiaries, causing the Dover group to recognize a gain to the extent the fair market value of the assets exceeded the basis of Apergy and its electing subsidiaries in such assets. In such case, to the extent that Dover is responsible for the resulting transaction taxes, Apergy generally would be required under the tax matters agreement to make periodic payments to Dover equal to the tax savings arising from a "step up" in the tax basis of Apergy's assets.

Even if the separation otherwise qualifies for tax-free treatment under Sections 368(a)(1)(D) and 355 of the Code, the separation may result in corporate level taxable gain to Dover under Section 355(e) of the Code if 50% or more, by vote or value, of Apergy's stock or Dover's stock is treated as acquired or issued as part of a plan or series of related transactions that includes the distribution. For this purpose, any acquisitions of Dover's common stock or Apergy's common stock within the period beginning two years before the distribution and ending two years after the distribution are presumed to be part of such a plan but such presumption may be rebutted. If an acquisition or issuance of Apergy's stock or Dover's stock triggers the application of Section 355(e) of the Code, Dover would recognize taxable gain as described above, but the distribution would be tax-free to each Dover stockholder; however, Apergy may be required to indemnify Dover for all or a portion of the resulting tax arising from an acquisition or issuance of Apergy's stock pursuant to the tax matters agreement to be entered into in connection with the separation. For a description of the tax matters agreement, see the section entitled "Certain Relationships and Related Person Transactions—Agreements with Dover—Tax Matters Agreement."

U.S. Treasury Regulations require certain stockholders that receive stock in a distribution to attach a detailed statement setting forth certain information relating to the distribution to their respective U.S. federal income tax returns for the year in which the distribution occurs. Within a reasonable period after the distribution, Dover will provide stockholders who receive Apergy's common stock in the distribution with the information necessary to comply with such requirement. In addition, all stockholders are required to retain permanent records relating to the amount, basis, and fair market value of Apergy's common stock received in the distribution and to make those records available to the IRS upon request of the IRS.

**THE FOREGOING IS A SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. THE FOREGOING DOES NOT PURPORT TO ADDRESS ALL U.S. FEDERAL INCOME TAX CONSEQUENCES OR TAX CONSEQUENCES THAT MAY ARISE UNDER THE TAX LAWS OF OTHER JURISDICTIONS OR THAT MAY APPLY TO PARTICULAR CATEGORIES OF STOCKHOLDERS, WHICH CONSEQUENCES MAY DIFFER FROM THOSE DESCRIBED IN THE FOREGOING (THESE DIFFERENCES MAY INCLUDE, AMONG OTHERS, TREATING THE DISTRIBUTION AS A TAXABLE TRANSACTION UNDER APPLICABLE NON-U.S. TAX LAWS). EACH DOVER STOCKHOLDER SHOULD CONSULT ITS TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION TO SUCH STOCKHOLDER, INCLUDING THE APPLICATION OF U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS AND THE EFFECT OF POSSIBLE CHANGES IN TAX LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED ABOVE.**

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**DESCRIPTION OF INDEBTEDNESS**

Information regarding Apergy's indebtedness following its separation from Dover will be provided in subsequent amendments to the registration statement of which this information statement forms a part.

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## DESCRIPTION OF APERGY CAPITAL STOCK

*Apergy's certificate of incorporation and by-laws will be amended and restated prior to the separation. The following is a summary of the material terms of Apergy's capital stock that will be contained in the amended and restated certificate of incorporation and by-laws. The summaries and descriptions below do not purport to be complete statements of the relevant provisions of the certificate of incorporation or of the by-laws to be in effect at the time of the distribution. The summary is qualified in its entirety by reference to these documents, which you should read (along with the applicable provisions of Delaware law) for complete information on Apergy's capital stock at the time of the distribution. The certificate of incorporation and by-laws to be in effect at the time of the distribution will be included as exhibits to the registration statement on Form 10, of which this information statement is a part.*

### Authorized Capital Stock

Immediately following the distribution, Apergy's authorized capital stock will consist of \_\_\_\_\_ shares of common stock, par value \$0.01 per share, and \_\_\_\_\_ shares of preferred stock, par value \$0.01 per share.

### Common Stock

Immediately following the distribution, Apergy expects that approximately \_\_\_\_\_ million shares of its common stock will be issued and outstanding based upon approximately \_\_\_\_\_ million shares of Dover's common stock outstanding as of \_\_\_\_\_. All outstanding shares of Apergy's common stock, when issued, will be fully paid and non-assessable.

Each holder of Apergy's common stock will be entitled to one vote for each share on all matters to be voted upon by the common stockholders. The holders of Apergy's common stock will not be entitled to cumulative voting of their shares in elections of directors. Subject to any preferential rights of any outstanding preferred stock, holders of Apergy's common stock will be entitled to receive ratably the dividends, if any, as may be declared from time to time by its Board of Directors out of funds legally available for that purpose. If there is a liquidation, dissolution or winding up of Apergy, holders of its common stock would be entitled to ratable distribution of its assets remaining after the payment in full of liabilities and any preferential rights of any outstanding preferred stock.

Holders of Apergy's common stock will have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of Apergy's common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that Apergy may designate and issue in the future.

### Preferred Stock

Apergy's amended and restated certificate of incorporation will authorize the Apergy Board of Directors, without further action by Apergy's stockholders, to issue shares of preferred stock and to fix by resolution the designations, preferences and relative, participating, optional or other special rights, and such qualifications, limitations or restrictions thereof, including, without limitation, redemption rights, dividend rights, liquidation preferences and conversion or exchange rights of any class or series of preferred stock, and to fix the number of classes or series of preferred stock, the number of shares constituting any such class or series and the voting powers for each class or series.

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The authority possessed by Apergy's Board of Directors to issue preferred stock could potentially be used to discourage attempts by third parties to obtain control of Apergy through a merger, tender offer, proxy contest or otherwise by making such attempts more difficult or more costly. Apergy's Board of Directors may issue preferred stock with voting rights or conversion rights that, if exercised, could adversely affect the voting power of the holders of the common stock. There are no current agreements or understandings with respect to the issuance of preferred stock and Apergy's Board of Directors has no present intention to issue any shares of preferred stock.

**Anti-Takeover Effects of Apergy's Amended and Restated Certificate of Incorporation and Amended and Restated By-laws and Delaware Law**

Provisions of the DGCL and Apergy's amended and restated certificate of incorporation and amended and restated by-laws could make it more difficult to acquire Apergy by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and takeover bids that its Board of Directors may consider inadequate and to encourage persons seeking to acquire control of Apergy to first negotiate with Apergy's Board of Directors. Apergy believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure it outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

*Classified Board.* Apergy's amended and restated certificate of incorporation and amended and restated by-laws will provide that, until the third annual meeting of its stockholders after the separation, its Board of Directors will be divided into three classes. At the time of the separation, Apergy's Board of Directors will be divided into three approximately equal classes. The directors designated as Class I directors will have terms expiring at the first annual meeting of stockholders following the distribution, which Apergy expects to hold in 2019. The directors designated as Class II directors will have terms expiring at the second annual meeting of stockholders, which Apergy expects to hold in 2020, and the directors designated as Class III directors will have terms expiring at the third annual meeting of stockholders, which Apergy expects to hold in 2021. Commencing with the first annual meeting of stockholders following the separation, directors elected to succeed those directors whose terms then expire will be elected for a term of office to expire at the 2022 annual meeting. Beginning at the 2022 annual meeting, all of Apergy's directors will stand for election each year for annual terms, and Apergy's Board of Directors will therefore no longer be divided into three classes. Members of the Board of Directors will be elected by a plurality of the votes cast at each annual meeting of stockholders. Before the Board of Directors is declassified, it would take at least two elections of directors for any individual or group to gain control of Apergy's Board of Directors. Accordingly, while the classified board is in effect, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of Apergy.

*Removal of Directors.* Apergy's amended and restated certificate of incorporation and by-laws will provide that (i) prior to Apergy's Board of Directors being declassified as discussed above, its stockholders may only remove a director for cause and (ii) after Apergy's Board of Directors has been fully declassified, its stockholders may remove a director with or without cause. Removal will require the affirmative vote of holders of a majority of the shares of voting common stock.

*Size of Board and Vacancies.* Apergy's amended and restated certificate of incorporation and amended and restated by-laws will provide that the number of directors on its Board of Directors will be not less than three nor more than fifteen, with the exact number of directors to be fixed exclusively by the Board of Directors. Any vacancies created in its Board of Directors resulting from any increase in the authorized number of directors or



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the death, resignation, retirement, disqualification, removal from office or other cause will be filled by a majority of the Board of Directors then in office, even if less than a quorum is present, or by a sole remaining director. Any director appointed to fill a vacancy on Apergy's Board of Directors will be appointed for a term expiring at the next election of the class for which such director has been appointed, and until his or her successor has been elected and qualified.

*Special Stockholder Meetings.* Apergy's amended and restated certificate of incorporation will provide that only the chairman of its Board of Directors, its chief executive officer or its Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors may call special meetings of Apergy stockholders. Stockholders may not call special stockholder meetings.

*Stockholder Action by Written Consent.* Apergy's amended and restated certificate of incorporation will expressly eliminate the right of its stockholders to act by written consent. Stockholder action must take place at the annual or a special meeting of Apergy stockholders.

*Requirements for Advance Notification of Stockholder Nominations and Proposals.* Apergy's amended and restated by-laws will establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors other than nominations made by or at the direction of its Board of Directors or a committee of its Board of Directors.

*No Cumulative Voting.* The DGCL provides that stockholders are denied the right to cumulate votes in the election of directors unless the company's certificate of incorporation provides otherwise. Apergy's amended and restated certificate of incorporation will not provide for cumulative voting.

*Delaware Anti-Takeover Statute.* Upon the distribution, Apergy will be subject to Section 203 of the DGCL, an anti-takeover statute. In general, Section 203 of the DGCL provides that, subject to exceptions set forth therein, an interested stockholder of a Delaware corporation shall not engage in any business combination, including mergers or consolidations or acquisitions of additional shares of the corporation, with the corporation for a three-year period following the date that the stockholder becomes an interested stockholder unless:

- prior to that date, the Board of Directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85 percent of the voting stock of the corporation outstanding at the time the transaction commenced, other than statutorily excluded shares; or
- on or subsequent to such date, the business combination is approved by the Board of Directors of the corporation and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66-2/3 percent of the outstanding voting stock which is not owned by the interested stockholder.

Except as otherwise set forth in Section 203, an interested stockholder is defined to include (i) any person that is the owner of 15 percent or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15 percent or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the date of determination; and (ii) the affiliates and associates of any such person.

Section 203 may make it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period. The provisions of Section 203 may encourage persons interested in acquiring Apergy to negotiate in advance with Apergy's Board of Directors,

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because the stockholder approval requirement would be avoided if a majority of the directors then in office approve either the business combination or the transaction which results in any such person becoming an interested stockholder. These provisions also may have the effect of preventing changes in Apergy's management. It is possible that these provisions could make it more difficult to accomplish transactions which Apergy's stockholders may otherwise deem to be in their best interests.

*Amendments to Certificate of Incorporation.* Apergy's amended and restated certificate of incorporation will provide that the provisions of the amended and restated certificate of incorporation may only be amended by the vote of a majority of the voting power of the outstanding voting stock, except that Apergy's amended and restated certificate of incorporation will provide that the affirmative vote of the holders of at least 80 percent of its voting stock then outstanding is required to amend certain provisions relating to:

- cumulative voting;
- amendment of the amended and restated by-laws;
- the size, classification, election, removal, nomination and filling of vacancies with respect to the Apergy Board of Directors;
- stockholder action by written consent and ability to call special meetings of stockholders;
- director and officer indemnification; and
- any provision relating to the amendment of any of these provisions.

The provisions of Apergy's amended and restated certificate of incorporation relating to the 80 percent voting threshold will be of no force and effect effective as of the completion of the third annual meeting of stockholders after the separation, which Apergy expects to hold in 2021. Apergy's amended and restated certificate of incorporation may thereafter be amended by the affirmative vote of the holders of at least a majority of its voting stock then outstanding.

*Amendments to By-Laws.* Apergy's amended and restated certificate of incorporation and amended and restated by-laws will provide that the by-laws may be amended by Apergy's Board of Directors or by the affirmative vote of at least 80 percent of Apergy's voting stock then outstanding. The provisions of Apergy's amended and restated certificate of incorporation and amended and restated by-laws relating to the 80 percent voting threshold will be of no force and effect effective as of the completion of the third annual meeting of stockholders after the separation, which Apergy expects to hold in 2021. Apergy's amended and restated by-laws may thereafter be amended by the affirmative vote of the holders of at least a majority of its voting stock then outstanding.

*Undesignated Preferred Stock.* The authority that Apergy's Board of Directors will possess to issue preferred stock could potentially be used to discourage attempts by third parties to obtain control of Apergy through a merger, tender offer, proxy contest or otherwise by making such attempts more difficult or more costly. Apergy's Board of Directors may be able to issue preferred stock with voting rights or conversion rights that, if exercised, could adversely affect the voting power of the holders of common stock.

**Limitations on Liability, Indemnification of Officers and Directors and Insurance**

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties as directors, and Apergy's amended and restated certificate of incorporation will include such an exculpation provision. Apergy's amended and restated certificate of incorporation and by-laws will include provisions that indemnify, to the

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fullest extent allowable under the DGCL, the personal liability of directors or officers for monetary damages for actions taken as a director or officer of Apergy, or for serving at Apergy's request as a director or officer or another position at another corporation or enterprise, as the case may be. Apergy's amended and restated certificate of incorporation and by-laws will also provide that Apergy must indemnify and advance reasonable expenses to its directors and officers, subject to its receipt of an undertaking from the indemnified party as may be required under the DGCL. Apergy's amended and restated certificate of incorporation will expressly authorize Apergy to carry directors' and officers' insurance to protect Apergy, its directors, officers and certain employees for some liabilities.

The limitation of liability and indemnification provisions that will be in Apergy's amended and restated certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against Apergy's directors and officers, even though such an action, if successful, might otherwise benefit Apergy and its stockholders. However, these provisions will not limit or eliminate Apergy's rights, or those of any stockholder, to seek non-monetary relief such as injunction or rescission in the event of a breach of a director's duty of care. The provisions will not alter the liability of directors under the federal securities laws. In addition, your investment may be adversely affected to the extent that, in a class action or direct suit, Apergy pays the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

#### **Exclusive Forum**

Apergy's amended and restated certificate of incorporation will provide that unless Apergy's Board of Directors otherwise determines, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of Apergy, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director or officer of Apergy to Apergy or Apergy's stockholders, creditors or other constituents, (iii) any action asserting a claim against Apergy or any director or officer of Apergy arising pursuant to any provision of the DGCL or Apergy's amended and restated certificate of incorporation or by-laws or (iv) any action asserting a claim against Apergy or any director or officer of Apergy governed by the internal affairs doctrine. However, if (and only if) the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, the action may be brought in another court sitting in the State of Delaware.

#### **Authorized but Unissued Shares**

Apergy's authorized but unissued shares of common stock and preferred stock will be available for future issuance without stockholder approval. Apergy may use additional shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of Apergy by means of a proxy contest, tender offer, merger or otherwise.

#### **Listing**

Apergy intends to apply to have its shares of common stock listed on the NYSE under the symbol " ."

#### **Sale of Unregistered Securities**

On October 10, 2017, Apergy issued 100 shares of common stock, par value \$0.01 per share, to Dover for total consideration of \$100.00 in cash. Apergy did not register the issuance of these shares under the Securities

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Act because such issuance did not constitute a public offering and therefore was exempt from registration pursuant to Section 4(a)(2) of the Securities Act.

**Transfer Agent and Registrar**

After the distribution, the transfer agent and registrar for Apergy's common stock will be Computershare Trust Company, N.A.

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#### **WHERE YOU CAN FIND MORE INFORMATION**

Apergy has filed a registration statement on Form 10 with the SEC with respect to the shares of Apergy common stock being distributed as contemplated by this information statement. This information statement is a part of, and does not contain all of the information set forth in, the registration statement and the exhibits and schedules to the registration statement. For further information with respect to Apergy and its common stock, please refer to the registration statement, including its exhibits and schedules. Statements made in this information statement relating to any contract or other document are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document. You may review a copy of the registration statement, including its exhibits and schedules, at the SEC's public reference room, located at 100 F Street, N.E., Washington, D.C. 20549, by calling the SEC at 1-800-SEC-0330 as well as on the Internet website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Information contained on any website referenced in this information statement is not incorporated by reference in this information statement.

As a result of the distribution, Apergy will become subject to the information and reporting requirements of the Exchange Act and, in accordance with the Exchange Act, will file periodic reports, proxy statements and other information with the SEC.

Apergy intends to furnish holders of its common stock with annual reports containing consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles and audited and reported on, with an opinion expressed, by an independent registered public accounting firm.

You should rely only on the information contained in this information statement or to which this information statement has referred you. Apergy has not authorized any person to provide you with different information or to make any representation not contained in this information statement.

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**Report of Independent Registered Public Accounting Firm**

The accompanying Apergy Corporation (formerly known as Wellsite Corporation) financial statements give effect to a segment change, described in Note 15 to the combined financial statements, which occurred during the fourth quarter of 2017. Upon issuance of financial statements which include the date of the segment change, we will be in a position to furnish the following report.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois

December 4, 2017

“Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Dover Corporation (“Dover”)

In our opinion, the accompanying combined balance sheets and the related combined statements of earnings, comprehensive earnings, of stockholders’ equity and of cash flows present fairly, in all material respects, the financial position of Apergy Corporation (formerly known as Wellsite Corporation) (the “Company”), a substantial portion of Dover’s upstream energy businesses within its Energy segment, as of December 31, 2016 and December 31, 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related combined financial statements. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Chicago, Illinois

December 4, 2017, except for the effects of the change in segments described in Note 15, as to which the date is \_\_\_\_\_”

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**APERGY CORPORATION**  
**COMBINED STATEMENTS OF EARNINGS**  
(In thousands)

|   | <b>Years Ended December 31,</b> |                  |
|---|---------------------------------|------------------|
|   | <b>2016</b>                     | <b>2015</b>      |
| <b>Revenue</b>  | \$751,337                       | \$1,076,680      |
| Cost of goods and services  | 510,842                         | 693,702          |
| <b>Gross profit</b>   | 240,495                         | 382,978          |
| Selling, general and administrative expenses                            | 250,576                         | 294,062          |
| <b>Operating (loss) earnings</b>  | (10,081)                        | 88,916           |
| Other expense, net  | 8,753                           | 11,651           |
| <b>(Loss) earnings before (benefit from) provision for income taxes</b> | (18,834)                        | 77,265           |
| (Benefit from) provision for income taxes                               | (8,043)                         | 24,131           |
| <b>Net (loss) earnings</b>  | (10,791)                        | 53,134           |
| Less: Net earnings attributable to noncontrolling interest              | 1,851                           | 1,436            |
| <b>Net (loss) earnings attributable to Company</b>                      | <u>\$ (12,642)</u>              | <u>\$ 51,698</u> |

See Notes to Combined Financial Statements



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**APERGY CORPORATION**  
**COMBINED STATEMENTS OF COMPREHENSIVE EARNINGS**  
(In thousands)

|   | <u>Years Ended December 31,</u> |                  |
|---|---------------------------------|------------------|
|   | <u>2016</u>                     | <u>2015</u>      |
| <b>Net (loss) earnings attributable to Company</b>                        | <u>\$ (12,642)</u>              | <u>\$ 51,698</u> |
| <b>Other comprehensive (loss) earnings, net of tax</b>                    |                                 |                  |
| Foreign currency translation gain (loss)                                  | 953                             | (11,691)         |
| Pension and other post-retirement benefit plans:                          |                                 |                  |
| Actuarial loss  | (123)                           | (485)            |
| Prior service cost  | —                               | (6)              |
| Amortization of actuarial losses included in net periodic pension cost    | 234                             | 221              |
| Amortization of prior service costs included in net periodic pension cost | 1                               | 1                |
| Total pension and other post-retirement benefit plans                     | 112                             | (269)            |
| Other comprehensive earnings (loss), net of tax                           | 1,065                           | (11,960)         |
| <b>Comprehensive (loss) earnings attributable to Company</b>              | <u>\$ (11,577)</u>              | <u>\$ 39,738</u> |

See Notes to Combined Financial Statements

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**APERGY CORPORATION**  
**COMBINED BALANCE SHEETS**  
(In thousands)

|   | December 31,<br>2016 | December 31,<br>2015 |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| <b>Current assets:</b>                                |                      |                      |
| Cash and cash equivalents                             | \$ 26,027            | \$ 10,417            |
| Receivables, net of allowances of \$5,634 and \$4,431 | 139,485              | 169,976              |
| Inventories   | 184,558              | 216,656              |
| Prepaid and other current assets                      | 6,251                | 8,721                |
| Total current assets                                  | <u>356,321</u>       | <u>405,770</u>       |
| Property, plant and equipment, net                    | 201,747              | 232,886              |
| Goodwill  | 902,579              | 901,928              |
| Intangible assets, net                                | 386,817              | 438,520              |
| Other assets and deferred charges                     | 3,431                | 4,275                |
| <b>Total assets</b>                                   | <u>\$ 1,850,895</u>  | <u>\$ 1,983,379</u>  |
| <b>Liabilities and Equity</b>                         |                      |                      |
| <b>Current liabilities:</b>                           |                      |                      |
| Accounts payable                                      | \$ 66,280            | \$ 76,607            |
| Accrued compensation and employee benefits            | 24,788               | 26,840               |
| Other accrued expenses                                | 21,626               | 24,507               |
| Total current liabilities                             | <u>112,694</u>       | <u>127,954</u>       |
| Deferred income taxes                                 | 167,565              | 188,022              |
| Other liabilities                                     | 19,283               | 22,410               |
| <b>Equity:</b>  |                      |                      |
| Parent Company investment in Apergy                   | 1,579,951            | 1,674,559            |
| Accumulated other comprehensive loss                  | (33,629)             | (34,694)             |
| Total Parent Company equity                           | <u>1,546,322</u>     | <u>1,639,865</u>     |
| Noncontrolling interest                               | 5,031                | 5,128                |
| Total equity  | <u>1,551,353</u>     | <u>1,644,993</u>     |
| <b>Total liabilities and equity</b>                   | <u>\$ 1,850,895</u>  | <u>\$ 1,983,379</u>  |

See Notes to Combined Financial Statements

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**APERGY CORPORATION**  
**COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands)

|  | Parent<br>Company<br>Investment | Accumulated<br>Other<br>Comprehensive<br>(Loss)<br>Earnings | Total Parent<br>Company<br>Equity | Noncontrolling<br>Interest | Total<br>Equity     |
|--|---------------------------------|---|-----------------------------------|----------------------------|---------------------|
| <b>Balance at December 31, 2014</b>                        | <u>\$ 1,815,910</u>             | <u>\$ (22,734)</u>  | <u>\$ 1,793,176</u>               | <u>\$ 3,864</u>            | <u>\$ 1,797,040</u> |
| Net earnings   | 51,698                          | —   | 51,698                            | 1,436                      | 53,134              |
| Other comprehensive loss, net of tax                       | —                               | (11,960)  | (11,960)                          | —                          | (11,960)            |
| Net transfer to Parent Company                             | (193,049)                       | —   | (193,049)                         | —                          | (193,049)           |
| Other  | —                               | —   | —                                 | (172)                      | (172)               |
| <b>Balance at December 31, 2015</b>                        | <u>1,674,559</u>                | <u>(34,694)</u>   | <u>1,639,865</u>                  | <u>5,128</u>               | <u>1,644,993</u>    |
| Net loss   | (12,642)                        | —   | (12,642)                          | 1,851                      | (10,791)            |
| Other comprehensive earnings, net of tax                   | —                               | 1,065   | 1,065                             | —                          | 1,065               |
| Distributions declared and paid to noncontrolling interest | —                               | —   | —                                 | (1,727)                    | (1,727)             |
| Net transfer to Parent Company                             | (81,966)                        | —   | (81,966)                          | —                          | (81,966)            |
| Other  | —                               | —   | —                                 | (221)                      | (221)               |
| <b>Balance at December 31, 2016</b>                        | <u>\$ 1,579,951</u>             | <u>\$ (33,629)</u>  | <u>\$ 1,546,322</u>               | <u>\$ 5,031</u>            | <u>\$ 1,551,353</u> |

See Notes to Combined Financial Statements

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**APERGY CORPORATION**  
**COMBINED STATEMENTS OF CASH FLOWS**  
(In thousands)

|   | <b>Years Ended December 31,</b> |                  |
|---|---------------------------------|------------------|
|   | <b>2016</b>                     | <b>2015</b>      |
| <b>Operating Activities</b>   |                                 |                  |
| Net (loss) earnings attributable to Company   | \$ (12,642)                     | \$ 51,698        |
| Adjustments to reconcile net (loss) earnings attributable to Company to cash from operating activities: |                                 |                  |
| Depreciation and amortization   | 112,055                         | 119,992          |
| Stock-based compensation  | 2,293                           | 1,925            |
| (Gain) loss on sale of fixed assets   | (366)                           | 1,463            |
| Provision for losses on accounts receivable (net of recoveries)   | 2,941                           | 2,154            |
| Deferred income taxes   | (19,994)                        | (20,270)         |
| Employee benefit plan expense   | 1,128                           | 1,114            |
| Contributions to employee benefit plans   | (2,649)                         | (2,667)          |
| Other, net  | (435)                           | (22,886)         |
| Cash effect of changes in assets and liabilities (excluding effects of and foreign exchange):           |                                 |                  |
| Receivables   | 27,373                          | 74,350           |
| Inventories   | 32,912                          | 58,772           |
| Prepaid and other current assets  | 2,681                           | (1,913)          |
| Accounts payable  | (9,874)                         | (32,123)         |
| Accrued compensation and employee benefits  | (2,122)                         | (17,772)         |
| Other accrued expenses and other liabilities  | (4,721)                         | (5,773)          |
| Accrued taxes   | —                               | (161)            |
| <b>Net cash provided by operating activities</b>  | <u>128,580</u>                  | <u>207,903</u>   |
| <b>Investing Activities</b>   |                                 |                  |
| Additions to property, plant and equipment  | (25,725)                        | (24,217)         |
| Proceeds from sale of property, plant and equipment   | 2,526                           | 7,884            |
| Additions to intangible assets  | (3,700)                         | (10,000)         |
| <b>Net cash used in investing activities</b>  | <u>(26,899)</u>                 | <u>(26,333)</u>  |
| <b>Financing Activities</b>   |                                 |                  |
| Distribution to noncontrolling interest   | (1,727)                         | —                |
| Net transfers to Parent Company   | (84,254)                        | (194,977)        |
| <b>Net cash used in financing activities</b>  | <u>(85,981)</u>                 | <u>(194,977)</u> |
| Effect of exchange rate changes on cash and cash equivalents  | (90)                            | (531)            |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | 15,610                          | (13,938)         |
| Cash and cash equivalents at beginning of year  | 10,417                          | 24,355           |
| <b>Cash and cash equivalents at end of year</b>   | <u>\$ 26,027</u>                | <u>\$ 10,417</u> |
| <b>Supplemental information - cash paid during the year for:</b>  |                                 |                  |
| Income taxes  | \$ 7,285                        | \$ 7,808         |

See Notes to Combined Financial Statements

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**1. Basis of Presentation**

On September 12, 2017, Dover Corporation (“Dover” or “Parent”) announced its plan to spin-off a substantial portion of the upstream energy businesses within its Energy segment. In February 2018, the name of those collective businesses was changed from Wellsite Corporation to Apergy Corporation (“Apergy” or “Company”). Upon completion of the spin-off, Apergy would be a stand-alone, publicly traded company that provides highly engineered technologies that help companies drill and produce oil and gas efficiently and safely.

The accompanying Combined Financial Statements have been prepared on a stand-alone basis and are derived from Dover’s consolidated financial statements and accounting records. The Combined Financial Statements represent Apergy’s financial position, results of operations and cash flows as its business was operated as part of Dover prior to the distribution, in conformity with U.S. generally accepted accounting principles.

All intercompany transactions between the Apergy entities have been eliminated. Transactions between Apergy and Dover, with the exception of transactions discussed in Note 3, are reflected in equity in the combined balance sheet as “Parent Company investment in Apergy” and in the combined statement of cash flows as a financing activity in “Net transfers (to) from Parent Company.” See Note 3 — Related Party Transactions for additional information regarding related party transactions.

No portion of Dover’s third-party debt was historically held by an Apergy entity or is transferring to Apergy; therefore, no amount was included in the Combined Balance Sheets at December 31, 2016 and December 31, 2015. Accordingly, no interest expense related to third-party debt was recorded in the Combined Statements of Earnings.

Intercompany notes payable with Dover of \$227.2 million at December 31, 2016 and \$223.5 million at December 31, 2015 are classified within Parent Company investment in Apergy because the notes are not expected to be settled in cash. Accordingly, no interest expense was recorded in the Combined Statements of Earnings.

**2. Summary of Significant Accounting Policies**

***Description of Business***

Apergy is a leading provider of highly engineered technologies that help companies drill for and produce oil and gas efficiently and safely around the world. Its products include a full range of equipment and technologies that enable efficient drilling and safe and efficient production throughout the lifecycle of a well. Its principal products consist of artificial lift equipment and solutions, including electric submersible pump systems (“ESP”), rod pumping systems (“Rod Lift”), gas lift systems, progressive cavity pump systems (“PCP”) and plunger lift systems, as well as polycrystalline diamond cutters (“PDCs”) for drilling. The Company also provides a comprehensive automation offering consisting of equipment, software and Industrial Internet (“IIoT”) solutions for downhole monitoring, wellsite productivity enhancement and asset integrity management. The Company reports two business segments: Production & Automation Technologies and Drilling Technologies. For additional information on the Company’s segments, see Note 15 — Segment Information. Additionally, the Company did not make any acquisitions during the years ended December 31, 2016 and 2015. In 2014, the Company acquired Accelerated Companies LLC, Timberline Manufacturing Company, and WellMark Holdings, Inc., which are included in the Production & Automation Technologies segment.

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***Combined Financial Statement Presentation***

The Combined Financial Statements have been derived from the consolidated financial statements and accounting records of Dover using the historical results of operations, and historical basis of assets and liabilities of Apergy and reflect Dover's net investment in Apergy. Historically, stand-alone financial statements have not been prepared for Apergy. Management believes the assumptions underlying the allocations included in the Combined Financial Statements are reasonable. However, the Combined Financial Statements may not necessarily reflect Apergy's results of operations, financial position and cash flows in the future, or what Apergy's results of operations, financial position and cash flows would have been had Apergy been a stand-alone company during the periods presented herein.

The Combined Financial Statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated in consolidation. The results of operations of purchased businesses of Apergy are included from the date of acquisition.

The accompanying financial statements include allocations of costs that were incurred by Dover for functions such as corporate executive management, human resources, information technology, facilities, tax, shared services, finance and legal, including the costs of salaries, benefits and other related costs. The total costs allocated to the accompanying Combined Financial Statements for these functions totaled approximately \$19,459, and \$20,852 for the years ended December 31, 2016 and 2015, respectively, and are included in Selling, general and administrative expenses within the Combined Statements of Earnings. These expenses have been allocated to Apergy based on direct usage or benefit where identifiable, with the remainder allocated on the basis of revenues, headcount, or other measures. As a stand-alone public company, Apergy's total costs related to such support functions may differ from the costs that were historically allocated to it from Dover. See Note 3 — Related Party Transactions for additional information regarding related party transactions.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the Combined Financial Statements and accompanying disclosures. These estimates may be adjusted due to changes in future economic, industry, or customer financial conditions, as well as changes in technology or demand. Estimates are used for, but not limited to, allowances for doubtful accounts receivable, net realizable value of inventories, restructuring reserves, warranty reserves, pension and post-retirement plans, stock-based compensation, useful lives for depreciation and amortization of long-lived assets, future cash flows associated with impairment testing for goodwill, indefinite-lived intangible assets and other long-lived assets, deferred tax assets, uncertain income tax positions and contingencies. Actual results may ultimately differ from estimates, although management does not believe such differences would materially affect the Combined Financial Statements in any individual year. Estimates and assumptions are periodically reviewed and the effects of revisions are reflected in the Combined Financial Statements in the period that they are determined.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits and short-term investments which are highly liquid in nature and have original maturities at the time of purchase of three months or less. The carrying value of cash and cash equivalents approximate fair value.

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***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are recorded at face amounts less an allowance for doubtful accounts. The allowance is an estimate based on historical collection experience, current economic and market conditions and a review of the current status of each customer's trade accounts receivable. Management evaluates the aging of the accounts receivable balances and the financial condition of its customers to estimate the amount of accounts receivable that may not be collected in the future and records the appropriate provision.

***Inventories***

Inventories for the majority of the Company's subsidiaries, including all international subsidiaries, are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market. Other domestic inventories are stated at cost, determined on the last-in, first-out (LIFO) basis, which is less than market value. Under the LIFO method, the cost assigned to items sold is based on the cost of the most recent items purchased. As a result, the costs of the first items purchased remain in inventory and are used to value ending inventory. The excess of estimated current costs over LIFO carrying value, or LIFO reserve, was approximately \$9.4 million and \$12.9 million at December 31, 2016 and 2015, respectively. The decrease in the LIFO reserve from 2015 to 2016 was primarily due to a reduction of inventory as a result of working capital reduction efforts. Under certain market conditions, estimates and judgments regarding the valuation of inventories are employed by us to properly value inventories.

***Property, Plant and Equipment***

Property, plant and equipment includes the historical cost of land, buildings, machinery and equipment, purchased software and significant improvements to existing plant and equipment or, in the case of acquisitions, a fair market value appraisal of assets. Expenditures for maintenance, repairs and minor renewals are expensed as incurred. When property or equipment is sold or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts and the gain or loss realized on disposition is reflected in earnings. The Company depreciates its assets on a straight-line basis over their estimated useful lives as follows: buildings and improvements 5 to 31.5 years; machinery and equipment 3 to 7 years; furniture and fixtures 3 to 7 years; vehicles 3 years; and software 3 to 5 years.

***Derivative Financial Instruments***

The Company uses derivative financial instruments to hedge its exposure to foreign currency exchange rate risk. The Company does not enter into derivative financial instruments for speculative purposes and has a portfolio of derivatives that is not material in value. Derivative financial instruments used for hedging purposes must be designated and effective as a hedge of the identified risk exposure at inception of the contract. For derivatives hedging the fair value of assets or liabilities, the changes in fair value of both the derivatives and of the hedged items are recorded in current earnings.

***Goodwill, Other Intangible Assets and Long-Lived Assets***

Goodwill represents the excess of purchase price over the fair value of net assets acquired. Goodwill and certain other intangible assets deemed to have indefinite lives (trademarks) are not amortized. For goodwill, impairment

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tests are required at least annually, or more frequently if events or circumstances indicate that it may be impaired, or when some portion but not all of a reporting unit is disposed. Historically the Company was part of the Dover Energy operating segment. Based on its historical organizational structure, the Company identified two reporting units for which cash flows are determinable and to which goodwill may be allocated.

The Company performs its goodwill impairment test annually in the fourth quarter at the reporting unit level. Recoverability of goodwill is measured at the reporting unit level and determined using a two-step process. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. The Company uses an income-based valuation method, determining the present value of future cash flows, to estimate the fair value of a reporting unit. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and as a result, the second step of the impairment test is unnecessary. Factors used in the impairment analysis require significant judgment, and actual results may differ from assumed and estimated amounts. The Company uses its own market assumptions including internal projections of future cash flows, discount rates and other assumptions considered reasonable and inherent in the analysis. These forecasts are based on historical performance and future estimated results. The discount rates used in these analyses vary by reporting unit and are based on a capital asset pricing model and published relevant industry rates. The Company uses discount rates commensurate with the risks and uncertainties inherent to each reporting unit and in its internally developed forecasts.

The second step of the goodwill impairment test, if needed, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. See Note 6 — Goodwill and Other Intangible Assets for further discussion of the Company's annual goodwill impairment test and results.

The Company uses an income-based valuation method to test its indefinite-lived intangible assets for impairment, at least annually. The fair value of the intangible asset is compared to its carrying value. This method uses the Company's own market assumptions considered reasonable and inherent in the analysis. Any excess of carrying value over the estimated fair value is recognized as an impairment loss. No impairment of indefinite-lived intangible assets was required for the years ended December 31, 2016 and 2015.

Other intangible assets with determinable lives consist primarily of customer intangibles, unpatented technologies, patents and trademarks. These other intangibles are amortized over their estimated useful lives, ranging from 5 to 15 years.

Long-lived assets (including definite-lived intangible assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, such as a significant sustained change in the business climate. If an indicator of impairment exists for any grouping of assets, an estimate of undiscounted future cash flows is produced and compared to its carrying value. If an asset is determined to be impaired, the loss is measured by the excess of the carrying amount of the asset over its fair value as determined by an estimate of discounted future cash flows.

***Restructuring Accruals***

From time to time, the Company takes actions to reduce headcount, close facilities, or otherwise exit operations. Such restructuring activities at an operation are recorded when management has committed to an exit or reorganization plan and when termination benefits are probable and can be reasonably estimated based on



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circumstances at the time the restructuring plan is approved by management or when termination benefits are communicated. Exit costs include future minimum lease payments on vacated facilities and other contractual terminations. In addition, asset impairments may be recorded as a result of an approved restructuring plan. The accrual of both severance and exit costs requires the use of estimates. Though the Company believes that its estimates accurately reflect the anticipated costs, actual results may differ from the original estimated amounts.

***Noncontrolling interests***

A noncontrolling interest represents the equity interest in a subsidiary that is not attributable, either directly or indirectly, to the Company and is reported as equity, separately from the Company's controlling interests. The noncontrolling interest relates to the Company's ownership interest in Norris Production Solutions Middle East LLC, a subsidiary company in the Sultanate of Oman with a local partner, where the Company is the majority owner at 60% and has the controlling financial interest. The outside investor's interests in this subsidiary company are included in noncontrolling interest in the Company's Combined Financial Statements.

***Foreign Currency***

Assets and liabilities of non-U.S. subsidiaries, where the functional currency is not the U.S. dollar, have been translated at year-end exchange rates and profit and loss accounts have been translated using weighted-average monthly exchange rates. Foreign currency translation gains and losses are included in the Combined Statements of Comprehensive Earnings as a component of Other comprehensive earnings (loss). Assets and liabilities of an entity that are denominated in currencies other than an entity's functional currency are re-measured into the functional currency using end of period exchange rates or historical rates where applicable to certain balances. Gains and losses related to these re-measurements are recorded within the Combined Statements of Earnings as a component of Other expense, net.

***Revenue Recognition***

Revenue is recognized when all of the following conditions are satisfied: a) persuasive evidence of an arrangement exists, b) price is fixed or determinable, c) collectability is reasonably assured and d) delivery has occurred or services have been rendered. The majority of the Company's revenue is generated through the manufacture and sale of a broad range of specialized products and components, with revenue recognized upon transfer of title and risk of loss, which is generally upon shipment. Certain product sales are recognized based on the percentage-of-completion method, which is based on the estimated costs to completion and represented 2.5% and 2.2% of total revenue for the years ended December 31, 2016 and 2015, respectively. When necessary, provisions for estimated losses on these contracts are made in the period in which such losses are determined. The Company derives product revenue from the sale of software standalone products and software-enabled tangible products, which in aggregate represented 8.7% of total revenue for both the years ended December 31, 2016 and 2015. Software product revenue is recorded when the software product is shipped to the customer or over the term of the contract. Service revenue represented 6.8% and 5.2% of total revenue for the years ended December 31, 2016 and 2015, respectively and is recognized as the services are performed. Leasing revenue represented 2.7% and 2.6% of total revenue for the years ended December 31, 2016 and 2015, respectively. Lease revenue is recognized ratably over the lease term and the leased asset is included in property, plant and equipment and depreciated to its estimated residual value over the lease term.

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In limited cases, revenue arrangements with customers require delivery, installation, testing, or other acceptance provisions to be satisfied before revenue is recognized. The Company includes shipping costs billed to customers in revenue and the related shipping costs in cost of goods and services.

***Stock-Based Compensation***

The Company's employees have historically participated in Dover's stock-based compensation plans. Stock-based compensation has been allocated to the Company based on the awards and terms previously granted to the Company's employees. The principal awards issued under the stock-based compensation plans include stock options, stock appreciation rights ("SARs"), restricted stock units and performance share awards. The cost for such awards is measured at the grant date based on the fair value of the award. At the time of grant, Dover estimates forfeitures, based on historical experience, in order to estimate the portion of the award that will ultimately vest. The value of the portion of the award that is expected to ultimately vest is recognized as expense on a straight-line basis, generally over the explicit service period of three years (except for retirement-eligible employees and retirees) and is included in Selling, general and administrative expenses in the Combined Statements of Earnings. Expense for awards granted to retirement-eligible employees is recorded over the period from the date of grant through the date the employee first becomes eligible to retire and is no longer required to provide service. See Note 11 — Equity and Cash Incentive Program for additional information related to stock-based compensation.

***Employee Benefit Plans***

Apergy participates in defined benefit plans and non-qualified supplemental retirement plans sponsored by Dover that are accounted for as multi-employer plans in the Combined Financial Statements. Apergy also sponsors a defined benefit plan and non-qualified plans. These plans are accounted for as single employer plans in the Combined Financial Statements. Apergy also offers a defined contribution plan. See Note 13 — Employee Benefit Plans for additional information.

***Income Taxes***

The Company's operations have historically been included in Dover's consolidated federal tax return and certain combined state returns. The income tax expense in these Combined Financial Statements has been determined on a stand-alone return basis in accordance with Accounting Standards Codification ("ASC") 740 "Income Taxes," which requires the recognition of income taxes using the liability method. Under this method, the Company is assumed to have historically filed a return separate from Dover, reporting its taxable income or loss and paying applicable tax based on its separate taxable income and associated tax attributes in each tax jurisdiction. Income taxes payable at each balance sheet date computed under the stand-alone return basis are classified within Parent Company investment in Apergy because Dover is legally liable for the tax. Accordingly, changes in income taxes payable are recorded as a component of financing activities in the Combined Statements of Cash Flows. The calculation of income taxes on the separate return basis requires considerable judgment and the use of both estimates and allocations. As a result, the Company's effective tax rate and deferred tax balances will differ significantly from those in Dover's historic periods. Additionally, the Company's deferred tax balances as calculated on the separate return basis will differ from the deferred tax balances of Dover, if legally separated. See Note 10 — Income Taxes for additional information on the Company's income taxes and unrecognized tax benefits.

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***Research and Development Costs***

Research and development costs, including qualifying engineering costs, are expensed when incurred and amounted to \$16,511 in 2016 and \$19,255 in 2015.

***Advertising Costs***

Advertising costs are expensed when incurred and amounted to \$825 in 2016 and \$1,604 in 2015.

***Risk, Retention, Insurance***

Apergy is covered under Dover's insurance policies during the years ended December 31, 2016 and 2015. For both years ended December 31, 2016 and 2015, Dover self-insured its product and commercial general liability claims up to \$5.0 million per occurrence and automobile liability claims up to \$1.0 million per occurrence. For the years ended December 31, 2016 and 2015, Dover self-insured its workers' compensation claims up to \$0.8 million and \$0.5 million per occurrence, respectively. Third-party insurance provides primary level coverage in excess of these amounts up to certain specified limits. In addition, Dover has excess liability insurance from third-party insurers on both an aggregate and an individual occurrence basis well in excess of the limits of the primary coverage. A worldwide program of property insurance covers Dover's owned and leased property and any business interruptions that may occur due to an insured hazard affecting those properties, subject to reasonable deductibles and aggregate limits. Dover's property and casualty insurance programs contain various deductibles that, based on Dover's experience, are typical and customary for a company of its size and risk profile. Apergy does not consider any of the deductibles to represent a material risk to Apergy. Dover generally maintains deductibles for claims and liabilities related primarily to workers' compensation, health and welfare claims, general commercial, product and automobile liability and property damage and business interruption resulting from certain events. Dover accrues for claim exposures that are probable of occurrence and can be reasonably estimated. As part of Dover's risk management program, insurance is maintained to transfer risk beyond the level of self-retention and provide protection on both an individual claim and annual aggregate basis.

***Recent Accounting Pronouncements***

**Recently Issued Accounting Standards**

In March 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-Retirement Benefit Cost. This ASU changes the income statement presentation of defined benefit and post-retirement benefit plan expense by requiring separation between operating expense (service cost component of net periodic benefit expense) and non-operating expense (all other components of net periodic benefit expense, including interest cost, amortization of prior service cost, curtailments and settlements, etc.). The operating expense component is reported with similar compensation costs while the non-operating components are reported outside of operating income. The guidance is effective for interim and annual periods for the Company on January 1, 2018. The Company does not expect the adoption of this ASU to have a material impact on its Combined Financial Statements.

In January 2017, the FASB issued ASU 2017-01, Business combinations (Topic 805): Clarifying the definition of a business, which clarifies the definition of a business and assists entities with evaluating whether transactions

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should be accounted for as acquisitions (or disposals) of assets or businesses. Under this guidance, when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or group of similar assets), the assets acquired would not represent a business. In addition, in order to be considered a business, an acquisition would have to include at a minimum an input and a substantive process that together significantly contribute to the ability to create an output. The amended guidance also narrows the definition of outputs by more closely aligning it with how outputs are described in FASB guidance for revenue recognition. This guidance is effective for interim and annual periods for the Company on January 1, 2018, with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its Combined Financial Statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The amended guidance simplifies the accounting for goodwill impairment for all entities by eliminating the requirement to perform a hypothetical purchase price allocation. A goodwill impairment charge will now be recognized for the amount by which the carrying value of a reporting unit exceeds its fair value, not to exceed the carrying amount of goodwill. The Company will early adopt this guidance on January 1, 2017 as its annual impairment test is performed after January 1, 2017. The adoption of this ASU is not expected to have a material impact to the Company's Combined Financial Statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The ASU changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as the classification of related matters in the statement of cash flows. This guidance was effective for the Company on January 1, 2017. The adoption of this ASU is not expected to have a material impact to the Company's Combined Financial Statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which amends existing guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by long-term leases and to disclose additional quantitative and qualitative information about leasing arrangements. This ASU also provides clarifications surrounding the presentation of the effects of leases in the income statement and statement of cash flows. This guidance will be effective for the Company on January 1, 2019. The Company is currently evaluating this guidance and the impact it will have on its Combined Financial Statements.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 340): Simplifying the Measurement of Inventory. Under this guidance, entities utilizing the FIFO or average cost method should measure inventory at the lower of cost or net realizable value, whereas net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU was effective for the Company on January 1, 2017. The adoption of this ASU is not expected to have a material impact to the Company's Combined Financial Statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), that introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with

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customers, significant judgments and changes in judgments and assets recognized from the costs to obtain or fulfill a contract. This guidance will be effective for the Company on January 1, 2018. The FASB has also issued the following standards which clarify ASU 2014-09 and have the same effective date as the original standard: ASU 2016-20, Technical Corrections and Improvements to Topic 606, ASU No. 2016-12, Narrow-Scope Improvements and Practical Expedients, ASU 2016-10, Identifying Performance Obligations and Licensing and ASU 2016-08, Principal versus Agent Considerations.

Dover commenced its assessment of ASU 2014-09 during the second half of 2015 and developed a project plan to guide the implementation, in which Apergy was included in the project plan. Dover made progress on this project plan including analyzing the ASU's impact on Dover's contract portfolio, surveying the Dover businesses and discussing the various revenue streams, completing contract reviews, comparing its historical accounting policies and practices to the requirements of the new guidance, identifying potential differences from applying the requirements of the new guidance to its contracts and updating and providing training on its accounting policy. Dover has also made progress in evaluating new disclosure requirements and identifying and implementing appropriate changes to its business processes, systems and controls to support recognition and disclosure under the new guidance. The Company expects to adopt this new guidance using the modified retrospective method that will result in a cumulative effect adjustment as of the date of adoption. The Company is currently evaluating this guidance and the impact it will have on its Combined Financial Statements.

Recently Adopted Accounting Standards

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances, such as the existence of substantial doubt. The Company is required to evaluate going concern uncertainties at each annual and interim reporting period, considering the entity's ability to continue as a going concern within one year after the issuance date. This guidance was effective for the Company on December 31, 2016. The adoption of this ASU did not have an impact to the Company's Combined Financial Statements.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. Under this guidance the cumulative impact of purchase accounting adjustments arising during the one year measurement period from the date of acquisition will be recognized, in full, in the period identified. This guidance was effective for the Company on January 1, 2016 and applied prospectively to adjustments arising after that date. The adoption of this ASU did not have a material impact to the Company's Combined Financial Statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes, to simplify the presentation of deferred income taxes. The amendments in this update require that deferred tax assets and liabilities be entirely classified as noncurrent within the statement of financial position. The Company early adopted this guidance as of December 31, 2015. The adoption of this ASU did not have a material impact to the Company's Combined Financial Statements.

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**3. Related Party Transactions**

Dover provides Apergy certain services, which include corporate executive management, human resources, information technology, facilities, tax, shared services, finance and legal services. Some of these services will continue to be provided to Apergy on a temporary basis following the distribution. The financial information in these Combined Financial Statements does not necessarily include all the expenses that would have been incurred had Apergy been a separate, stand-alone entity. As such, the financial information herein may not necessarily reflect the combined financial position, results of operations, and cash flows of Apergy in the future or what they would have been had Apergy been a separate, stand-alone entity during the periods presented. Management believes that the methods used to allocate expenses to Apergy are reasonable. The corporate expenses allocated to Apergy totaled \$19,459, and \$20,852 for the years ended December 31, 2016 and 2015, respectively, which are recorded in Selling, general and administrative expenses in the Combined Statements of Earnings. As a stand-alone public company, Apergy's total costs related to such support functions may differ from the costs that were historically allocated to it from Dover.

Transactions between Apergy and Dover, with the exception of transactions discussed below with Dover's affiliates, are reflected in equity in the Combined Balance Sheets as Parent Company investment in Apergy and in the Combined Statements of Cash Flows as a financing activity in Net transfers (to) from Parent Company.

At December 31, 2016 and 2015, the Company's outstanding accounts receivable and accounts payable balances with Dover and its affiliates were insignificant. These balances are included in receivables and accounts payable, respectively, on the Combined Balance Sheets. Intercompany revenues recorded from other Dover companies in the years ended December 31, 2016 and 2015, respectively, were insignificant.

The Company recorded royalty expense related to Apergy's use of Dover's intellectual property and patents amounting to \$7.4 million and \$10.4 million in 2016 and 2015, respectively, included within Other expense, net in the Combined Statements of Earnings. Patents and intangibles owned by Dover related to Apergy will transfer to Apergy upon separation. Upon separation, no further royalty charges are expected to be incurred by Apergy from Dover. Additionally, in 2016 and 2015, Apergy purchased certain patents and copyrights from Dover company for \$3.7 million and \$10.0 million, respectively. The patents and copyrights are included in Apergy's intangibles balance and are being amortized.

The Company paid \$1.7 million for distributions declared to its noncontrolling interest holder in Norris Production Solutions Middle East LLC, a subsidiary company in the Sultanate of Oman and is included within the Combined Statement of Stockholders' Equity. The Company has a commission arrangement with its noncontrolling interest holder, for 5% of certain annual product sales. The commissions paid during 2016 and 2015, respectively, were not significant.

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**4. Inventories**

The components of inventories were as follows:

|                  | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|------------------|--------------------------|--------------------------|
| Raw materials    | \$ 45,209                | \$ 45,416                |
| Work in progress | 10,321                   | 10,714                   |
| Finished goods   | 153,040                  | 185,325                  |
| <b>Subtotal</b>  | <b>208,570</b>           | <b>241,455</b>           |
| Less reserves    | (24,012)                 | (24,799)                 |
| <b>Total</b>     | <b>\$ 184,558</b>        | <b>\$ 216,656</b>        |

At December 31, 2016 and 2015, approximately 32% and 30%, respectively, of the Company's total inventories were accounted for using the LIFO method.

**5. Property, Plant and Equipment, net**

The components of property, plant and equipment, net were as follows:

|   | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|---|--------------------------|--------------------------|
| Land  | \$ 13,986                | \$ 14,072                |
| Buildings and improvements                  | 92,577                   | 85,181                   |
| Machinery, equipment and other              | 396,505                  | 398,654                  |
| <b>Property, plant and equipment, gross</b> | <b>503,068</b>           | <b>497,907</b>           |
| Total accumulated depreciation              | (301,321)                | (265,021)                |
| <b>Property, plant and equipment, net</b>   | <b>\$ 201,747</b>        | <b>\$ 232,886</b>        |

Total depreciation expense was \$56,068 and \$60,831 for the years ended December 31, 2016 and 2015, respectively.

**6. Goodwill and Other Intangible Assets**

**Goodwill**

The changes in the carrying value of goodwill by operating segment were as follows:

|                                     | <u>Production &amp;<br/>Automation<br/>Technologies</u> | <u>Drilling<br/>Technologies</u> | <u>Total</u>     |
|-------------------------------------|---|----------------------------------|------------------|
| <b>Balance at December 31, 2014</b> | <b>\$ 807,514</b>                                       | <b>\$ 101,136</b>                | <b>\$908,650</b> |
| Foreign currency translation        | (6,722)   | —                                | (6,722)          |
| <b>Balance at December 31, 2015</b> | <b>800,792</b>  | <b>101,136</b>                   | <b>901,928</b>   |
| Foreign currency translation        | 651   | —                                | 651              |
| <b>Balance at December 31, 2016</b> | <b>\$ 801,443</b>                                       | <b>\$ 101,136</b>                | <b>\$902,579</b> |

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***Annual impairment testing***

Historically the Company was part of the Dover Energy operating segment. The Company performed its annual goodwill impairment test for its two historical reporting units (i) Drilling and Production, excluding a business component that will be retained by Dover (“D&P”) and (ii) Dover Energy Automation (“DEA”), and found no impairment. For both reporting units, based upon the annual goodwill analyses performed by the Company as of October 1, 2016 and 2015, the fair values exceeded the carrying values. As such, step two of the impairment test was not required. Beginning in the fourth quarter of 2017, the Company will also perform its annual goodwill impairment testing based upon the new segment structure discussed in Note 15 — Segment Information.

The annual impairment test is performed using a discounted cash flow analysis as discussed in Note 2 — Summary of Significant Accounting Policies. The Company performed step one of the annual goodwill impairment test for each of its two historical reporting units, concluding that the fair values were in excess of their carrying values. As previously noted, the fair values of each of the Company’s reporting units were determined using a discounted cash flow analysis which included management’s assumptions as to future cash flows and long-term growth rates as of the date of the impairment test. The discount rates used in these analyses were based on a capital asset pricing model and published relevant industry rates. The Company used discount rates related to that historical period commensurate with the risks and uncertainties inherent to each reporting unit and in management’s internally developed forecasts. Discount rates used in the Company’s 2016 and 2015 valuations, excluding a business component that will be retained by Dover, were 10.5% and 11.0%, respectively.

The goodwill balances for the D&P reporting unit were \$731,224 and \$730,749 as of October 1, 2016 and 2015, respectively. The goodwill balance for the DEA reporting unit was \$172,480 as of both October 1, 2016 and 2015. The Company experienced an overall decline in demand due to lower oil prices and the resulting economic pressures within the oil and gas industry, resulting in lower estimated cash flows. The D&P reporting unit had fair values in excess of their carrying values of 21% and 20% in 2016 and 2015, respectively. The DEA reporting unit had fair values in excess of their carrying values of 54% and 36% in 2016 and 2015, respectively.

While the Company believes the assumptions used in the 2015 and 2016 impairment analyses are reasonable and representative of expected results, if market conditions worsen or persist for an extended period of time, an impairment of goodwill or assets may occur. The Company will continue to monitor the long-term outlook and forecasts, including estimated future cash flows, for these businesses and the impact on the carrying value of goodwill and assets.



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**Intangible Assets**

The following table provides the gross carrying value and accumulated amortization for each major class of intangible assets:

|                                       | December 31, 2016     |                          |                   | December 31, 2015     |                          |                   |
|---------------------------------------|-----------------------|--------------------------|-------------------|-----------------------|--------------------------|-------------------|
|                                       | Gross Carrying Amount | Accumulated Amortization | Net               | Gross Carrying Amount | Accumulated Amortization | Net               |
| <b>Amortized intangible assets:</b>   |                       |                          |                   |                       |                          |                   |
| Customer Intangibles                  | \$ 566,602            | \$ 229,902               | \$ 336,700        | \$ 566,167            | \$ 183,919               | \$ 382,248        |
| Trademarks                            | 36,296                | 14,013                   | 22,283            | 36,292                | 10,213                   | 26,079            |
| Patents (1)                           | 38,106                | 16,662                   | 21,444            | 33,882                | 12,659                   | 21,223            |
| Unpatented Technologies               | 9,700                 | 9,700                    | —                 | 9,700                 | 9,700                    | —                 |
| Backlog                               | 5,630                 | 5,630                    | —                 | 5,630                 | 3,605                    | 2,025             |
| Drawings & Manuals                    | 3,001                 | 1,942                    | 1,059             | 2,983                 | 1,700                    | 1,283             |
| Other                                 | 5,270                 | 3,539                    | 1,731             | 5,240                 | 3,178                    | 2,062             |
| <b>Total amortized intangibles</b>    | <b>664,605</b>        | <b>281,388</b>           | <b>383,217</b>    | <b>659,894</b>        | <b>224,974</b>           | <b>434,920</b>    |
| <b>Unamortized intangible assets:</b> |                       |                          |                   |                       |                          |                   |
| Trademarks                            | 3,600                 | —                        | 3,600             | 3,600                 | —                        | 3,600             |
| <b>Total intangible assets</b>        | <b>\$ 668,205</b>     | <b>\$ 281,388</b>        | <b>\$ 386,817</b> | <b>\$ 663,494</b>     | <b>\$ 224,974</b>        | <b>\$ 438,520</b> |

(1) The increase from the prior year relates to acquired copyrights and patents from parent company.

Total amortization related to the Company's intangible assets was \$55,987 and \$59,161, for the years ended December 31, 2016 and 2015, respectively. Estimated future amortization expense related to intangible assets held at December 31, 2016 is as follows:

|      | <b>Estimated Amortization</b> |
|------|-------------------------------|
| 2017 | \$ 54,110                     |
| 2018 | 52,486                        |
| 2019 | 50,802                        |
| 2020 | 49,470                        |
| 2021 | 48,707                        |

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**7. Other Accrued Expenses and Other Liabilities**

The following table details the major components of Other accrued expenses (current):

|  | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| Warranty   | \$ 4,568             | \$ 4,319             |
| Unearned/deferred revenue                          | 3,787                | 2,191                |
| Taxes other than income                            | 1,424                | 3,301                |
| Accrued freight, travel and transportation         | 1,384                | 580                  |
| Accrued rebates                                    | 473                  | 1,417                |
| Restructuring and exit costs                       | 459                  | 1,887                |
| Other (none of which are individually significant) | 9,531                | 10,812               |
| Total other accrued expenses                       | <u>\$ 21,626</u>     | <u>\$ 24,507</u>     |

The following table details the major components of Other liabilities (noncurrent):

|  | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| Defined benefit and other post-retirement benefit  | \$ 16,510            | \$ 18,152            |
| Long-term capital lease obligations                | 1,919                | 3,282                |
| Warranty   | 98                   | 102                  |
| Other (none of which are individually significant) | 756                  | 874                  |
| Total other liabilities                            | <u>\$ 19,283</u>     | <u>\$ 22,410</u>     |

**Warranty**

Estimated warranty program claims are provided for at the time of sale. Amounts provided for are based on historical costs, claims experience and adjusted for new claims. The changes in the carrying amount of product warranties were as follows:

|   | Years Ended December 31, |                 |
|---|--------------------------|-----------------|
|   | 2016                     | 2015            |
| <b>Balance, beginning of year</b>                 | \$ 4,421                 | \$ 6,717        |
| Provision for warranties                          | 2,109                    | 1,266           |
| Settlements made                                  | (1,518)                  | (3,168)         |
| Other adjustments, including currency translation | (346)                    | (394)           |
| <b>Balance, end of year</b>                       | <u>\$ 4,666</u>          | <u>\$ 4,421</u> |

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### 8. Restructuring Activities

The Company initiated various restructuring programs and incurred severance and other restructuring costs by segment as follows:

|                                      | <u>Years Ended December 31,</u> |                         |
|--------------------------------------|---------------------------------|-------------------------|
|                                      | <u>2016</u>                     | <u>2015</u>             |
| Production & Automation Technologies | \$ 12,757                       | \$ 18,750               |
| Drilling Technologies                | 2,405                           | 2,480                   |
| <b>Total</b>                         | <b><u>\$ 15,162</u></b>         | <b><u>\$ 21,230</u></b> |

These amounts are classified in the Combined Statements of Earnings as follows:

|  |                         |                         |
|--|-------------------------|-------------------------|
| Cost of goods and services                   | \$ 9,465                | \$ 9,095                |
| Selling, general and administrative expenses | 5,697                   | 12,135                  |
| <b>Total</b>                                 | <b><u>\$ 15,162</u></b> | <b><u>\$ 21,230</u></b> |

The \$15,162 and \$21,230 of restructuring charges incurred during 2016 and 2015 included the following programs:

- The Production & Automation Technologies segment incurred restructuring charges of \$12,757 and \$18,750 during 2016 and 2015, respectively, related to various programs across the segment focused on workforce reductions and targeted facility consolidations. These programs were initiated to better align the cost base with the significantly lower demand environment.
- The Drilling Technologies segment recorded \$2,405 and \$2,480 during 2016 and 2015, respectively, in restructuring charges relating to headcount reductions across various businesses to better align the cost base with the significantly lower demand environment.

The restructuring charges incurred relate to restructuring programs designed to better align the Company's operations with current market conditions through targeted facility consolidations, headcount reductions and other measures to further optimize operations. The restructuring programs for both years were substantially completed during years 2016 and 2015.

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The following table details the Company's severance and other restructuring accrual activities:

|   | <u>Severance</u> | <u>Exit</u>   | <u>Total</u>  |
|---|------------------|---------------|---------------|
| <b>Balance at December 31, 2014</b>           | \$ 95            | \$ —          | \$ 95         |
| Restructuring charges                         | 9,366            | 11,864        | 21,230        |
| Payments                                      | (8,197)          | (3,947)       | (12,144)      |
| Other, including foreign currency translation | (100)            | (7,194) (1)   | (7,294)       |
| <b>Balance at December 31, 2015</b>           | 1,164            | 723           | 1,887         |
| Restructuring charges                         | 10,496           | 4,666         | 15,162        |
| Payments                                      | (11,235)         | (2,410)       | (13,645)      |
| Other, including foreign currency translation | (175)            | (2,770) (1)   | (2,945)       |
| <b>Balance at December 31, 2016</b>           | <u>\$ 250</u>    | <u>\$ 209</u> | <u>\$ 459</u> |

- (1) Other activity in exit reserves primarily represents the non-cash write-off of property, plant and equipment in connection with certain facility closures.

### **9. Fair Value Measurements**

Dover had outstanding contracts as of December 31, 2016 and 2015, respectively, that were not designated as hedging instruments. These instruments are used to reduce the Company's exposure for operating receivables and payables that are denominated in non-functional currencies. Apergy's gains and losses on these contracts are recorded in Other expense, net in the Combined Statements of Earnings which were not material for the years ended December 31, 2016 and 2015.

#### ***Fair Value Measurements***

Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures," establishes a hierarchy for measuring fair value. A financial instrument's categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. ASC 820 establishes three levels of inputs that may be used to measure fair value as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs include inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and 2015 were not significant and no tabular disclosures are presented.

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In addition to fair value disclosure requirements related to financial instruments carried at fair value, accounting standards require disclosures regarding the fair value of all of the Company's financial instruments. The carrying values of cash equivalents, trade receivables and accounts payable are reasonable estimates of their fair values as of December 31, 2016 and 2015 due to the short-term nature of these instruments.

#### 10. Income Taxes

The operations of Apergy have been historically included in Dover's U.S. combined federal and state income tax returns. Income tax expense and deferred tax balances are presented in these financial statements as if Apergy filed its own tax returns in each jurisdiction. These statements include tax losses and tax credits that may not reflect tax positions taken by Dover. In many cases, tax losses and tax credits generated by Apergy have been utilized by Dover.

Income taxes have been based on the following components of (Loss) earnings before (benefit from) provision for income taxes in the Combined Statements of Earnings:

|          | <u>Years Ended December 31,</u> |                  |
|----------|---------------------------------|------------------|
|          | <u>2016</u>                     | <u>2015</u>      |
| Domestic | \$ (25,926)                     | \$ 61,670        |
| Foreign  | 7,092                           | 15,595           |
| Total    | <u>\$ (18,834)</u>              | <u>\$ 77,265</u> |

Income tax (benefit) expense relating to continuing operations for the years ended December 31, 2016 and 2015 is comprised of the following:

|                         | <u>Years Ended December 31,</u> |                  |
|-------------------------|---------------------------------|------------------|
|                         | <u>2016</u>                     | <u>2015</u>      |
| Current:                |                                 |                  |
| U.S. federal            | \$ 8,872                        | \$ 40,415        |
| State and local         | 1,995                           | (332)            |
| Foreign                 | 971                             | 5,344            |
| Total current           | <u>11,838</u>                   | <u>45,427</u>    |
| Deferred:               |                                 |                  |
| U.S. federal            | (19,161)                        | (23,135)         |
| State and local         | (771)                           | 4,141            |
| Foreign                 | 51                              | (2,302)          |
| Total deferred          | <u>(19,881)</u>                 | <u>(21,296)</u>  |
| Total (benefit) expense | <u>\$ (8,043)</u>               | <u>\$ 24,131</u> |

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Differences between the effective income tax rate and the U.S. federal income statutory tax rate are as follows:

|  | <u>Years Ended December 31,</u> |              |
|--|---------------------------------|--------------|
|  | <u>2016</u>                     | <u>2015</u>  |
| U.S. federal income tax rate                             | 35.0%                           | 35.0%        |
| State and local taxes, net of federal income tax benefit | (3.9)                           | 3.1          |
| Foreign operations tax effect                            | 7.8                             | (3.1)        |
| Research and experimentation tax credits                 | 2.3                             | (0.7)        |
| Domestic manufacturing deduction                         | 6.2                             | (4.6)        |
| Nondeductible expenses                                   | (3.3)                           | 1.0          |
| ESOP Dividends   | 2.9                             | (0.7)        |
| Branch income  | (2.9)                           | 0.8          |
| Other  | (1.4)                           | 0.4          |
| Effective tax rate from continuing operations            | <u>42.7%</u>                    | <u>31.2%</u> |

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The tax effects of temporary differences that give rise to future deferred tax assets and liabilities are as follows:

|   | <u>December 31, 2016</u> | <u>December 31, 2015</u> |
|---|--------------------------|--------------------------|
| <b>Deferred Tax Assets:</b>   |                          |                          |
| Accrued compensation, principally post-retirement and other employee benefits                                 | \$ 9,126                 | \$ 10,477                |
| Accrued expenses, principally for state income taxes, interest and warranty                                   | 1,512                    | 1,748                    |
| Net operating loss and other carryforwards  | 1,082                    | 64                       |
| Accounts receivable, principally due to allowance for doubtful accounts                                       | 1,780                    | 1,324                    |
| Long-term liabilities, principally warranty, environmental and exit cost                                      | 620                      | 511                      |
| Other assets  | 459                      | 609                      |
| Total gross deferred tax assets   | 14,579                   | 14,733                   |
| Valuation allowance   | (1,082)                  | (64)                     |
| Total deferred tax assets, net of valuation allowances  | <u>\$ 13,497</u>         | <u>\$ 14,669</u>         |
| <b>Deferred Tax Liabilities:</b>  |                          |                          |
| Inventories, principally due to reserves for financial reporting purposes and capitalization for tax purposes | \$ (4,754)               | \$ (6,773)               |
| Intangible assets, principally due to different tax and financial reporting bases and amortization lives      | (149,500)                | (166,605)                |
| Property, plant and equipment, principally due to differences in depreciation                                 | (26,254)                 | (28,122)                 |
| Total gross deferred tax liabilities  | (180,508)                | (201,500)                |
| Net deferred tax liability  | <u>\$ (167,011)</u>      | <u>\$ (186,831)</u>      |
| <b>Classified as follows in the Combined Balance Sheets:</b>  |                          |                          |
| Other assets and deferred charges   | \$ 554                   | \$ 1,191                 |
| Deferred income taxes   | (167,565)                | (188,022)                |
|   | <u>\$ (167,011)</u>      | <u>\$ (186,831)</u>      |

As of December 31, 2016, the Company had non-U.S. loss carryforwards of \$4.24 million. The entire balance of the non-U.S. losses as of December 31, 2016 is available to be carried forward, with \$4.17 million of these losses beginning to expire during the years 2025 through 2030. The remaining \$64 thousand is available to be carried forward indefinitely.

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The Company maintains valuation allowances by jurisdiction against the deferred tax assets related to certain of these carryforwards as utilization of these tax benefits is not assured for certain jurisdictions.

The Company has not provided for U.S. federal income taxes or tax benefits on the undistributed earnings of its international subsidiaries, totaling approximately \$140 million at December 31, 2016, because such earnings are permanently reinvested and it is currently intended that they will continue to be reinvested indefinitely. It is not practicable to estimate the amount of tax that might be payable if some or all of such earnings were to be repatriated, and the amount of foreign tax credits that would be available to reduce or eliminate the resulting U.S. income tax liability.

The Company files U.S., federal, state, local and foreign tax returns. The Company is routinely audited by the tax authorities in these jurisdictions, and a number of audits are currently underway. The Company is no longer subject to examinations of its federal income tax returns for years through 2013. All significant state, local and international matters have been concluded for years through 2009. The Company believes that it has properly accounted for all income tax uncertainties. The Company has not recorded a liability for uncertain tax positions for the years ended December 31, 2016 and 2015.

### **11. Equity and Cash Incentive Program**

Dover grants share-based awards to its officers and other key employees, including certain Apergy individuals. The following disclosures reflect the portion of Dover's program in which Apergy employees participate. All awards granted under the program consist of Dover common shares and are not necessarily indicative of the results that Apergy would have experienced as an independent, publicly-traded company for the periods presented.

Dover's plan authorizes the granting of stock options, stock-settled stock appreciation rights ("SARs"), restricted stock, and performance shares awards. The exercise price per share for stock options and SARs is equal to the closing price of Dover's stock on the New York Stock Exchange on the date of grant. The period during which options and SARs are exercisable is fixed by Dover's Compensation Committee at the time of grant. Generally, the stock options or SARs vest after three years of service and expire at the end of ten years. Performance share awards shall become vested if (1) Dover achieves certain specified internal metrics and (2) the employee remains continuously employed by Dover during the performance period. Partial vesting may occur after separation from service in the case of certain terminations not for cause and for retirements.

Stock-based compensation costs are reported within Selling, general and administrative expenses. The following table summarizes the Company's compensation expense relating to all stock-based incentive plans:

|  | <u>Years Ended December 31,</u> |                 |
|--|---------------------------------|-----------------|
|  | <u>2016</u>                     | <u>2015</u>     |
| Pre-tax compensation expense                       | \$ 2,293                        | \$ 1,925        |
| Tax benefit  | (787)                           | (658)           |
| Total stock-based compensation expense, net of tax | <u>\$ 1,506</u>                 | <u>\$ 1,267</u> |



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**SARs and Stock Options**

In 2016 and 2015, Dover issued SARs covering 106,548 and 98,803 shares, respectively. Since 2006, Dover has only issued SARs and does not anticipate issuing stock options in the future. The fair value of each SAR grant was estimated on the date of grant using a Black-Scholes option-pricing model with the following assumptions:

|                             | <u>2016</u> | <u>2015</u> |
|-----------------------------|-------------|-------------|
| Risk-free interest rate     | 1.05%       | 1.51%       |
| Dividend yield              | 3.09%       | 2.24%       |
| Expected life (years)       | 4.6         | 5.1         |
| Volatility                  | 26.17%      | 27.19%      |
| Grant price                 | \$57.25     | \$73.28     |
| Fair value at date of grant | \$ 9.25     | \$14.55     |

Expected volatilities are based on Dover's stock price history, including implied volatilities from traded options on Dover's stock. Dover uses historical data to estimate SAR exercise and employee termination patterns within the valuation model. The expected life of SARs granted is derived from the output of the option valuation model and represents the average period of time that SARs granted are expected to be outstanding. The interest rate for periods within the contractual life of the awards is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of activity relating to SARs granted under the Dover plans for the year ended December 31, 2016 is as follows:

|                                  | <u>SARs</u>                 |  | <u>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Term (Years)</u> |
|----------------------------------|-----------------------------|--|--|
|                                  | <u>Number<br/>of Shares</u> | <u>Weighted<br/>Average Exercise<br/>Price</u> |  |
| Outstanding at January 1, 2016   | 432,184                     | \$ 64.54                                       |  |
| Granted                          | 106,548                     | 57.25  |  |
| Forfeited / expired              | (36,093)                    | 67.32  |  |
| Exercised                        | (47,956)                    | 54.31  |  |
| Outstanding at December 31, 2016 | <u>454,683</u>              | 63.69  | 6.8  |
| Exercisable at December 31, 2016 | <u>209,304</u>              | \$ 57.61                                       | 5.0  |

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The following table summarizes information about outstanding SARs at December 31, 2016:

| Range of Exercise Prices | SARs Outstanding |                                 |  |                           | SARs Exercisable |                                 |  |                           |
|--------------------------|------------------|---------------------------------|--|---------------------------|------------------|---------------------------------|--|---------------------------|
|                          | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Life in Years | Aggregate Intrinsic Value | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Life in Years | Aggregate Intrinsic Value |
| \$25.96 - \$37.79        | 23,816           | \$ 37.79                        | 3.1                                      | \$ 885                    | 23,816           | \$ 37.79                        | 3.1                                      | \$ 885                    |
| \$40.54 - \$58.69        | 211,034          | \$ 57.56                        | 6.8                                      | \$ 3,666                  | 107,630          | \$ 57.86                        | 4.6                                      | \$ 1,838                  |
| \$63.33 - \$82.51        | 219,833          | \$ 72.38                        | 7.2                                      | 1,034                     | 77,858           | \$ 63.33                        | 6.1                                      | 903                       |
|                          | <u>454,683</u>   |                                 |  | <u>\$ 5,585</u>           | <u>209,304</u>   |                                 |  | <u>\$ 3,626</u>           |

Unrecognized compensation expense related to SARs not yet exercisable was \$1,083 at December 31, 2016. This cost is expected to be recognized over a weighted average period of 1.6 years.

Other information regarding the exercise of SARs and stock options is listed below:

|  | 2016    | 2015    |
|--|---------|---------|
| <b>SARs</b>  |         |         |
| Fair value of SARs that became exercisable           | \$1,564 | \$1,356 |
| Aggregate intrinsic value of SARs exercised          | \$ 799  | \$1,874 |
| <b>Stock Options</b>                                 |         |         |
| Cash received by Dover for exercise of stock options | \$ —    | \$ 100  |
| Aggregate intrinsic value of options exercised       | \$ —    | \$ 117  |

**Performance Share Awards**

Performance share awards granted are expensed over the three-year requisite performance and service period. Awards become vested if (1) Dover achieves certain specified internal metrics and (2) the employee remains continuously employed by the Company during the performance period. Partial vesting may occur after separation from service in the case of certain terminations not for cause and for retirements.

In 2016 and 2015, Dover issued performance shares to Apergy's employees covering 5,764 and 4,503 shares, respectively. The performance share awards granted in these years are considered performance condition awards as attainment is based on Dover's performance relative to established internal metrics. The fair value of these awards was determined using Dover's closing stock price on the date of grant. The expected attainment of the internal metrics for these awards is analyzed each reporting period, and the related expense is adjusted up or down based on expected attainment, if that attainment differs from previous estimates. The cumulative effect on current and prior periods of a change in attainment is recognized in compensation cost in the period of change.

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The fair value and average attainment used in determining compensation cost of the performance shares issued in 2016 and 2015 are as follows for the year ended December 31, 2016:

|  | <u>Performance shares</u> |             |
|--|---------------------------|-------------|
|  | <u>2016</u>               | <u>2015</u> |
| Fair value per share at date of grant        | \$57.25                   | \$73.28     |
| Average attainment rate reflected in expense | 0.0%                      | 0.0%        |

A summary of activity for performance share awards for the year ended December 31, 2016 is as follows:

|                               | <u>Number of<br/>Shares</u> | <u>Weighted-<br/>Average<br/>Grant-Date<br/>Fair Value</u> |
|-------------------------------|-----------------------------|--|
| Unvested at January 1, 2016   | 8,139                       | \$ 77.40   |
| Granted                       | 5,764                       | 57.25  |
| Vested                        | (3,636)                     | 82.51  |
| Unvested at December 31, 2016 | <u>10,267</u>               | \$ 64.28   |

There is no unrecognized compensation expense related to unvested performance shares as of December 31, 2016. The weighted average number of years over which compensation expense may be recognized for unvested performance shares is 1.6.

**Restricted Stock Units**

Dover also has restricted stock units authorized for grant. Common stock of Dover may be granted at no cost to certain officers and key employees. In general, restrictions limit the sale or transfer of these shares during a three-year period, and restrictions lapse proportionately over the three-year period. Dover granted 42,117 and 17,263 of restricted stock units in 2016 and 2015, respectively.

A summary of activity for restricted stock units for the year ended December 31, 2016 is as follows:

|                               | <u>Number of<br/>Shares</u> | <u>Weighted-<br/>Average<br/>Grant-Date<br/>Fair Value</u> |
|-------------------------------|-----------------------------|--|
| Unvested at January 1, 2016   | 23,666                      | \$ 76.26   |
| Granted                       | 42,117                      | 57.25  |
| Forfeited                     | (2,903)                     | 69.01  |
| Vested                        | (8,816)                     | 77.17  |
| Unvested at December 31, 2016 | <u>54,064</u>               | \$ 61.68   |

Unrecognized compensation expense relating to unvested restricted stock as of December 31, 2016 was \$705, which will be recognized over a weighted average period of 1.8 years.

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## 12. Commitments and Contingent Liabilities

### *Lease Commitments*

The Company leases certain facilities and equipment under operating leases, many of which contain renewal options. Total rental expense, net of insignificant sublease rental income, for all operating leases was \$17,936 and \$16,992 for the years ended December 31, 2016, and 2015, respectively. Contingent rentals under the operating leases were not significant.

The aggregate future minimum lease payments for operating and capital leases as of December 31, 2016 are as follows:

|            | <u>Operating</u> | <u>Capital</u> |
|------------|------------------|----------------|
| 2017       | \$ 11,088        | \$1,551        |
| 2018       | 9,565            | 571            |
| 2019       | 8,403            | 184            |
| 2020       | 6,547            | —              |
| 2021       | 4,318            | —              |
| Thereafter | 2,305            | —              |
| Total      | <u>\$ 42,226</u> | <u>\$2,306</u> |

### *Guarantees*

The Company has provided indemnities in connection with sales of certain businesses and assets, including representations and warranties and related indemnities for environmental, health and safety, tax and employment matters. The Company does not have any material liabilities recorded for these indemnifications and is not aware of any claims or other information that would give rise to material payments under such indemnities.

### *Letters of Credit*

As of December 31, 2016 and 2015, the Company had approximately \$16,045 and \$15,927 outstanding in letters of credit and guarantees with financial institutions, which expire at various dates in 2017 through 2019. These letters of credit are primarily maintained as security for insurance, warranty and other performance obligations. In general, the Company would only be liable for the amount of these letters of credit in the event of default in the performance of the Company's obligations, the probability of which we believe is remote.

### *Litigation*

At both December 31, 2016 and 2015, the Company had reserves totaling \$445 for environmental matters that are probable and estimable. The environmental matters relate to ongoing remedial activities performed in cooperation with regulatory authorities.

The Company and certain of its subsidiaries are also parties to a number of other legal proceedings incidental to their businesses. These proceedings primarily involve claims by private parties alleging injury arising out of use of the Company's products, intellectual property infringement, employment matters and commercial disputes.

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Management and legal counsel, at least quarterly, review the probable outcome of such proceedings, the costs and expenses reasonably expected to be incurred and currently accrued to-date. The Company has reserves for other legal matters that are probable and estimable, and at December 31, 2016 and 2015, these reserves were not significant. While it is not possible at this time to predict the outcome of these legal actions, in the opinion of management, based on the aforementioned reviews, the Company is not currently involved in any legal proceedings which, individually or in the aggregate, could have a material effect on its financial position, results of operations, or cash flows.

**13. Employee Benefit Plans**

**Multiemployer Defined Benefit Plans**

Apergy participates in the following plans as though it is a participant in a multi-employer plan with the other businesses of Dover. Accordingly, a proportionate share of the cost is reflected in the Combined Financial Statements.

Dover provides a defined benefit pension plan for its eligible U.S. employees and retirees. As such, the portion of Apergy's liability associated with this U.S. plan is not reflected in Apergy's Combined Balance Sheets and will not be recorded at the distribution date as this obligation will be maintained and serviced by Dover. As of the spin-off date, Apergy participants in this plan (other than Norris USW participants) will no longer accrue benefits. In addition, Apergy will not assume any funding requirements or obligations related to the defined benefit pension plan upon the distribution date. Norris USW participants will be moved to a new pension plan, and will continue to accrue benefits at Dover pre-spin-off, and Apergy post-spin-off.

Dover also provides a defined benefit pension plan for its eligible salaried non-U.S. employees and retirees in Canada. As such, the portion of Apergy's liability associated with this non-U.S. plan is not reflected in Apergy's Combined Balance Sheets as this obligation is being maintained and serviced by Dover. This plan will be transferred to Apergy at the distribution date and will be recorded by Apergy at that point. Shortly before the spin-off date, all non-Apergy participants in this plan will no longer accrue benefits. In addition, Dover will not assume any funding requirements or obligations related to the defined benefit pension plan upon the distribution date.

Dover provides to certain U.S. management employees, through non-qualified plans, supplemental retirement benefits in excess of qualified plan limits imposed by federal tax law. The benefit obligation attributed to Apergy employees for this non-qualified plan will be reflected in Apergy's Combined Balance Sheets as of the distribution date. As of the spin-off date, Apergy participants in these non-qualified plans will no longer accrue benefits. In addition, Apergy will assume any funding requirements or obligations related to this plan upon the distribution date.

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The table below summarizes the expenses recorded in the Apergy financial statements for the Dover plans in which Apergy participates.

| <b>Plan Name</b>             | <b>Years Ended December 31,</b> |             |
|------------------------------|---------------------------------|-------------|
|                              | <b>2016</b>                     | <b>2015</b> |
| Dover U.S. Pension Plan      | \$ 4,643                        | \$ 4,783    |
| Canada Salaried Pension Plan | 1,615                           | 513         |
| Other non-qualified plans    | 121                             | 123         |

No contributions were made by Dover to the U.S. Pension plan in 2016 or 2015. No contribution is expected to be made in 2017. Contributions to the Canada Salaried Pension Plan totaled \$2.0 million and \$1.1 million in 2016 and 2015, respectively. Expected contributions in 2017 are \$1.2 million. The non-qualified plans are unfunded and contributions are made as benefits are paid.

**Single Employer Defined Benefit and Non-Qualified Plans**

Apergy sponsors one defined benefit pension plan to certain hourly non-U.S. employees and retirees. The plan is closed to new participants; however, all active participants in these plans continue to accrue benefits. This plan is considered a direct obligation of Apergy and has been recorded within Apergy's Combined Financial Statements.

The Company sponsors non-qualified plans covering certain employees and retirees of the Company. The plans provide supplemental retirement benefits in excess of qualified plan limits imposed by federal tax law. These plans are closed to new hires and all benefits under the plans are frozen. These plans are considered direct obligations of Apergy and have been recorded within Apergy's Combined Financial Statements.

Apergy does not have any other post-retirement employee benefit plans other than those plans mentioned above.

**Defined Contribution Plan**

Apergy offers a defined contribution retirement plan which covers the majority of its U.S. employees, as well as employees in certain other countries. The Company's expense relating to the defined contribution plan was \$6,446 and \$7,247 for the years ended December 31, 2016 and 2015, respectively.

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**Obligations and Funded Status**

The following tables summarize the Combined Balance Sheets impact, including the benefit obligations, assets and funded status associated with the Company's single employer defined benefit and non-qualified plans at December 31, 2016 and 2015.

|  | Non-U.S. Qualified Defined<br>Benefit Plan |                 | Non-Qualified Supplemental<br>Benefits Plan |                    |
|--|--|-----------------|---|--------------------|
|  | 2016                                       | 2015            | 2016  | 2015               |
| <b>Change in benefit obligation:</b>                                 |  |                 |   |                    |
| Benefit obligation at beginning of year                              | \$ 3,139                                   | \$ 3,605        | \$ 20,313                                   | \$ 21,590          |
| Service cost   | 102  | 118             | —   | —                  |
| Interest cost  | 129  | 130             | 719   | 708                |
| Benefits paid  | (79)                                       | (133)           | (2,484)                                     | (2,476)            |
| Actuarial loss (gain)  | 170  | (1)             | 52  | 491                |
| Currency translation and other                                       | 51   | (580)           | —   | —                  |
| Benefit obligation at end of year                                    | <u>3,512</u>                               | <u>3,139</u>    | <u>18,600</u>                               | <u>20,313</u>      |
| <b>Change in plan assets:</b>  |  |                 |   |                    |
| Fair value of plan assets at beginning of year                       | 3,056                                      | 3,448           | —   | —                  |
| Actual return on plan assets   | 198  | 109             | —   | —                  |
| Company contributions  | 165  | 191             | 2,484                                       | 2,476              |
| Benefits paid  | (79)                                       | (133)           | (2,484)                                     | (2,476)            |
| Currency translation and other                                       | 51   | (559)           | —   | —                  |
| Fair value of plan assets at end of year                             | <u>3,391</u>                               | <u>3,056</u>    | <u>—</u>                                    | <u>—</u>           |
| <b>Unfunded status</b>   | <u>\$ (121)</u>                            | <u>\$ (83)</u>  | <u>\$ (18,600)</u>                          | <u>\$ (20,313)</u> |
| <b>Amounts recognized in the Combined Balance Sheets consist of:</b> |  |                 |   |                    |
| Assets and Liabilities:  |  |                 |   |                    |
| Accrued compensation and employee benefits                           | \$ —                                       | \$ —            | \$ (2,211)                                  | \$ (2,244)         |
| Other liabilities  | (121)                                      | (83)            | (16,389)                                    | (18,069)           |
| Total assets and liabilities   | <u>(121)</u>                               | <u>(83)</u>     | <u>(18,600)</u>                             | <u>(20,313)</u>    |
| Accumulated Other Comprehensive Loss (Earnings):                     |  |                 |   |                    |
| Net actuarial losses   | 1,632                                      | 1,532           | 9,721                                       | 9,974              |
| Prior service cost   | 42   | 44              | —   | —                  |
| Net asset at transition, other                                       | (21)                                       | (22)            | —   | —                  |
| Deferred taxes   | (446)                                      | (395)           | (3,592)                                     | (3,685)            |
| Total accumulated other comprehensive loss, net of tax               | <u>1,207</u>                               | <u>1,159</u>    | <u>6,129</u>                                | <u>6,289</u>       |
| <b>Net amount recognized at December 31,</b>                         | <u>\$ 1,086</u>                            | <u>\$ 1,076</u> | <u>\$ (12,471)</u>                          | <u>\$ (14,024)</u> |
| <b>Accumulated benefit obligations</b>                               | <u>\$ 3,512</u>                            | <u>\$ 3,139</u> | <u>\$ 18,600</u>                            | <u>\$ 20,313</u>   |

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The Company's net unfunded status at December 31, 2016 and 2015 includes net liabilities of \$121 and \$83, respectively, relating to the Company's defined pension benefit plan operated by the Company's businesses in Canada.

The accumulated benefit obligation for all defined benefit pension plans was \$22,112 and \$23,452 at December 31, 2016 and 2015, respectively. Pension plans with accumulated benefit obligations in excess of plan assets consist of the following at December 31, 2016 and 2015:

|                                      | 2016    | 2015    |
|--------------------------------------|---------|---------|
| Projected benefit obligation (PBO)   | \$3,512 | \$3,139 |
| Accumulated benefit obligation (ABO) | 3,512   | 3,139   |
| Fair value of plan assets            | 3,391   | 3,056   |

**Net Periodic Benefit Cost**

Components of the net periodic benefit cost were as follows:

**Defined Benefit Plans**

|                                 | Non-U.S. Qualified Defined<br>Benefit Plan |               | Non-Qualified Supplemental<br>Benefits Plan |               |
|---------------------------------|--|---------------|---|---------------|
|                                 | 2016                                       | 2015          | 2016  | 2015          |
| Service cost                    | \$ 102                                     | \$ 118        | \$ —  | \$ —          |
| Interest cost                   | 129  | 130           | 719   | 708           |
| Expected return on plan assets  | (186)                                      | (184)         | —   | —             |
| Amortization of:                |  |               |   |               |
| Prior service cost              | 2  | 2             | —   | —             |
| Recognized actuarial loss       | 58   | 57            | 305   | 284           |
| Transition obligation           | (1)  | (1)           | —   | —             |
| Total net periodic benefit cost | <u>\$ 104</u>                              | <u>\$ 122</u> | <u>\$ 1,024</u>                             | <u>\$ 992</u> |

Amounts expected to be amortized from accumulated other comprehensive earnings (loss) into net periodic benefit cost during 2017 are as follows:

|                           | Non-U.S. Qualified Defined<br>Benefit Plan | Non-Qualified Supplemental<br>Benefits Plan |
|---------------------------|--|---|
| Amortization of:          |  |   |
| Prior service cost        | \$ 2                                       | \$ —  |
| Recognized actuarial loss | 66   | 330   |
| Transition obligation     | (1)  | —   |
| Total                     | <u>\$ 67</u>                               | <u>\$ 330</u>                               |



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**Assumptions**

The Company determines actuarial assumptions on an annual basis. The weighted average assumptions used in determining the benefit obligations were as follows:

|               | Non-U.S. Qualified Defined<br>Benefit Plan |       | Non-Qualified Supplemental<br>Benefits Plan |       |
|---------------|--|-------|---|-------|
|               | 2016                                       | 2015  | 2016  | 2015  |
| Discount rate | 3.75%                                      | 4.00% | 3.55%                                       | 3.75% |

The weighted average assumptions used in determining the net periodic benefit cost were as follows:

|                                | Non-U.S. Qualified Defined<br>Benefit Plan |       | Non-Qualified Supplemental<br>Benefits Plan |       |
|--------------------------------|--|-------|---|-------|
|                                | 2016                                       | 2015  | 2016  | 2015  |
| Discount rate                  | 4.00%                                      | 4.00% | 3.75%                                       | 3.45% |
| Expected return on plan assets | 5.75%                                      | 5.75% | na  | na    |

The Company's discount rate assumption is determined by developing a yield curve based on high quality corporate bonds with maturities matching the plans' expected benefit payment streams. The plans' expected cash flows are then discounted by the resulting year-by-year spot rates.

**Plan Assets**

The primary financial objective of the plans is to secure participant retirement benefits. Accordingly, the key objective in the plans' financial management is to promote stability and, to the extent appropriate, growth in the funded status. Related and supporting financial objectives are established in conjunction with a review of current and projected plan financial requirements.

As it relates to the funded defined benefit pension plans, including those accounted for as multi-employer plans, the Company's funding policy is consistent with the funding requirements of the Employment Retirement Income Security Act of 1974, as amended ("ERISA"), and applicable international laws. The Company is responsible for overseeing the management of the investments of the plans' assets and otherwise ensuring that the plans' investment programs are in compliance with ERISA, other relevant legislation and related plan documents. Where relevant, the Company has retained professional investment managers to manage the plans' assets and implement the investment process. The investment managers, in implementing their investment processes, have the authority and responsibility to select appropriate investments in the asset classes specified by the terms of their applicable prospectus or investment manager agreements with the plans.

The assets of the plans are invested to achieve an appropriate return for the plans consistent with a prudent level of risk. The asset return objective is to achieve, as a minimum over time, the passively managed return earned by market index funds, weighted in the proportions outlined by the asset class exposures identified in the plans' strategic allocation. The expected return on assets assumption used for pension expense is developed through analysis of historical market returns, statistical analysis, current market conditions and the past experience of plan asset investments. The Company's plans were expected to achieve rates of return on invested assets of 5.75% in 2016 and in 2015.

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The Company's actual and target weighted average asset allocation for our non-U.S. Corporate Pension Plan was as follows:

|                       | <u>2016</u> | <u>2015</u> | <u>Current Target</u> |
|-----------------------|-------------|-------------|-----------------------|
| Equity securities     | 60%         | 60%         | 60%                   |
| Fixed income          | 39%         | 31%         | 40%                   |
| Real estate and other | 1%          | 9%          | —%                    |
| <b>Total</b>          | <u>100%</u> | <u>100%</u> | <u>100%</u>           |

The fair values of the non-U.S. pension plan assets by asset category within the fair value hierarchy (as defined in Note 9 — Fair Value Measurements) were as follows:

|                           | <b>Non-U.S. Qualified Defined Benefit Plan</b> |                |                |                         |                          |                |                |                         |
|---------------------------|--|----------------|----------------|-------------------------|--------------------------|----------------|----------------|-------------------------|
|                           | <b>December 31, 2016</b>                       |                |                |                         | <b>December 31, 2015</b> |                |                |                         |
|                           | <b>Level 1</b>                                 | <b>Level 2</b> | <b>Level 3</b> | <b>Total Fair Value</b> | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>Total Fair Value</b> |
| Fixed income investments  | \$ —   | \$1,319        | \$ —           | \$ 1,319                | \$ —                     | \$ 936         | \$ —           | \$ 936                  |
| Common stock funds        | —  | 2,050          | —              | 2,050                   | —                        | 1,833          | —              | 1,833                   |
| Cash and cash equivalents | 22   | —              | —              | 22                      | 287                      | —              | —              | 287                     |
| <b>Total</b>              | <u>\$ 22</u>                                   | <u>\$3,369</u> | <u>\$ —</u>    | <u>\$ 3,391</u>         | <u>\$ 287</u>            | <u>\$2,769</u> | <u>\$ —</u>    | <u>\$ 3,056</u>         |

The Company had no level 3 Non-U.S. Plan assets at December 31, 2016 and 2015.

Common stocks represent investments in domestic and foreign equities which are publicly traded on active exchanges and are valued based on quoted market prices.

Fixed income investments include investments in other government and municipal securities and corporate bonds, which are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no transfers between Level 1 and Level 2 investments during 2016 or 2015.

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**Future Estimates**

**Benefit Payments**

Estimated future benefit payments to retirees, which reflect expected future service, are as follows:

|             | Non-U.S. Qualified Defined<br>Benefit Plan | Non-Qualified Supplemental<br>Benefits Plan |
|-------------|--|---|
| 2017        | \$ 58                                      | \$ 2,249                                    |
| 2018        | 65   | 2,081                                       |
| 2019        | 78   | 1,908                                       |
| 2020        | 91   | 1,736                                       |
| 2021        | 98   | 1,565                                       |
| 2022 - 2026 | 624  | 5,475                                       |

**Contributions**

In 2017, the Company expects to contribute approximately \$0.2 million to its non-U.S. qualified plan.

**14. Other Comprehensive Earnings (Loss)**

The amounts recognized in Other comprehensive earnings (loss) were as follows:

|   | Pre-tax           | Tax            | Net of tax        |
|---|-------------------|----------------|-------------------|
| <b>Year Ended December 31, 2016</b>             |                   |                |                   |
| Foreign currency translation adjustments        | \$ 953            | \$—            | \$ 953            |
| Pension and other post-retirement benefit plans | 154               | (42)           | 112               |
| <b>Total other comprehensive earnings</b>       | <u>\$1,107</u>    | <u>\$ (42)</u> | <u>\$ 1,065</u>   |
| <b>Year Ended December 31, 2015</b>             |                   |                |                   |
| Foreign currency translation adjustments        | \$(11,691)        | \$—            | \$(11,691)        |
| Pension and other post-retirement benefit plans | (393)             | 124            | (269)             |
| <b>Total other comprehensive loss</b>           | <u>\$(12,084)</u> | <u>\$124</u>   | <u>\$(11,960)</u> |

The components of Accumulated other comprehensive earnings (loss) are as follows:

|   | December 31, 2016  | December 31, 2015  |
|---|--------------------|--------------------|
| Cumulative foreign currency translation adjustments | \$ (26,293)        | \$ (27,246)        |
| Pension and other post-retirement benefit plans     | (7,336)            | (7,448)            |
|   | <u>\$ (33,629)</u> | <u>\$ (34,694)</u> |

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Total comprehensive (loss) earnings were as follows:

|   | <u>Years Ended December 31,</u> |                  |
|---|---------------------------------|------------------|
|   | <u>2016</u>                     | <u>2015</u>      |
| Net (loss) earnings attributable to Company | \$ (12,642)                     | \$ 51,698        |
| Other comprehensive earnings (loss)         | 1,065                           | (11,960)         |
| Comprehensive (loss) earnings               | <u>\$ (11,577)</u>              | <u>\$ 39,738</u> |

Amounts reclassified from accumulated other comprehensive earnings (loss) to earnings (loss) during the year ended December 31, 2016, and 2015 were as follows:

|  | <u>Years Ended December 31,</u> |               |
|--|---------------------------------|---------------|
|  | <u>2016</u>                     | <u>2015</u>   |
| <b>Pension and other post-retirement benefit plans:</b>        |                                 |               |
| Amortization of actuarial losses and net transition obligation | \$ 362                          | \$ 340        |
| Amortization of prior service costs                            | <u>2</u>                        | <u>2</u>      |
| Total before tax   | 364                             | 342           |
| Tax benefit  | <u>(129)</u>                    | <u>(120)</u>  |
| Net of tax   | <u>\$ 235</u>                   | <u>\$ 222</u> |

The Company recognizes net periodic benefit cost, which includes amortization of net actuarial losses and prior service costs, in both Selling, general and administrative expenses and Cost of goods and services in the Combined Statements of Earnings, depending on the functional area of the underlying employees included in the plans.

#### 15. Segment Information

Historically the Company was part of the Dover Energy operating segment. As it is transitioning into a stand-alone company, the Company's Chief Executive Officer, its Chief Operating Decision Maker ("CODM"), evaluated how to view and measure its business performance. Based upon such evaluation, and effective during the fourth quarter of 2017, the Company determined it is organized into two operating segments, which are also its reportable segments based on how the CODM analyzes performance, allocates capital and makes strategic and operational decisions. The CODM allocates resources to and evaluates the financial performance of each operating segment primarily based on revenues and segment earnings. The 2016 and 2015 segment results are presented in accordance with this new structure. The segments were determined in accordance with FASB ASC Topic 280—Segment Reporting and include i) Production & Automation Technologies and ii) Drilling Technologies. The segments are aligned around similar product applications serving Apergy's key end markets, to enhance focus on end market strategies.

- Production & Automation Technologies facilitates the efficient, safe and cost effective extraction of oil and gas. More specifically, Production & Automation Technologies designs, manufactures, markets and services a full range of artificial lift equipment, end-to-end automation solutions, as well as other

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production equipment. These products and technologies are all designed to lower production costs and optimize well efficiency for Apergy's customers. Production & Automation Technologies' products are sold under a collection of premier brands, which Apergy believes are recognized by customers as leaders in their market spaces, including Harbison-Fischer, Norris, Alberta Oil Tool, Oil Lift Technology, PCS Ferguson, Pro-Rod, Upco, Accelerated, Norriseal-Wellmark, Quartzdyne, Spirit, Theta, Timberline and Windrock.

- Drilling Technologies provides highly specialized products used in drilling oil and gas wells. Drilling Technologies designs, manufactures and markets polycrystalline diamond cutters ("PDCs") for use in oil and gas drill bits under the US Synthetic brand. Over 95% of Apergy's PDCs are custom designed to meet unique customer requirements and are finished to exact customer specification to ensure optimal performance. PDCs are utilized in both vertical and horizontal drilling and need to be replaced as they wear out during the drilling process.

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Segment financial information and a reconciliation of segment results to combined results follows:

|  | <b>Years Ended December 31,</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>2016</b>                     | <b>2015</b>        |
| <b>Revenue:</b>  |                                 |                    |
| Production & Automation Technologies                             | \$638,017                       | \$ 912,383         |
| Drilling Technologies  | 113,320                         | 164,297            |
| Total combined revenue   | <u>\$751,337</u>                | <u>\$1,076,680</u> |
| <b>Net earnings:</b>   |                                 |                    |
| Segment (loss) earnings:   |                                 |                    |
| Production & Automation Technologies <sup>(1)</sup>              | \$ (12,942)                     | \$ 66,839          |
| Drilling Technologies  | 12,946                          | 31,133             |
| Total segment earnings   | 4                               | 97,972             |
| Corporate expense / other <sup>(2)</sup>                         | (20,689)                        | (22,143)           |
| Net earnings attributable to noncontrolling interest             | 1,851                           | 1,436              |
| (Loss) earnings before (benefit from) provision for income taxes | (18,834)                        | 77,265             |
| <b>Depreciation and amortization:</b>                            |                                 |                    |
| Production & Automation Technologies <sup>(3)</sup>              | \$ 99,607                       | \$ 103,612         |
| Drilling Technologies <sup>(4)</sup>                             | 12,448                          | 16,380             |
| Combined total   | <u>\$112,055</u>                | <u>\$ 119,992</u>  |
| <b>Restructuring charges:</b>                                    |                                 |                    |
| Production & Automation Technologies                             | \$ 12,757                       | \$ 18,750          |
| Drilling Technologies  | 2,405                           | 2,480              |
| Combined total   | <u>\$ 15,162</u>                | <u>\$ 21,230</u>   |
| <b>Capital expenditures:</b>                                     |                                 |                    |
| Production & Automation Technologies                             | \$ 21,588                       | \$ 19,272          |
| Drilling Technologies  | 4,137                           | 4,945              |
| Combined total   | <u>\$ 25,725</u>                | <u>\$ 24,217</u>   |

- (1) Segment (loss) earnings for Production & Automation Technologies excludes the net earnings attributable to noncontrolling interest.
- (2) Corporate expenses are maintained at the corporate level and not allocated to the segments. Corporate expenses allocated to Apergy totaled \$19,459 and \$20,852 for the years ended December 31, 2016 and 2015, respectively, which are recorded in Selling, general and administrative expenses in the Combined Statements of Earnings. These expenses include corporate executive management, human resources, information technology, facilities, tax, shared services, finance and legal, including the costs of salaries, benefits and other related costs.
- (3) Depreciation and amortization expense for Production & Automation Technologies includes acquisition-related depreciation and amortization of \$60,025 and \$63,217 for the years ended December 31, 2016 and 2015, respectively.

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- (4) Depreciation and amortization expense for Drilling Technologies includes acquisition-related depreciation and amortization of \$115 and \$3,010 for the years ended December 31, 2016 and 2015, respectively.

|                                      | 2016                | 2015                |
|--------------------------------------|---------------------|---------------------|
| <b>Total assets at December 31:</b>  |                     |                     |
| Production & Automation Technologies | \$ 1,659,711        | \$ 1,788,929        |
| Drilling Technologies                | 191,184             | 194,450             |
| Combined total                       | <u>\$ 1,850,895</u> | <u>\$ 1,983,379</u> |

Revenue classified by significant products and services were as follows:

|                               | Years Ended December 31, |                    |
|-------------------------------|--------------------------|--------------------|
|                               | 2016                     | 2015               |
| <b>Revenue:</b>               |                          |                    |
| Artificial lift technologies  | \$499,033                | \$ 693,311         |
| Automation technologies       | 65,351                   | 93,639             |
| Other production equipment    | 75,182                   | 126,870            |
| Drilling technologies         | 113,320                  | 164,297            |
| Intercompany eliminations (5) | (1,549)                  | (1,437)            |
| Combined total                | <u>\$751,337</u>         | <u>\$1,076,680</u> |

- (5) Intercompany eliminations for the years ended December 31, 2016 and 2015 relate principally between the product groups automation technologies and artificial lift technologies.

Information concerning principal geographic areas is presented as follows:

|                       | Revenue                  |                    | Long-Lived Assets |                  |
|-----------------------|--------------------------|--------------------|-------------------|------------------|
|                       | Years Ended December 31, |                    | At December 31,   |                  |
|                       | 2016                     | 2015               | 2016              | 2015             |
| United States         | \$559,266                | \$ 808,549         | \$184,268         | \$212,181        |
| Middle East           | 54,767                   | 69,951             | 8,417             | 9,152            |
| Canada                | 54,714                   | 64,961             | 8,214             | 10,029           |
| Europe                | 19,935                   | 34,970             | —                 | 33               |
| Australia             | 18,177                   | 47,811             | 619               | 1,128            |
| Latin & South America | 23,588                   | 23,208             | 229               | 292              |
| Other                 | 20,890                   | 27,230             | —                 | 71               |
| Combined total        | <u>\$751,337</u>         | <u>\$1,076,680</u> | <u>\$201,747</u>  | <u>\$232,886</u> |

Revenue is attributed to regions based on the location of the Company's direct customer, which in some instances is an intermediary and not necessarily the end user. Long-lived assets are comprised of net property, plant and equipment. These assets have been classified based on the geographic location of where they reside. The Company's businesses are based primarily in the United States of America, the Middle East and Canada.

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For the years ended December 31, 2016 and 2015, there were no customers that accounted for more than 10% of total revenues.

**16. Subsequent Events**

The Company evaluated subsequent events through December 4, 2017. On October 2, 2017, the Company acquired 100% of the stock of PCP Oil Tools S.A. and Ener Tools S.A., a supplier of progressive cavity pump products and services, for \$10.5 million in cash. This acquisition will become part of the Production & Automation Technologies segment and will broaden the Company's ability to supply Argentina with additional products to customers. At December 4, 2017, the initial purchase price allocation was not complete for this acquisition.



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**SCHEDULE II**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**Years Ended December 31, 2016 and 2015**  
**(In thousands)**

|  | <u>Balance at<br/>Beginning<br/>of Year</u> | <u>Charged to Cost<br/>and<br/>Expense (A)</u> | <u>Accounts<br/>Written<br/>Off</u> | <u>Other</u> | <u>Balance at<br/>End of<br/>Year</u> |
|--|---|--|-------------------------------------|--------------|---------------------------------------|
| <b>Allowance for Doubtful Accounts</b> |   |  |                                     |              |                                       |
| Year Ended December 31, 2016           | \$ 4,431                                    | 2,941  | (1,469)                             | (269)        | \$ 5,634                              |
| Year Ended December 31, 2015           | \$ 3,510                                    | 2,154  | (1,159)                             | (74)         | \$ 4,431                              |

(A) Net of recoveries on previously reserved or written-off balances.

|   | <u>Balance at<br/>Beginning<br/>of Year</u> | <u>Additions</u> | <u>Reductions</u> | <u>Other</u> | <u>Balance at<br/>End of<br/>Year</u> |
|---|---|------------------|-------------------|--------------|---------------------------------------|
| <b>Deferred Tax Valuation Allowance</b> |   |                  |                   |              |                                       |
| Year Ended December 31, 2016            | \$ 64                                       | 1,018            | —                 | —            | \$ 1,082                              |
| Year Ended December 31, 2015            | \$ 50                                       | 14               | —                 | —            | \$ 64                                 |

|                              | <u>Balance at<br/>Beginning<br/>of Year</u> | <u>Charged to Cost<br/>and Expense</u> | <u>Reductions</u> | <u>Other</u> | <u>Balance at<br/>End of<br/>Year</u> |
|------------------------------|---|--|-------------------|--------------|---------------------------------------|
| <b>LIFO Reserve</b>          |   |  |                   |              |                                       |
| Year Ended December 31, 2016 | \$ 12,933                                   | —                                      | (3,552)           | —            | \$ 9,381                              |
| Year Ended December 31, 2015 | \$ 15,214                                   | —                                      | (2,281)           | —            | \$ 12,933                             |