

FLOW INTERNATIONAL CORP
Form PREM14A
November 01, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ "

Check the appropriate box:

- ☒ x Preliminary Proxy Statement
- ☐ " **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☐ " Definitive Proxy Statement
- ☐ " Definitive Additional Materials
- ☐ " Soliciting Material Pursuant to § 240.14a-12

FLOW INTERNATIONAL CORPORATION

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☐ No fee required.

☒ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common stock, par value \$0.01 per share of Flow International Corporation ("Common Stock")

(2) Aggregate number of securities to which transaction applies:

As of November 1, 2013, 49,045,761 shares of Common Stock; and 1,195,038 shares of Common Stock issuable upon vesting and settlement of restricted stock units.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The maximum aggregate value was determined based upon the sum of: (A) 49,045,761 shares of Common Stock multiplied by \$4.05 per share; and (B) 1,195,038 restricted stock units multiplied by \$4.05 per share. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filed fee was determined by multiplying the sum calculated in the preceding sentence by 0.0001288.

(4) Proposed maximum aggregate value of transaction:

\$203,475,235.95

(5) Total fee paid:

\$26,207.61

☐ Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRELIMINARY PROXY STATEMENT — SUBJECT TO COMPLETION

DATED NOVEMBER 1, 2013

[—], 2013

Dear Flow Shareholder:

On behalf of the Board of Directors of Flow International Corporation (“Flow”), you are cordially invited to attend a special meeting of shareholders of Flow, to be held at [—] at 10:00 a.m. local time on [—], 2013.

On September 25, 2013, Flow entered into a definitive Agreement and Plan of Merger (the “Merger Agreement”) with Waterjet Holdings, Inc. (formerly known as AIP Waterjet Holdings, Inc.), a Delaware corporation (“Parent”), and AIP/FIC Merger Sub, Inc., a Washington corporation and wholly owned subsidiary of Parent (“Merger Sub”). Pursuant to the terms of the Merger Agreement, Merger Sub will merge with and into Flow, with Flow continuing as the surviving corporation and becoming a wholly owned subsidiary of Parent (the “merger”). At the special meeting, you will be asked to consider and vote upon a proposal to approve the Merger Agreement and the merger, and certain other matters as set forth in the shareholder notice and the accompanying proxy statement, including a non-binding, advisory proposal to approve compensation that will or may become payable by Flow to its named executive officers in connection with the merger.

If the merger is completed, you will be entitled to receive \$4.05 in cash, without interest and less any applicable withholding taxes, for each share of Company Common Stock you own.

Flow’s Board of Directors, after considering factors more fully described in the accompanying proxy statement, has unanimously determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the merger, are advisable and in the best interests of Flow and its shareholders and has approved the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement. **Accordingly, the Board of Directors unanimously recommends that you vote “FOR” the proposal to approve the Merger Agreement and “FOR” the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement.**

In addition, the Board of Directors unanimously recommends that you vote “FOR” the proposal to approve, on a non-binding, advisory basis, certain compensation that will or may become payable by Flow to its named executive officers in connection with the completion of the merger under existing arrangements between Flow and such officers. Approval of the Merger Agreement and approval of the officer compensation are subject to separate votes by Flow’s shareholders. Approval of the compensation is advisory (non-binding) and is not a condition to completion of the merger.

In order for the Merger Agreement to be approved, shares of our common stock representing at least two-thirds of the votes entitled to be cast must be voted “**FOR**” the proposal to approve the Merger Agreement. In order for the adjournment proposal and the advisory proposal regarding compensation to be approved, the votes cast “**FOR**” each such proposal by the holders of our shares of common stock entitled to vote on such proposal must exceed the votes cast “**AGAINST**” such proposal by the holders of shares of our common stock entitled to vote on such proposal, in each case, provided that a quorum is present in person or represented by proxy at the special meeting. If less than a quorum is present, approval of the adjournment proposal will require the affirmative vote of a majority of the votes represented by shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on such proposal.

Your vote is very important, regardless of the number of shares of common stock that you own. Whether you plan to attend the special meeting in person, please complete, sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope or grant your proxy electronically over the Internet or by telephone. If you attend the special meeting and vote in person by ballot, your vote will revoke any proxy that you have previously submitted. If you hold your shares in “street name,” you should instruct your broker how to vote in accordance with the voting instruction form you will receive from your bank, broker or other nominee.

We cannot complete the merger unless the proposal to approve the Merger Agreement is approved by holders of shares of our common stock representing at least two-thirds of the votes entitled to be cast. The failure of any shareholder to vote in person by ballot at the special meeting, to submit a signed proxy card or to grant a proxy electronically over the Internet or by telephone will have the same effect as a vote “AGAINST” the proposal to approve the Merger Agreement. If you hold your shares in “street name,” the failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote “AGAINST” the proposal to approve the Merger Agreement.

The accompanying proxy statement provides detailed information about the special meeting, the Merger Agreement and the merger. A copy of the Merger Agreement is attached as *Annex A* to the proxy statement. The proxy statement also describes the actions and determinations of our Board of Directors in connection with its evaluation of the Merger Agreement and the merger. We encourage you to read the proxy statement and its annexes, including the Merger Agreement, carefully and in their entirety. You may also obtain more information about Flow from documents we file with the Securities and Exchange Commission from time to time.

If you have any questions or need assistance voting your shares of our common stock, please contact Alliance Advisors LLC, our proxy solicitation agent, by calling (855) 601-2248 (toll-free).

On behalf of the Board of Directors of Flow, I thank you for your support and appreciate your consideration of this matter.

Sincerely,

Jerry L. Calhoun
Chairman of the Board

The accompanying proxy statement is dated [—], 2013 and, together with the enclosed form of proxy card, is first being mailed to shareholders of Flow on or about [—], 2013.

Neither the U.S. Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved of the transactions described in this document, including the merger, or determined if the information contained in this document is accurate or adequate. Any representation to the contrary is a criminal offense.

PRELIMINARY PROXY STATEMENT — SUBJECT TO COMPLETION

DATED NOVEMBER 1, 2013

FLOW INTERNATIONAL CORPORATION

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON [—], 2013

YOUR VOTE IS VERY IMPORTANT. PLEASE VOTE YOUR SHARES PROMPTLY.

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Flow International Corporation (“Flow”) will be held at [—] at 10:00 a.m. local time on [—], 2013 for the following purposes:

1. To consider and vote on the proposal to approve the Agreement and Plan of Merger, dated as of September 25, 2013, as it may be amended from time to time (the “Merger Agreement”) by and among Flow, Waterjet Holdings, Inc. (formerly known as AIP Waterjet Holdings, Inc.), a Delaware corporation (“Parent”), and AIP/FIC Merger Sub, Inc., a Washington corporation and wholly owned subsidiary of Parent (“Merger Sub”), providing for the acquisition of Flow by Parent. Pursuant to the Merger Agreement, Merger Sub will merge with and into Flow, with Flow continuing as the surviving corporation and becoming a wholly owned subsidiary of Parent (the “merger”). A copy of the Merger Agreement is attached as *Annex A* to the proxy statement accompanying this notice;
2. To consider and vote on the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement;
3. To consider and vote on the proposal to approve, on a non-binding, advisory basis, certain compensation that will or may become payable by Flow to its named executive officers in connection with the completion of the merger under existing arrangements between Flow and such officers; and
4. To transact any other business that may properly come before the special meeting or any adjournment of the special meeting.

The Flow Board of Directors has fixed the close of business on [—], 2013 as the record date for determining shareholders entitled to notice of, and to vote at, the special meeting or any adjournment thereof.

In order for the Merger Agreement to be approved, shares of our common stock representing at least two-thirds of the votes entitled to be cast must be voted “**FOR**” the proposal to approve the Merger Agreement. In order for the adjournment proposal and the advisory proposal regarding compensation to be approved, the votes cast “**FOR**” each such proposal by the holders of our shares of common stock entitled to vote on such proposal must exceed the votes cast “**AGAINST**” such proposal by the holders of shares of our common stock entitled to vote on such proposal, in each case, provided that a quorum is present in person or represented by proxy at the special meeting. If less than a quorum is present, approval of the adjournment proposal will require the affirmative vote of a majority of the votes represented by shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on such proposal.

Your vote is very important, regardless of the number of shares of common stock that you own. Whether you plan to attend the special meeting in person, please complete, sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope or grant your proxy electronically over the Internet or by telephone. If you attend the special meeting and vote in person by ballot, your vote will revoke any proxy that you have previously submitted. If you hold your shares in “street name,” you should instruct your broker how to vote in accordance with the voting instruction form you will receive from your bank, broker or other nominee.

We cannot complete the merger unless the proposal to approve the Merger Agreement is approved by holders of shares of our common stock representing at least two-thirds of the votes entitled to be cast. The failure of any shareholder to vote in person by ballot at the special meeting, to submit a signed proxy card or to grant a proxy electronically over the internet or by telephone will have the same effect as a vote “AGAINST” the proposal to approve the Merger Agreement. If you hold your shares in “street name,” the failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote “AGAINST” the proposal to approve the Merger Agreement.

Flow’s Board of Directors, after considering factors more fully described in this proxy statement, has unanimously determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the merger, are advisable and in the best interests of Flow and its shareholders, and has approved the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement, including the merger. **Accordingly, the Board of Directors unanimously recommends that you vote “FOR” the proposal to approve the Merger Agreement and “FOR” the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement.**

In addition, the Board of Directors unanimously recommends that you vote “FOR” the proposal to approve, on a non-binding, advisory basis, certain compensation that will or may become payable by Flow to its named executive officers in connection with the completion of the merger under existing arrangements between Flow and such officers. Approval of the Merger Agreement and approval of the officer compensation are subject to separate votes by Flow’s shareholders. Approval of the compensation is advisory (non-binding) and is not a condition to completion of the merger.

Shareholders may be entitled to assert dissenters’ rights with respect to the merger under Chapter 23B.13 of the Washington Business Corporation Act. A copy of Chapter 23B.13 is attached as *Annex C* to the accompanying proxy statement.

The accompanying proxy statement provides detailed information about the special meeting, the Merger Agreement and the merger. A copy of the Merger Agreement is attached as *Annex A* to the proxy statement. The proxy statement also describes the actions and determinations of our Board of Directors in connection with its evaluation of the Merger Agreement and the merger. We encourage you to read the proxy statement and its annexes, including the Merger Agreement, carefully and in their entirety. You may also obtain more information about Flow from documents we file with the Securities and Exchange Commission from time to time. If you have any questions concerning the merger or the accompanying proxy statement, would like additional copies of the proxy statement or need help voting your shares of common stock, please contact our proxy solicitation agent using the following contact information:

Alliance Advisors LLC

200 Broadacres Drive, 3rd Fl.

Bloomfield, NJ 07003

Toll-Free: (855) 601-2248

E-mail: flow@allianceadvisorsllc.com

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON [—], 2013

The Notice of Special Meeting of Shareholders, the proxy statement and the 2013 Annual Report to Shareholders are available at: <http://shareowner.mobular.net/shareowner/flow>

By order of the Board of Directors,

John S. Leness
Secretary

Dated: [—], 2013

Kent, Washington

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This proxy statement and the enclosed proxy card are first being mailed on or about [—], 2013 to shareholders of Flow International Corporation who owned shares of its common stock, par value \$0.01 per share, which we refer to as the “Company Common Stock,” as of the close of business on [—], 2013.

SUMMARY

The following summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. Accordingly, we encourage you to read this entire proxy statement, the annexes to this proxy statement and the documents we refer to in this proxy statement carefully and in its entirety. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions under “Where You Can Find More Information” beginning on page [—] of this proxy statement.

Except as otherwise specifically noted in this proxy statement, “Flow,” “we,” “our,” “us” and similar words in this proxy statement refer to Flow International Corporation, including, in certain cases, our subsidiaries, and the term “Flow Board” refers to the board of directors of Flow. We refer to Waterjet Holdings, Inc. (formerly known as AIP Waterjet Holdings, Inc.) as “Parent” or “Waterjet Holdings” and AIP/FIC Merger Sub, Inc. as “Merger Sub.” We refer to American Industrial Partners as “AIP”. In addition, we refer to the Agreement and Plan of Merger, dated as of September 25, 2013, as it may be amended from time to time, by and among Flow, Parent and Merger Sub as the “Merger Agreement” and the merger contemplated by the Merger Agreement as the “merger.” Flow, following the completion of the merger, is sometimes referred to in this proxy statement as the “surviving corporation.”

Parties Involved in the Merger (page [—])

Flow International Corporation

Flow is a global technology-based manufacturing company that provides technological leadership and exceptional waterjet performance to a wide-ranging customer base. We provide ultrahigh-pressure water pumps that generate pressures from 40,000 to over 94,000 pounds per square inch (psi) and power waterjet systems that are used to cut materials, remove coatings, and prepare surfaces for coating. Waterjet cutting and cleaning is a fast-growing alternative to traditional methods, such as lasers, saws, knives, shears, plasma, electrical discharge machining, routers, drills, soda blasting and abrasive blasting techniques, and has uses in many applications from food and paper products to steel and carbon fiber composites.

The Company Common Stock is currently listed on the NASDAQ Stock Market under the symbol “FLOW.”

Waterjet Holdings, Inc.

Parent is a Delaware corporation and a portfolio company of American Industrial Partners (“AIP”). In August 2013, Parent acquired the KMT group, a designer and manufacturer of products utilizing ultrahigh-pressure pump technology in industrial manufacturing, surface preparation, and food processing applications. Upon completion of the merger, Flow and the KMT group will be subsidiaries of Parent.

AIP/FIC Merger Sub, Inc.

Merger Sub is a Washington corporation and a wholly owned subsidiary of Parent, formed solely for the purpose of entering into the Merger Agreement and completing the transactions contemplated by the Merger Agreement and the related financing transactions. Merger Sub has not conducted any business operations except in furtherance of this purpose and activities incident to its formation. Upon completion of the merger, Merger Sub will cease to exist.

Effect of the Merger (page [—])

Upon the terms and subject to the conditions of the Merger Agreement, Merger Sub will merge with and into Flow, with Flow continuing as the surviving corporation and a wholly owned subsidiary of Parent. As a result of the merger, Flow will cease to be a publicly traded company. If the merger is completed, you will not own any shares of the capital stock of the surviving corporation. Your shares of Flow will be converted into the right to receive the Merger Consideration, unless you properly exercise your appraisal rights as briefly described below and elsewhere in this Proxy Statement.

The time at which the merger will become effective, which we refer to as the “Effective Time,” will occur upon the filing of articles of merger with the Secretary of State of the State of Washington (or at such later time as Flow, Parent and Merger Sub may agree and specify in the articles of merger).

Effect on Flow if the Merger is Not Completed (page [—])

If the Merger Agreement is not approved by Flow shareholders or if the merger is not completed for any other reason, Flow shareholders will not receive any payment for their shares of Company Common Stock. Instead, Flow will remain an independent public company, the Company Common Stock will continue to be listed and traded on the NASDAQ Stock Market and registered under the Securities Exchange Act of 1934, as amended, which we refer to as the “Exchange Act,” and we will continue to file periodic reports with the Securities and Exchange Commission, which we refer to as the “SEC.” Under specified circumstances, we may be required to reimburse Parent’s expenses or pay Parent a termination fee, or may be entitled to receive a reverse termination fee from Parent, upon the termination of the Merger Agreement, as described under “Approval of the Merger Agreement — Termination Fees and Expense Reimbursement” beginning on page [—].

Merger Consideration (page [—])

At the Effective Time, each outstanding share of the Company Common Stock (other than any share held by (i) Flow, Parent or Merger Sub or any of their respective subsidiaries or (ii) any person who has perfected dissenters’ rights in accordance with Chapter 23B.13 of the Washington Business Corporation Act, which we refer to as the “WBCA,” will be converted into the right to receive \$4.05 in cash, without interest and less any applicable withholding taxes, which amount we refer to as the “Merger Consideration.” At or immediately prior to the Effective Time, Parent will deposit sufficient funds to pay the aggregate Merger Consideration with a designated paying agent. Once a shareholder has provided the paying agent with his or her stock certificates and the other items specified by the paying agent, the paying agent will promptly pay the shareholder the Merger Consideration.

After the merger is completed, under the terms of the Merger Agreement, you will have the right to receive the Merger Consideration, but you will no longer have any rights as a Flow shareholder as a result of the merger (except that shareholders who properly exercise their dissenters’ rights will have the right to receive a payment for the “fair value” of their shares as determined in accordance with the WBCA), as described under “The Special Meeting — Dissenters’ Rights” beginning on page [—].

The Special Meeting (page [—])

Date, Time and Place

The special meeting of our shareholders will be held at [—], at 10:00 a.m. local time on [—], 2013.

Record Date; Shares Entitled to Vote

You are entitled to vote at the special meeting if you owned shares of Company Common Stock at the close of business on [—], 2013, the record date for the special meeting. You will have one vote at the special meeting for each share of Company Common Stock you owned at the close of business on the record date.

Purpose

At the special meeting, we will ask our shareholders of record as of the record date to vote on proposals (i) to approve the Merger Agreement, (ii) to approve the adjournment of the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the Merger Agreement, and (iii) to approve on a non-binding, advisory basis, compensation that will or may become payable by Flow to its named executive officers in connection with the completion of the merger under existing arrangements between Flow and such officers.

Quorum

As of the close of business on the record date, there were [—] shares of Company Common Stock outstanding and entitled to be voted at the special meeting. The holders of a majority of the shares of Company Common Stock issued and outstanding on the close of business on the record date and entitled to vote at the special meeting, present either in person or represented by proxy, will constitute a quorum at the special meeting. As a result, [—] shares must be represented by proxy or by shareholders present and entitled to vote at the special meeting to have a quorum.

Required Vote

The affirmative vote of the holders of shares of Company Common Stock representing at least two-thirds of the votes entitled to be cast is required to approve the Merger Agreement. Approval of the proposal to adjourn the special meeting, whether or not a quorum is present, requires the affirmative vote of the majority of the voting power of the shares of Company Common Stock represented either in person or by proxy. Approval, by non-binding, advisory vote, of compensation that will or may become payable by Flow to its named executive officers in connection with the merger requires the affirmative vote of a majority of those shares of Company Common Stock represented in person or by proxy and voting upon on the proposal.

Share Ownership of Our Directors and Executive Officers

As of [—], 2013, the record date, our directors and executive officers beneficially owned and were entitled to vote, in the aggregate, [—] shares of Company Common Stock, representing approximately [—]% of the outstanding shares of the Company Common Stock. Our directors and executive officers have informed us that they currently intend to vote all of their shares of Company Common Stock “**FOR**” the proposal to approve of the Merger Agreement, “**FOR**” the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and “**FOR**” the proposal to approve, on a non-binding, advisory basis, certain compensation that will or may become payable by Flow to its named executive officers in connection with the completion of the merger under existing arrangements between Flow and such officers.

Voting and Proxies

Any Flow shareholder of record entitled to vote may submit a proxy by returning a signed proxy card by mail or voting electronically over the Internet or by telephone, or may vote in person by appearing at the special meeting. If you are a beneficial owner and hold your shares of Company Common Stock in “street name” through a broker, bank or other nominee, you should instruct your broker, bank or other nominee on how you wish to vote your shares of Company Common Stock using the instructions provided by your broker, bank or other nominee. Under applicable rules, brokers, banks or other nominees have the discretion to vote on routine matters. The proposals in this proxy statement are non-routine matters, and brokers, banks and other nominees cannot vote on these proposals without your instructions. Therefore, it is important that you cast your vote or instruct your broker, bank or nominee on how you wish to vote your shares.

If you are a shareholder of record, you may change your vote or revoke your proxy at any time before it is voted at the special meeting by submitting a new proxy electronically over the Internet or by telephone after the date of the earlier submitted proxy, signing another proxy card with a later date and returning it to us prior to the special meeting or attending the special meeting and voting in person. If you hold your shares of common stock in “street name,” you should contact your bank, broker or other nominee for instructions regarding how to change your vote. You may also vote in person at the special meeting if you obtain a valid proxy from your bank, broker or other nominee.

Recommendation of the Flow Board and Reasons for the Merger (page [—])

The Flow Board, after considering various factors described in the section entitled “The Merger — Recommendation of our Board of Directors and Reasons for the Merger” beginning on page [—], has unanimously determined that the Merger

Agreement and the transactions contemplated by the Merger Agreement, including the merger, are advisable and in the best interests of Flow and our shareholders and approved the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement. The Flow Board recommends that you vote “**FOR**” the proposal to approve of the Merger Agreement, “**FOR**” the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and “**FOR**” the proposal to approve, on a non-binding, advisory basis, certain compensation that will or may become payable by Flow to its named executive officers in connection with the completion of the merger under existing arrangements between Flow and such officers.

Opinion of UBS Securities LLC (page [—])

On September 24, 2013, at a meeting of the Flow Board held to evaluate the proposed merger, UBS Securities LLC, which we refer to as “UBS,” delivered to the Flow Board an oral opinion, which opinion was confirmed by delivery of a written opinion, dated September 24, 2013, to the effect that, as of that date and based on and subject to various assumptions made, matters considered and limitations described in its opinion, that the Merger Consideration to be received by the holders of shares of Company Common Stock was fair, from a financial point of view, to such holders.

The full text of UBS’ opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. The opinion is attached to this proxy statement as *Annex B* and is incorporated into this proxy statement by reference. **Holders of Company Common Stock are encouraged to read UBS’ opinion carefully in its entirety. UBS’ opinion was provided for the benefit of the Flow Board (in its capacity as such) in connection with, and for the purpose of, its evaluation of the Merger Consideration, from a financial point of view, and does not address any other aspect of the merger. UBS’ opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available with respect to Flow or Flow’s underlying business decision to effect the merger. The opinion does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the merger.**

Financing of the Merger (page [—])

The merger is not conditioned on Parent obtaining the proceeds of any financing. We anticipate that total funds of approximately \$[—] million will be needed to purchase all of the issued and outstanding shares of Company Common Stock, to make payments in respect of Flow's outstanding equity-based awards pursuant to the Merger Agreement, and to complete the merger and the other transactions contemplated by the Merger Agreement, and to pay related fees and expenses. This amount will be funded through a combination of:

- equity financing of up to an aggregate of \$120 million to be provided to Parent immediately prior to the closing of the merger by American Industrial Partners Capital Fund V, L.P. and American Industrial Partners Capital Fund IV, L.P., private equity funds, which we refer to as the "AIP Funds", pursuant to an equity commitment letter;

- borrowings under a \$210 million senior secured first lien term loan facility and a \$20 million senior secured first lien revolving credit facility, which we refer to collectively as the "Debt Financing"; and

- the proceeds obtained pursuant to a note or other debt financing obtained in lieu of the Debt Financing.

In connection with the financing of the merger, Parent has entered into (i) an equity commitment letter, dated as of September 25, 2013, with the AIP Funds and Flow and (ii) a debt commitment letter, dated as of September 25, 2013, with Goldman Sachs Bank USA and Morgan Stanley Senior Funding, Inc. We refer to the equity and debt commitment letters collectively as the "Financing Commitments." See "Financing of the Merger — Debt Financing" beginning on page [—]. We believe the amounts committed under the Financing Commitments will be sufficient to complete the merger, but we cannot assure you of that. Those amounts might be insufficient if, among other things, one or more of the parties to the Financing Commitments fails to fund the committed amounts in breach of such Financing Commitments or if the conditions to such Financing Commitments are not met. Although obtaining the proceeds of any financing, including the financing under the Financing Commitments is not a condition to the completion of the merger, the failure of Parent and Merger Sub to obtain any portion of the committed financing (or alternative financing) is likely to result in the failure of the merger to be completed. In that case, Parent may be obligated to pay Flow a fee of \$12.238 million, as described under "Approval of the Merger Agreement — Termination Fees and Expense Reimbursement" beginning on page [—].

The funding under the Financing Commitments is subject to conditions, including conditions that do not relate directly to the conditions to closing in the Merger Agreement. See "Financing of the Merger — Debt Financing" beginning on page [—].

While the obligation of Parent and Merger Sub to consummate the merger is not subject to any financing condition, the Merger Agreement provides that, without Parent's agreement, the merger will not close before the third business day immediately following the final day of the Marketing Period, a term that is defined in the Merger Agreement to be the first 25 consecutive business days throughout which (i) Parent has received certain information regarding Flow required in connection with Parent obtaining debt financing, and (ii) certain conditions to the closing of the merger have been satisfied throughout such 25 business day period (subject to certain exceptions); provided that the Marketing Period will not begin earlier than December 26, 2013. See "Approval of the Merger Agreement — Marketing Period" beginning on page [—].

Treatment of Options, Restricted Stock Rights (page [—])

The Merger Agreement provides that Flow's equity awards that are outstanding immediately prior to the Effective Time will be subject to the following treatment at the Effective Time:

Options

Each option to purchase shares of Company Common Stock, whether vested or unvested, will be fully vested and converted into the right to receive an amount in cash equal to (i) the excess, if any, of the Merger Consideration over the applicable exercise price per share of such stock option, multiplied by (ii) the number of shares of Company Common Stock subject to such stock option, without interest, less any applicable withholding for taxes. There are no outstanding options with exercise prices that are higher than the Merger Consideration and, as a result, no payments will be made to optionholders in respect of their options in connection with the merger.

Restricted Stock Rights

Each outstanding restricted stock right, phantom share right and restricted stock unit (each such award is referred to as a "Restricted Stock Right") issued by Flow that is subject to time-based vesting conditions will be fully vested and converted into the right to receive an amount in cash equal to the Merger Consideration multiplied by the number of shares of Common Stock subject to such Restricted Stock Right, in each case without interest, less any applicable withholding for taxes. Each Restricted Stock Right that is subject to performance-based vesting conditions that have not been satisfied as of the Effective Time will be canceled and no consideration will be payable with respect thereto.

Employee Benefits (page [—])

Parent has agreed to cause the surviving corporation to give credit for service with Flow to each employee who continues as an employee of Flow or Parent for the purposes of determining eligibility to participate, vesting, level of benefits and entitlement to benefits where length of service is relevant under any benefit plan of Parent, the surviving corporation or any of their respective subsidiaries. In addition, each such continuing employee will be immediately eligible to participate without any waiting period or satisfaction of other eligibility requirements, in any and all such benefits plans of Parent, the surviving corporation or their respective subsidiaries. For more information about the employee benefits covenants affecting continuing employees, see “Approval of the Merger Agreement — Employee Benefits” beginning on page [—]).

Interests of Certain Persons in the Merger (page [—])

When considering the recommendation of the Flow Board that you vote to approve the proposal to approve the Merger Agreement, you should be aware that our directors and executive officers may have interests in the merger that are different from, or in addition to, your interests as a shareholder. The Flow Board was aware of and considered these interests to the extent such interests existed at the time, among other matters, in evaluating and negotiating the Merger Agreement, in approving the Merger Agreement and the merger and in recommending that the Merger Agreement be approved by the shareholders of Flow. These interests include the following:

- continued indemnification and directors’ and officers’ liability insurance to be provided by the surviving corporation;
- accelerated vesting of certain equity-based awards simultaneously with the Effective Time, and the settlement of such awards in exchange for cash; and
- the entitlement of certain executive officers to receive payments and benefits under agreements with Flow in connection with an involuntary termination of employment other than for “cause,” or if the executive officer voluntarily terminates his or her employment for “good reason,” following the Effective Time.

If the proposal to approve the Merger Agreement is approved by our shareholders, the shares of Company Common Stock held by our directors and executive officers will be treated in the same manner as outstanding shares of Company Common Stock held by all other shareholders of Flow entitled to receive the Merger Consideration.

Certain Material U.S. Federal Income Tax Consequences of the Merger (page [—])

For U.S. federal income tax purposes, the receipt of cash by a U.S. Holder (as defined under “Financing of the Merger — Certain Material U.S. Federal Income Tax Consequences of the Merger” beginning on page [—]) in exchange for such U.S. Holder’s shares of Company Common Stock in the merger generally will result in the recognition of gain or loss in an amount measured by the difference, if any, between the cash such U.S. Holder receives in the merger (determined before any withholding tax) and such U.S. Holder’s adjusted tax basis in the shares of Company Common Stock surrendered in the merger. **Shareholders should consult their own tax advisors concerning the U.S. federal income tax consequences relating to the merger in light of their particular circumstances and any consequences arising under the laws of any state, local or foreign taxing jurisdiction.**

Regulatory Approvals Required for the Merger (page [—])

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the “HSR Act” in this proxy statement, the merger may not be completed until the expiration of a thirty-calendar day waiting period after Flow and Parent submit a Premerger Notification and Report Form under the HSR Act with the Federal Trade Commission, which we refer to as the “FTC” in this proxy statement, and the Antitrust Division of the Department of Justice, which we refer to as the “Antitrust Division” in this proxy statement, unless such waiting period is earlier terminated by the FTC and the Antitrust Division, or unless extended by a Request for Additional Information. Flow and Parent each filed a Premerger Notification and Report Form under the HSR Act with the FTC and the Antitrust Division in connection with the merger on October 28, 2013.

Legal Proceedings Regarding the Merger (page [—])

Between September 27, 2013 and October 16, 2013, six purported class action lawsuits on behalf of Flow's shareholders were filed in the Superior Court of Washington for King County. On October 23, 2013, the court consolidated all six actions. The lawsuits allege, among other things, that the Flow Board breached its fiduciary duties to shareholders by failing to take steps to maximize shareholder value or to engage in a fair sale process before approving the merger. Specifically, the lawsuits allege that the Merger Consideration is grossly inadequate in light of Flow's recent performance. The lawsuits also allege that the process was designed to ensure that Parent and Merger Sub had the only opportunity to acquire Flow because certain deal protection mechanisms precluded Flow from seeking out or listening to competing offers. The lawsuits allege that the Flow Board was aided and abetted in its breaches of fiduciary duty by Flow and AIP, Merger Sub, and American Industrial Partners. The plaintiffs in these various actions seek relief that includes, among other things, an injunction prohibiting the consummation of the merger, rescission to the extent the merger terms have already been implemented, unspecified damages, and the payment of plaintiffs' attorneys' fees and costs.

Flow and the Flow Board believe the lawsuits are without merit and intend to defend against them vigorously. There can be no assurance, however, with regard to the outcome. Additional lawsuits arising out of or relating to the Merger Agreement or the merger may be filed in the future.

Restrictions on Solicitations of Other Offers (page [—])

Under the Merger Agreement, neither Flow nor any of its subsidiaries may (i) solicit, initiate or facilitate any inquiries regarding any proposal, which we refer to as an "Acquisition Proposal," or offer that constitutes or would reasonably be expected to lead to such a proposal to acquire, directly or indirectly, in one transaction or a series of transactions, either beneficial ownership of 20% or more of any class of Flow's stock or assets or businesses of Flow that constitute 20% or more of the revenues or assets of Flow and its subsidiaries, taken as a whole, or (ii) engage in any negotiations or substantive discussions regarding, or provide any non-public information to, any person relating to, or that would reasonably be expected to lead to, any Acquisition Proposal.

Flow may, however, prior to the approval of the Merger Agreement by the Flow shareholders, provide information in response to a request and engage or participate in negotiations or substantive discussions with a person regarding a written, unsolicited bona fide Acquisition Proposal, if the Flow Board determines in good faith after consultation with its outside legal counsel and financial advisor that failure to take such actions would be inconsistent with the fiduciary duties of the Flow Board and such proposal could reasonably be expected to result in a "Superior Proposal." For the purposes of the Merger Agreement, a Superior Proposal is a proposal for either beneficial ownership of 50% or more of any class of Flow's stock or assets or businesses of Flow that constitute 50% or more of the revenues or assets of

Flow and its subsidiaries, taken as a whole, that the Flow Board considers, in good faith after consultation with its outside legal counsel and financial advisor, to be more favorable to Flow's shareholders from a financial point of view than the transactions contemplated by the Merger Agreement (including any changes to the terms of the transactions contemplated by the Merger Agreement agreed to by AIP).

Flow is not, however, entitled to terminate the Merger Agreement to enter into an agreement for a Superior Proposal unless it complies with certain procedures in the Merger Agreement, including negotiating with Parent in good faith over a three business day period so that such Superior Proposal no longer constitutes a Superior Proposal.

Changes in Board Recommendation (page [—])

Prior to the approval of the Merger Agreement by the Flow shareholders, the Flow Board may under certain circumstances withdraw its recommendation that the shareholders approve the Merger Agreement if it determines in good faith after consultation with its outside legal counsel and financial advisor that failure to do so would be reasonably likely to be inconsistent with the Flow Board's fiduciary duties to the shareholders under applicable law.

The Flow Board cannot, however, make an adverse recommendation change unless it complies with certain procedures in the Merger Agreement, including negotiating with Parent in good faith over a three business day period and nonetheless determining that a failure to withdraw its recommendation would be reasonably likely to be inconsistent with the Flow Board's fiduciary duties.

Conditions to the Closing of the Merger (page [—])

The following conditions must be satisfied or waived, where legally permissible, before the merger can be completed:

the approval of the Merger Agreement by the requisite affirmative vote of Flow's shareholders;

the expiration or termination of the applicable waiting period under the HSR Act and the receipt of any applicable approvals thereunder (see "Financing of the Merger — Regulatory Approvals Required for the Merger" beginning on page [—]);

the completion of the merger not being rendered illegal, enjoined, prevented or otherwise prohibited by any law or order of any governmental authority;

the accuracy of the representations and warranties of Flow, Parent and Merger Sub in the Merger Agreement, subject in some cases to materiality qualifiers, as of the Effective Date or, with respect to certain representations and warranties, the date in respect of which such representation or warranty was specifically made;

the performance in all material respects by Flow, on the one hand, and Parent and Merger Sub, on the other hand, of their respective obligations required to be performed by them under the Merger Agreement at or prior to the Effective Time;

dissenters' rights having been properly demanded and not withdrawn by the holders of no more than 7.5% of the outstanding shares of the Company Common Stock;

no effect, event, or occurrence having occurred that has had or would be reasonably expected to have a material adverse effect on Flow; and

- receipt of certificates by the chief executive officer and chief financial officer of Flow, on the one hand, and Parent, on the other hand, to the effect that certain conditions have been satisfied.

Termination of the Merger Agreement (page [—])

In general, the Merger Agreement may be terminated at any time prior to the Effective Time in the following ways:

by mutual written consent of Parent and Flow;

by either Parent or Flow if:

the merger has not been consummated on or before March 31, 2014 (which we refer to as the "Outside Date"); provided, if, as of such initial Outside Date, (i) the condition to closing relating to antitrust approval has not been satisfied or waived or if there is an injunction or restraint related to antitrust law prohibiting the merger, or (ii) the Marketing Period has not been completed by the date that is three business days prior to the Outside Date, but in each case, all other conditions to the merger have been satisfied or waived (other than those conditions that by their nature are to be satisfied at the closing of the merger), at the option of Flow or Parent, in the case of (i) above, the Outside Date may

be extended to May 31, 2014, and in the case of (ii) above, the Outside Date may be extended to the earlier of May 31, 2014 or three business days after completion of the Marketing Period; provided that the right to terminate the Merger Agreement as a result of the occurrence of the Outside Date will not be available to any party if the failure of such party to fulfill its obligations under the Merger Agreement has materially contributed to the failure of the closing of the merger to have occurred on or before such date;

a governmental entity has, by law or order, permanently restrained, enjoined, prohibited or rendered illegal the merger and such law or order has become final or nonappealable; provided that the right to terminate the Merger Agreement pursuant to this provision will not be available to a party if such party is in material violation of any of its covenants or agreements described under “Approval of the Merger Agreement — Efforts to Close the Merger” beginning on page [—]; or

our shareholders have failed to approve the Merger Agreement at the special meeting of shareholders, or any adjournment or postponement thereof;

by Flow if:

Parent has breached or failed to perform any of its respective representations, warranties, covenants or other agreements set forth in the Merger Agreement, which (i) would give rise to the failure of a related closing condition and (ii) is not capable of being cured, or is not cured, before the earlier of the Outside Date or the date that is 30 days following receipt of written notice of such breach or failure to perform from Flow; provided, Flow will not have the right to terminate the Merger Agreement if Flow is then in material breach of any of its representations, warranties, covenants or agreements under the Merger Agreement;

- prior to the approval of the Merger Agreement by the Flow shareholders and provided that Flow is not then in breach of its obligations related to Acquisition Proposals and Superior Proposals, in order to enter into a definitive agreement with respect to a Superior Proposal in accordance with the terms of the Merger Agreement, subject to Flow paying to Parent a termination fee of \$6.119 million; or

all of the conditions to closing the merger have been satisfied or have been waived (other than those conditions that by their nature cannot be satisfied other than at the closing), (ii) the Marketing Period has been completed, and (iii) Flow has notified Parent in writing that it is ready and willing to close the merger, and (iv) Parent and Merger Sub fail to complete the closing within three business days after delivery of such notice;

by Parent if:

Flow has breached or failed to perform any of its respective representations, warranties, covenants or other agreements set forth in the Merger Agreement, which (i) would give rise to the failure of a related closing condition and (ii) is not capable of being cured, or is not cured, before the earlier of the Outside Date or the date that is 30 days following receipt of written notice of such breach or failure to perform from Parent; provided, Parent will not have the right to terminate the Merger Agreement if Parent is then in material breach of any of its representations, warranties, covenants or agreements under the Merger Agreement; or

prior to the approval of the Merger Agreement by the Flow shareholders, the Flow Board (i) changes its recommendation regarding the merger, (ii) fails to include in this proxy statement a recommendation by the Flow Board that the Flow shareholders approve the Merger Agreement and the merger, or (iii) approves or recommends any Acquisition Proposal or fails to recommend against acceptance of a tender or exchange offer for any outstanding shares of capital stock of Flow that constitutes an Acquisition Proposal.

Termination Fees and Expense Reimbursement (page [—])

Except in specified circumstances, whether or not the merger is completed, Flow and Parent are each responsible for all of their respective costs and expenses incurred in connection with the merger and the other transactions contemplated by the Merger Agreement.

Under the Merger Agreement, Flow may be required to pay to Parent a termination fee of \$6.119 million (less any Parent expenses previously reimbursed by Flow, as described below), or approximately 3% of the aggregate equity value of the transaction, if the Merger Agreement is terminated under specified circumstances. In addition, the Merger Agreement requires Flow to reimburse Parent's reasonably documented out-of-pocket expenses, up to \$2 million, if the Merger Agreement is terminated (i) after the shareholders of Flow fail to approve the Merger Agreement, the merger and the other transactions contemplated thereby or (ii) if Flow has breached or failed to perform any of its respective

representations, warranties, covenants or other agreements set forth in the Merger Agreement, which would give rise to the failure of a related closing condition and is not capable of being cured, or is not cured, before the earlier of the Outside Date or the date that is 30 days following receipt of written notice of such breach or failure to perform from Parent.

Under the Merger Agreement, Parent may be required to pay to Flow a reverse termination fee of \$12.238 million, or approximately 6% of the aggregate equity value of the transaction, if the Merger Agreement is terminated under certain circumstances because Parent fails to complete the merger or otherwise breaches the Merger Agreement such that conditions to the consummation of the merger cannot be satisfied. Parent will also be required to pay Flow a termination fee of \$6.119 million in certain other circumstances where the Merger Agreement is terminated because of the failure to meet the closing conditions related to antitrust laws. In no event will either party be required to pay a termination fee on more than one occasion. American Industrial Partners Capital Fund V, L.P. and American Industrial Partners Capital Fund IV, L.P., private equity funds associated with Parent, have agreed to provide equity financing to Parent in the event such fees become payable.

Specific Performance (page [—])

Parent, Merger Sub and Flow are entitled to seek specific performance to prevent breaches of the Merger Agreement and to enforce the terms of the Merger Agreement in addition to any other remedy to which they are entitled at law or in equity. Flow is entitled to obtain specific performance or other equitable relief to cause equity financing contemplated by the Financing Commitments to be funded to fund the Merger Consideration or complete the merger on the terms and subject to the conditions set forth in the Financing Commitments and the Merger Agreement if and only if (i) the Marketing Period has ended and all conditions to Parent and Merger Sub's obligation to complete the merger (other than conditions to be satisfied at the closing of the merger, each of which is capable of being satisfied at that time) have been satisfied at the time when the closing of the merger would have occurred if not for the failure of the Financing Commitments to be funded, and remain satisfied, (ii) the Financing Commitments have been funded or will be funded at the closing of the merger and (iii) with respect to any funding of the Financing Commitments to occur at the closing of the merger, Flow has irrevocably confirmed that if specific performance is granted and the Financing Commitments are funded, then the closing of the merger will occur.

Market Prices (page [—])

The Company Common stock is listed on the NASDAQ Stock Market under the symbol “FLOW.” On June 6, 2013, the last trading day prior to Flow’s announcement that it would evaluate strategic alternatives, the closing price of the Company Common Stock was \$4.03 per share. On [—], 2013, the latest practicable trading day before the printing of this proxy statement, the closing price for the Company Common Stock on the NASDAQ Stock Market was \$[—] per share.

Neither the U.S. Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved of the transactions described in this document, including the merger, or determined if the information contained in this document is accurate or adequate. Any representation to the contrary is a criminal offense.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to address some commonly asked questions regarding the merger, the Merger Agreement and the special meeting. These questions and answers may not address all questions that may be important to you as a Flow shareholder. We encourage you to read this entire proxy statement, the annexes to this proxy statement and the documents we refer to in this proxy statement carefully and in its entirety. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions under “Where You Can Find More Information” beginning on page [—].

Q: Why am I receiving these materials?

The Flow Board is furnishing this proxy statement and form of proxy card to the holders of Company Common Stock in connection with the solicitation of proxies to be voted at a special meeting of shareholders or at any adjournments of the special meeting.

Q: When and where is the special meeting?

A: The special meeting will take place on [—], 2013 at [—], at 10:00 a.m. local time.

Q: Who is entitled to vote at the special meeting?

A: Only shareholders of record as of the close of business on [—], 2013 are entitled to notice of the special meeting and to vote at the special meeting or at any adjournment thereof. Each holder of Company Common Stock is entitled to cast one vote on each matter properly brought before the special meeting for each share of Company Common Stock that such holder owned as of the record date.

Q: May I attend the special meeting and vote in person?

A: Yes. All shareholders as of the record date may attend the special meeting and vote in person. Seating will be limited. Shareholders will need to present proof of ownership of Company Common Stock, such as a bank or brokerage account statement, and a form of personal identification to be admitted to the special meeting. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the special meeting. Even if you plan to attend the special meeting in person, we encourage you to complete, sign, date and return the enclosed proxy or vote electronically over the Internet or via telephone to ensure that your shares will be represented at the special meeting. If you attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted. If you hold your shares in “street name,” because you are not the shareholder of record, you may not vote your shares in person at the special meeting unless you request and obtain

a valid proxy from your bank, broker or other nominee.

Q: What am I being asked to vote on at the special meeting?

A: You are being asked to vote on the following proposals:

to approve the Merger Agreement, pursuant to which Merger Sub will merge with and into Flow, with Flow continuing as the surviving corporation and becoming a wholly owned subsidiary of Parent;

to approve the adjournment of the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes to approve the Merger Agreement; and

to approve, on a non-binding, advisory basis, compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers.

Q: What is the proposed merger and what effects will it have on Flow?

The proposed merger is the acquisition of Flow by Parent pursuant to the Merger Agreement. If the proposal to approve the Merger Agreement is approved by holders of shares of Company Common Stock representing at least two-thirds of the votes entitled to be cast and the other closing conditions under the Merger Agreement have been satisfied or waived, Merger Sub will merge with and into Flow, with Flow continuing as the surviving corporation. **A:** As a result of the merger, Flow will become a wholly owned subsidiary of Parent, and Company Common Stock will no longer be publicly traded. In addition, the Company Common Stock will be delisted from the NASDAQ Stock Market and deregistered under the Exchange Act and we will no longer file periodic reports with the SEC on account of Company Common Stock.

Q: What will I receive if the merger is completed?

Upon completion of the merger, you will be entitled to receive the Merger Consideration of \$4.05 per share in cash, without interest and less any applicable withholding taxes, for each share of Company Common Stock that you own unless you have properly perfected your dissenters' rights under the WBCA with respect to such shares. For example, if you own 100 shares of Company Common Stock, you will receive \$405.00 in cash in exchange for your shares of Company Common Stock, less any applicable withholding taxes. In either case, your shares will be canceled and you will not own shares in the surviving corporation.

Q: What do I need to do now?

We encourage you to read this proxy statement, the annexes to this proxy statement and the documents we refer to in this proxy statement carefully and consider how the merger affects you. Then complete, sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying reply envelope or grant your proxy electronically over the Internet or by telephone, so that your shares can be voted at the special meeting. If you hold your shares in "street name," please refer to the voting instruction forms provided by your bank, broker or other nominee to vote your shares. **Please do not send your stock certificates with your proxy card.**

Q: Should I send in my stock certificates now?

No. After the merger is completed, under the terms of the Merger Agreement, you will receive shortly thereafter the letter of transmittal instructing you to send your stock certificates to the paying agent in order to receive the cash payment of the Merger Consideration for each share of Company Common Stock represented by the stock certificates. You should use the letter of transmittal to exchange your stock certificates for the cash payment to which you are entitled upon completion of the merger. **Please do not send in your stock certificates now.**

Q: What happens if I sell or otherwise transfer my shares of Company Common Stock after the record date but before the special meeting?

The record date for the special meeting is earlier than the date of the special meeting and the date the merger is expected to be completed. If you sell or transfer your shares of Company Common Stock after the record date but before the special meeting, unless special arrangements (such as provision of a proxy) are made between you and the person to whom you sell or otherwise transfer your shares and each of you notifies Flow in writing of such special arrangements, you will transfer the right to receive the Merger Consideration, if the merger is completed, to the person to whom you sell or transfer your shares of Company Common Stock, but you will retain your right to vote these shares at the special meeting. **Even if you sell or otherwise transfer your shares of Company Common Stock after the record date, we encourage you to complete, date, sign and return the enclosed proxy or vote via the Internet or telephone.**

Q: How does the Flow Board recommend that I vote?

The Flow Board, after considering various factors described in the section entitled “The Merger — Recommendation of our Board of Directors and Reasons for the Merger” beginning on page [—], has unanimously determined that the **A:** Merger Agreement and the transactions contemplated by the Merger Agreement, including the merger, are advisable and in the best interests of Flow and our shareholders and has unanimously approved the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement.

The Flow Board recommends that you vote “**FOR**” the proposal to approve of the Merger Agreement, “**FOR**” the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and “**FOR**” the proposal to approve, on a non-binding, advisory basis, certain compensation that will or may become payable by Flow to its named executive officers in connection with the completion of the merger under existing arrangements between Flow and such officers.

Q: What happens if the merger is not completed?

If the Merger Agreement is not approved by Flow shareholders or if the merger is not completed for any other reason, Flow shareholders will not receive any payment for their shares of Company Common Stock. Instead, Flow **A:** will remain an independent public company, the Company Common Stock will continue to be listed and traded on the NASDAQ Stock Market and registered under the Exchange Act and we will continue to file periodic reports with the SEC on account of the Company Common Stock.

Under specified circumstances, Flow may be required to reimburse Parent's expenses or pay Parent a termination fee, or may be entitled to receive a reverse termination fee from Parent, upon the termination of the Merger Agreement, as described under "Approval of the Merger Agreement — Termination Fees and Expense Reimbursement" beginning on page [—].

Q: Do any of Flow's directors or officers have interests in the merger that may differ from those of Flow shareholders generally?

A: Yes. In considering the recommendation of the Flow Board with respect to the proposal to approve the Merger Agreement, you should be aware that our directors and executive officers may have interests in the merger that are different from, or in addition to, the interests of our shareholders generally. The Flow Board was aware of and considered these interests, to the extent such interests existed at the time, among other matters, in evaluating and negotiating the Merger Agreement and the merger, in approving the Merger Agreement and the merger, and in recommending that the Merger Agreement be approved by the shareholders of Flow. For a description of the interests of our directors and executive officers in the merger, see "The Merger — Interests of Certain Persons in the Merger" beginning on page [—].

Q: What vote is required to approve the Merger Agreement?

A: The affirmative vote of holders of shares of Company Common Stock representing at least two-thirds of the votes entitled to be cast is required to approve the Merger Agreement.

The failure of any shareholder of record to submit a signed proxy card, grant a proxy electronically over the Internet or by telephone or to vote in person by ballot at the special meeting will have the same effect as a vote "AGAINST" the proposal to approve the Merger Agreement. If you hold your shares in "street name," the failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote "AGAINST" the proposal to approve the Merger Agreement. Abstentions will have the same effect as a vote "AGAINST" the proposal to approve the Merger Agreement.

As of [—], 2013, the record date for determining who is entitled to vote at the special meeting, there were approximately [—] shares of Company Common Stock issued and outstanding. Each holder of Company Common Stock is entitled to one vote per share of stock owned by such holder as of the record date.

Q: What vote is required to approve the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and to approve, on a non-binding, advisory basis, certain compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers?

A:

Approval of the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement, whether or not a quorum is present, requires the affirmative vote of the holders of a majority the shares of Company Common Stock represented either in person or by proxy. Approval, on a non-binding, advisory basis, of certain compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers requires the affirmative vote of the holders of a majority of those shares of Company Common Stock represented in person or by proxy and voting upon on the proposal.

The failure of any shareholder of record to submit a signed proxy card, grant a proxy electronically over the Internet or by telephone or to vote in person by ballot at the special meeting will not have any effect on the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement or the proposal to approve, by non-binding, advisory vote, compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers. If you hold your shares in "street name," the failure to instruct your bank, broker or other nominee how to vote your shares will not have any effect on the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and the proposal to approve, by non-binding, advisory vote, compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers. Abstentions will have the same effect as a vote **"AGAINST"** the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and the proposal to approve, by non-binding, advisory vote, compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers.

Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A: If your shares are registered directly in your name with our transfer agent, Computershare, you are considered, with respect to those shares, to be the “shareholder of record.” In this case, this proxy statement and your proxy card have been sent directly to you by Flow.

If your shares are held through a bank, broker or other nominee, you are considered the “beneficial owner” of the shares of Company Common Stock held in “street name.” In that case, this proxy statement has been forwarded to you by your bank, broker or other nominee who is considered, with respect to those shares, to be the shareholder of record. As the beneficial owner, you have the right to direct your bank, broker or other nominee how to vote your shares by following their instructions for voting. You are also invited to attend the special meeting. However, because you are not the shareholder of record, you may not vote your shares in person at the special meeting unless you request and obtain a valid proxy from your bank, broker or other nominee.

Q: How may I vote?

A: If you are a shareholder of record (that is, if your shares of common stock are registered in your name with Computershare, our transfer agent), there are four ways to vote:

- by attending the special meeting and voting in person by ballot;
- by visiting the Internet at the address on your proxy card;
- by calling toll-free (within the U.S. or Canada) at the phone number on your proxy card; or
- by completing, dating, signing and returning the enclosed proxy card in the accompanying prepaid reply envelope.

A control number, located on your proxy card, is designed to verify your identity and allow you to vote your shares of common stock, and to confirm that your voting instructions have been properly recorded when voting electronically over the Internet or by telephone. Please be aware that, although there is no charge for voting your shares, if you vote electronically over the Internet or by telephone, you may incur costs such as telephone and Internet access charges for which you will be responsible.

Even if you plan to attend the special meeting in person, you are strongly encouraged to vote your shares of common stock by proxy. If you are a record holder or if you obtain a valid proxy to vote shares which you beneficially own, you may still vote your shares of common stock in person at the special meeting even if you have previously voted by proxy. If you are present at the special meeting and vote in person, your previous vote by proxy will not be counted.

If your shares are held in “street name” through a broker, bank or other nominee, you may vote through your broker, bank or other nominee by completing and returning the voting form provided by your broker, bank or other nominee, or electronically over the Internet or by telephone through your broker, bank or other nominee if such a service is provided. To vote via the Internet or via telephone through your broker, bank or other nominee, you should follow the instructions on the voting form provided by your broker, bank or nominee.

Q: If my broker holds my shares in “street name,” will my broker vote my shares for me?

No. Your bank, broker or other nominee will only be permitted to vote your shares on any proposal only if you instruct your bank, broker or other nominee how to vote. You should follow the procedures provided by your bank, broker or other nominee regarding the voting of your shares of Company Common Stock. Without instructions, your shares will not be voted, which will have the same effect as if you voted against approval of the Merger Agreement and approval of the transactions contemplated thereby, but will have no effect on the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement or the proposal to approve, by non-binding, advisory vote, compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers.

Q: If my shares are held in Flow's Voluntary Pension and Salary Deferral Plan, how do I vote?

Shares of Company Common Stock held in the Flow International Corporation Voluntary Pension and Salary Deferral Plan will be voted by Wilmington Trust Company, which we refer to as Wilmington, as trustee of this plan. Voting instructions regarding your shares in the Voluntary Pension and Salary Deferral Plan must be received by [—], 2013, in which case Wilmington will vote your shares as you have directed. Please follow the directions on the enclosed proxy card on how to provide your voting instructions. After [—], 2013, all shares of Company Common Stock held in the Voluntary Pension and Salary Deferral Plan for which voting instructions have not been received, and all shares not yet allocated to participants' accounts, will be voted by Wilmington, as trustee, in the same proportion ("FOR" or "AGAINST") as the shares for which instructions are received from participants in the Voluntary Pension and Salary Deferral Plan.

Q: May I change my vote after I have mailed my signed proxy card?

A: Yes. If you are a shareholder of record, you may change your vote or revoke your proxy at any time before it is voted at the special meeting by:

- submitting a new proxy electronically over the Internet or by telephone after the date of the earlier submitted proxy;
- signing another proxy card with a later date and returning it to us prior to the special meeting; or
- attending the special meeting and voting in person.

If you hold your shares of Company Common Stock in "street name," you should contact your bank, broker or other nominee for instructions regarding how to change your vote. You may also vote in person at the special meeting if you obtain a valid proxy from your bank, broker or other nominee.

Q: What is a proxy?

A: A proxy is your legal designation of another person, referred to as a "proxy," to vote your shares of Company Common Stock. The written document describing the matters to be considered and voted on at the special meeting is called a "proxy statement." The document used to designate a proxy to vote your shares of Company Common Stock is called a "proxy card."

Q: If a shareholder gives a proxy, how are the shares voted?

A: Regardless of the method you choose to vote, the individuals named on the enclosed proxy card, or your proxies, will vote your shares in the way that you indicate. When completing the Internet or telephone process or the proxy card, you may specify whether your shares should be voted for or against or to abstain from voting on all, some or none of the specific items of business to come before the special meeting.

If you properly sign your proxy card but do not mark the boxes showing how your shares should be voted on a matter, the shares represented by your properly signed proxy will be voted “**FOR**” the approval of the Merger Agreement, “**FOR**” the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and “**FOR**” the proposal to approve, by non-binding, advisory vote, compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a shareholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, date, sign and return (or vote via the Internet or telephone with respect to) each proxy card and voting instruction card that you receive.

Q: Who will count the votes?

A: The votes will be counted by the independent inspector of election appointed for the special meeting.

Q: Where can I find the voting results of special meeting?

Flow intends to announce preliminary voting results at the special meeting and publish final results in a Current Report on Form 8-K that will be filed with the SEC following the special meeting. All reports Flow files with the SEC are publicly available when filed. See “Where You Can Find More Information” beginning on page [—].

Q: Will I be subject to U.S. federal income tax upon the exchange of Company Common Stock for cash pursuant to the merger?

A: For U.S. federal income tax purposes, the receipt of cash by a U.S. Holder (as defined under “Financing of the Merger — Certain Material U.S. Federal Income Tax Consequences of the Merger” beginning on page [—]) in exchange for such U.S. Holder’s shares of Company Common Stock in the merger generally will result in the recognition of gain or loss in an amount measured by the difference, if any, between the cash such U.S. Holder receives in the merger and such U.S. Holder’s adjusted tax basis in the shares of Company Common Stock surrendered in the merger. Shareholders should consult their own tax advisors concerning the U.S. federal income tax consequences relating to the merger in light of their particular circumstances and any consequences arising under the laws of any state, local or foreign taxing jurisdiction.

Q: What will the holders of Flow stock options, restricted stock and restricted stock units receive in the merger?

A: Under the Merger Agreement, at the Effective Time, each option to purchase shares of Company Common Stock, whether vested or unvested, will be fully vested and converted into the right to receive an amount in cash equal to (i) the excess, if any, of the Merger Consideration over the applicable exercise price per share of such stock option, multiplied by (ii) the number of shares of Company Common Stock subject to such stock option, without interest, less any applicable withholding for taxes. There are no outstanding options with exercise prices that are higher than the Merger Consideration and, as a result, no payments will be made to optionholders in respect of their options in connection with the merger.

Each outstanding restricted stock right, phantom share right and restricted stock unit (each such award is referred to as a “Restricted Stock Right”) issued by Flow that is subject to time-based vesting conditions will be fully vested and converted into the right to receive an amount in cash equal to the Merger Consideration multiplied by the number of shares of Common Stock subject to such Restricted Stock Right, in each case without interest, less any applicable withholding for taxes. Each Restricted Stock Right that is subject to performance-based vesting conditions that have

not been satisfied as of the Effective Time will be canceled and no consideration will be payable with respect thereto.

Q: When do you expect the merger to be completed?

We are working toward completing the merger as quickly as possible and currently expect to consummate the merger in the first half of 2014. However, the exact timing of completion of the merger cannot be predicted
A: because the merger is subject to specified conditions, including approval of the Merger Agreement by our shareholders, the receipt of regulatory approvals and the completion of a 25-business day Marketing Period that Parent may use to complete its financing for the merger.

Q: Am I entitled to dissenters' rights under the WBCA?

Yes. As a holder of Company Common Stock, you are entitled to assert dissenters' rights under the WBCA in
A: connection with the merger if you take certain actions and meet certain conditions. See the section entitled "Dissenters' Rights" beginning on page [—].

Q: Who can help answer my questions?

If you have any questions concerning the merger, the special meeting or this proxy statement, would like additional
A: copies of this proxy statement or need help voting your shares of Company Common Stock, please contact our proxy solicitation agent:

Alliance Advisors LLC

200 Broadacres Drive, 3rd Fl.

Bloomfield, NJ 07003

Toll-Free: (855) 601-2248

E-mail: flow@allianceadvisorsllc.com

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents to which we refer you in this proxy statement, as well as information included in oral statements or other written statements made or to be made by us or on our behalf, contain “forward-looking statements” that do not directly or exclusively relate to historical facts. You can typically identify forward-looking statements by the use of forward-looking words, such as “may,” “should,” “could,” “project,” “believe,” “anticipate,” “expect,” “estimate,” “continue,” “potential,” “plan,” “forecast” and other words of similar import. Shareholders are cautioned that any such forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements. These risks and uncertainties include, but are not limited to, the risks detailed in our filings with the SEC, including in our most recent filings on Forms 10-Q and 10-K, factors and matters described or incorporated by reference in this proxy statement, and the following factors:

- the inability to complete the merger due to the failure to obtain shareholder approval or failure to satisfy the other conditions to the completion of the merger, including receipt of required regulatory approvals;
- the risk that the definitive Merger Agreement may be terminated in circumstances that require us to pay Parent a termination fee of \$6.119 million or reimbursement of Parent’s expenses of up to \$2 million;
- the outcome of any legal proceedings that may be instituted against us and others related to the Merger Agreement;
- the failure by Parent to obtain the necessary equity and debt financing set forth in the Financing Commitments entered into in connection with the merger, or alternative financing, or the failure of any such financing to be sufficient to complete the merger and the other transactions contemplated by the Merger Agreement;
- risks that the merger disrupts our current operations or affects our ability to retain or recruit key employees;
- the fact that receipt of the all-cash Merger Consideration would be taxable to Flow’s shareholders that are treated as U.S. holders for U.S. federal income tax purposes;
- the fact that Flow’s shareholders would forego the opportunity to realize the potential long-term value of the successful execution of Flow’s current strategy as an independent company;
- the fact that under the terms of the Merger Agreement, Flow is unable to solicit other acquisition proposals during the pendency of the merger;

the effect of the announcement or pendency of the merger on our business relationships, operating results and business generally;

- the amount of the costs, fees, expenses and charges related to the Merger Agreement and the merger;
- risks related to diverting management's or employees' attention from ongoing business operations; and
- risks that our stock price may decline significantly if the merger is not completed.

Consequently, all of the forward-looking statements we make in this proxy statement are qualified by the information contained or incorporated by reference herein, including, but not limited to (i) the information contained under this heading and (ii) the information contained under the headings "Risk Factors" and information in our consolidated financial statements and notes thereto included in our most recent filings on Forms 10-K and 10-Q (see "Where You Can Find More Information" beginning on page [—]). No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

Except as required by applicable law, we undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. Flow shareholders are advised, however, to consult any future disclosures we make on related subjects as may be detailed in our other filings made from time to time with the SEC.

THE SPECIAL MEETING

The enclosed proxy is solicited on behalf of the Flow Board for use at the special meeting of shareholders or at any adjournment or postponement thereof.

Date, Time and Place

We will hold the special meeting on [—], 2013 at [—], at 10:00 a.m. local time.

Purpose of the Special Meeting

At the special meeting, we will ask our shareholders to vote on proposals to approve the Merger Agreement, to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes to approve the Merger Agreement at the special meeting, and to approve, on a non-binding, advisory basis, certain compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers.

Record Date; Shares Entitled to Vote; Quorum

Only shareholders of record as of the close of business on [—], 2013 are entitled to notice of the special meeting and to vote at the special meeting or at any adjournment thereof. A list of shareholders entitled to vote at the special meeting will be available in our principal executive offices located at 23500 64th Avenue South, Kent, WA 98032, during regular business hours for a period of no less than ten days before the special meeting and at the place of the special meeting during the meeting.

As of the record date, there were approximately [—] shares of Company Common Stock outstanding and entitled to be voted at the special meeting.

The holders of a majority of the outstanding shares of Company Common Stock entitled to vote at the special meeting, present either in person or represented by proxy, will constitute a quorum at the special meeting. As a result,

[—] shares must be represented by proxy or by shareholders present and entitled to vote at the special meeting to have a quorum. If a quorum is not present at the special meeting, it is expected that the meeting will be adjourned to solicit additional proxies.

Vote Required; Abstentions and Broker Non-Votes

The affirmative vote of holders of shares of Company Common Stock representing at least two-thirds of the votes entitled to be cast is required to approve the Merger Agreement. Approval of the Merger Agreement by our shareholders is a condition to the closing of the merger.

Approval of the proposal to adjourn the special meeting if necessary or advisable, to solicit additional proxies if there are insufficient votes to approve the Merger Agreement at the special meeting requires the affirmative vote of the holders of a majority of the shares of Company Common Stock represented either in person or by proxy. Approval, by non-binding, advisory vote, of compensation that will or may be paid to Flow's named executive officers in connection with the merger under existing arrangements between Flow and such officers requires the affirmative vote of the holders of a majority of those shares of Company Common Stock represented in person or by proxy and voting upon on the proposal.

The failure of any shareholder of record to submit a signed proxy card, grant a proxy electronically over the Internet or by telephone or to vote in person by ballot at the special meeting will have the same effect as a vote "**AGAINST**" the proposal to approve the Merger Agreement. If you hold your shares in "street name," the failure to instruct your bank, broker or other nominee how to vote your shares will have the same effect as a vote "**AGAINST**" the proposal to approve the Merger Agreement. Abstentions will have the same effect as a vote "**AGAINST**" the proposal to approve the Merger Agreement.

The failure of any shareholder of record to submit a signed proxy card, grant a proxy electronically over the Internet or by telephone or to vote in person by ballot at the special meeting will not have any effect on the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement or the proposal to approve, by non-binding, advisory vote, compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers.

If you hold your shares in “street name,” the failure to instruct your bank, broker or other nominee how to vote your shares will not have any effect on the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and the proposal to approve, by non-binding, advisory vote, compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers. Abstentions will have the same effect as a vote “**AGAINST**” the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and the proposal to approve, by non-binding, advisory vote, compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers.

Shares Held by Flow’s Directors and Executive Officers

As of [—], 2013, the record date, our directors and executive officers beneficially owned and were entitled to vote [—] shares of Company Common Stock, which represented approximately [—]% of the shares of Company Common Stock on that date. The directors and executive officers have informed Flow that they currently intend to vote all of their shares of Company Common Stock “**FOR**” the approval of the Merger Agreement, “**FOR**” the adjournment of the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and “**FOR**” the proposal to approve, by non-binding, advisory vote, compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers.

Voting of Proxies

Any Flow shareholder of record entitled to vote may submit a proxy by returning a signed proxy card by mail or voting electronically over the Internet or by telephone, or may vote in person by appearing at the special meeting. If you are a beneficial owner and hold your shares of Company Common Stock in “street name” through a broker, bank or other nominee, you should instruct your broker, bank or other nominee on how you wish to vote your shares of Company Common Stock using the instructions provided by your broker, bank or other nominee. Under applicable rules, brokers, banks or other nominees have the discretion to vote on routine matters. The proposals in this proxy statement are non-routine matters, and brokers, banks and other nominees cannot vote on these proposals without your instructions. Therefore, it is important that you cast your vote or instruct your broker, bank or nominee on how you wish to vote your shares.

If you are a shareholder of record, you may change your vote or revoke your proxy at any time before it is voted at the special meeting by submitting a new proxy electronically over the Internet or by telephone after the date of the earlier submitted proxy, signing another proxy card with a later date and returning it to us prior to the special meeting or attending the special meeting and voting in person. If you hold your shares of Company Common Stock in “street

name,” you should contact your bank, broker or other nominee for instructions regarding how to change your vote. You may also vote in person at the special meeting if you obtain a valid proxy from your bank, broker or other nominee.

Shares of Company Common Stock held in the Flow International Corporation Voluntary Pension and Salary Deferral Plan will be voted by Wilmington Trust Company, which we refer to as Wilmington, as trustee of this plan. Voting instructions regarding your shares in the Voluntary Pension and Salary Deferral Plan must be received by [—], 2013, in which case Wilmington will vote your shares as you have directed. Please follow the directions on the enclosed proxy card on how to provide your voting instructions. After [—], 2013, all shares of Company Common Stock held in the Voluntary Pension and Salary Deferral Plan for which voting instructions have not been received, and all shares not yet allocated to participants’ accounts, will be voted by Wilmington, as trustee, in the same proportion (“**FOR**” or “**AGAINST**”) as the shares for which instructions are received from participants in the Voluntary Pension and Salary Deferral Plan.

Regardless of the method you choose to vote, the individuals named on the enclosed proxy card, or your proxies, will vote your shares in the way that you indicate. When completing the Internet or telephone process or the proxy card, you may specify whether your shares should be voted for or against or to abstain from voting on all, some or none of the specific items of business to come before the special meeting.

If you properly sign your proxy card but do not mark the boxes showing how your shares should be voted on a matter, the shares represented by your properly signed proxy will be voted “**FOR**” the approval of the Merger Agreement, “**FOR**” the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and “**FOR**” the proposal to approve, by non-binding, advisory vote, compensation that will or may become payable by Flow to its named executive officers in connection with the merger under existing arrangements between Flow and such officers.

Revocability of Proxies

If you are a shareholder of record, you may change your vote or revoke your proxy at any time before it is voted at the special meeting by:

- submitting a new proxy electronically over the Internet or by telephone after the date of the earlier submitted proxy;

signing another proxy card with a later date and returning it to us prior to the special meeting; or

attending the special meeting and voting in person.

Please note that to be effective, your new proxy card, Internet or telephonic voting instructions or written notice of revocation must be received by our Secretary prior to the special meeting and, in the case of Internet or telephonic voting instructions, must be received before [—] time on [—], 2013. If you have submitted a proxy, your appearance at the special meeting, in the absence of voting in person or submitting an additional proxy or revocation, will not have the effect of revoking your prior proxy.

If you hold your shares of Company Common Stock in “street name,” you should contact your bank, broker or other nominee for instructions regarding how to change your vote. You may also vote in person at the special meeting if you obtain a valid proxy from your bank, broker or other nominee. Any adjournment, recess or postponement of the special meeting for the purpose of soliciting additional proxies will allow Flow shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned, recessed or postponed.

Recommendation of the Flow Board

The Flow Board, after considering various factors described in the section entitled “The Merger — Recommendation of our Board of Directors and Reasons for the Merger” beginning on page [—], has unanimously determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the merger, are advisable and in the best interests of Flow and our shareholders and has approved the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement. The Flow Board recommends that you vote “**FOR**” the proposal to approve of the Merger Agreement, “**FOR**” the proposal to adjourn the special meeting, if necessary or advisable, to solicit additional proxies if there are insufficient votes at the special meeting to approve the Merger Agreement and “**FOR**” the proposal to approve, on a non-binding, advisory basis, certain compensation that will or may become payable by Flow to its named executive officers in connection with the completion of the merger under existing arrangements between Flow and such officers.

Solicitation of Proxies

The expense of soliciting proxies in the enclosed form will be borne by Flow. We have retained Alliance Advisors LLC, a proxy solicitation firm, to solicit proxies in connection with the special meeting at a cost of approximately \$9,500 plus expenses. We will also indemnify Alliance Advisors LLC against losses arising out of its provisions of such services on our behalf. In addition, we may reimburse brokers, banks and other custodians, nominees and fiduciaries representing beneficial owners of shares for their expenses in forwarding soliciting materials to such

beneficial owners. Proxies may also be solicited by some of our directors, officers and employees, personally or by telephone, facsimile or other means of communication. No additional compensation will be paid for such services.

Anticipated Date of Completion of the Merger

Assuming timely satisfaction of necessary closing conditions, including the approval by our shareholders of the proposal to approve the Merger Agreement, we anticipate that the merger will be consummated in the first half of 2014.

Dissenters' Rights

Shareholders that do not vote for the approval of the Merger Agreement are entitled to dissenters' rights under the WBCA in connection with the merger. This means that you are entitled to receive payment in the amount the surviving corporation estimates to be the fair value of your shares of Company Common Stock in lieu of the amount provided for in the Merger Agreement. The ultimate amount you receive as payment for your shares of Company Common Stock pursuant to your dissenters' rights may be less than, equal to or more than the amount you would have received under the Merger Agreement.

To assert your dissenters' rights, you must deliver to Flow, before the shareholder vote is taken on the Merger Agreement, notice of your intent to demand payment for your shares of Company Common Stock if the merger is completed, you must not submit a proxy or otherwise vote in favor of the proposal to approve the Merger Agreement and you must follow the statutory procedures for perfecting dissenters' rights. Your failure to follow exactly the procedures specified under the WBCA will result in the loss of your dissenters' rights. See the section entitled "Dissenters' Rights" beginning on page [—] of this proxy statement and the text of the dissenters' rights provisions of the WBCA reproduced in its entirety as *Annex [—]* to this proxy statement. If you hold your shares of Company Common Stock through a bank, brokerage firm or other nominee and you wish to assert dissenters' rights, you should consult with your bank, brokerage firm or other nominee to determine the appropriate procedures for the making of a demand for payment for your shares of Company Common Stock by such bank, brokerage firm or nominee. In view of the complexity of Chapter 23B.13 of the WBCA, shareholders who may wish to pursue dissenters' rights should consult their legal and financial advisors promptly.

Other Matters

At this time, we know of no other matters to be submitted at the special meeting.

Householding of Special Meeting Materials

Unless we have received contrary instructions, we may send a single copy of this proxy statement and notice to any household at which two or more shareholders reside if we believe the shareholders are members of the same family. Each shareholder in the household will continue to receive a separate proxy card. This process, known as “householding,” reduces the volume of duplicate information received at your household and helps to reduce our expenses.

If you would like to receive your own set of our disclosure documents this year or in future years, follow the instructions described below. Similarly, if you share an address with another shareholder and together both of you would like to receive only a single set of our disclosure documents, follow these instructions.

If your shares are registered in your own name, please contact us at our executive offices at Flow International Corporation, Corporate Secretary c/o John S. Leness, 23500 64th Avenue South, Kent, WA 98032 or Telephone: (253) 850-3500 to inform us of your request. If a bank, broker or other nominee holds your shares, please contact your bank, broker or other nominee directly.

THE MERGER

This discussion of the merger is qualified in its entirety by reference to the Merger Agreement, which is attached to this proxy statement as *Annex A* and incorporated into this proxy statement by reference. You should read the entire Merger Agreement carefully as it is the legal document that governs the merger.

Parties Involved in the Merger

Flow International Corporation

23500 64th Avenue South

Kent, WA 98032

(253) 850-3500

Flow is a global technology-based manufacturing company that provides technological leadership and exceptional waterjet performance to a wide-ranging customer base. We provide ultrahigh-pressure water pumps that generate pressures from 40,000 to over 94,000 pounds per square inch (psi) and power waterjet systems that are used to cut materials, remove coatings, and prepare surfaces for coating. Waterjet cutting and cleaning is a fast-growing alternative to traditional methods, such as lasers, saws, knives, shears, plasma, electrical discharge machining, routers, drills, soda blasting and abrasive blasting techniques, and has uses in many applications from food and paper products to steel and carbon fiber composites.

The Company Common Stock is currently listed on the NASDAQ Stock Market under the symbol “FLOW.”

Waterjet Holdings, Inc.

c/o American Industrial Partners

535 Fifth Avenue, 32nd Floor

New York, New York 10017

Waterjet Holdings, Inc. (“Parent”) is a Delaware corporation and a portfolio company of American Industrial Partners (“AIP”). In August 2013, Parent acquired the KMT group, a designer and manufacturer of products utilizing ultrahigh-pressure pump technology in industrial manufacturing, surface preparation, and food processing applications.. Upon completion of the merger, Flow and the KMT group will be subsidiaries of Parent.

AIP/FIC Merger Sub, Inc.

c/o American Industrial Partners

535 Fifth Avenue, 32nd Floor

New York, New York 10017

AIP/FIC Merger Sub, Inc. (“Merger Sub”) is a Washington corporation and a wholly owned subsidiary of Parent, formed solely for the purpose of entering into the Merger Agreement and completing the transactions contemplated by the Merger Agreement and the related financing transactions. Merger Sub has not conducted any business operations except in furtherance of this purpose and activities incident to its formation. Upon completion of the merger, Merger Sub will cease to exist.

Effect of the Merger

Upon the terms and subject to the conditions of the Merger Agreement, Merger Sub will merge with and into Flow, with Flow continuing as the surviving corporation. As a result of the merger, Flow will become a wholly owned subsidiary of Parent, and Flow common stock will no longer be publicly traded. In addition, Flow common stock will be delisted from the NASDAQ Stock Market and deregistered under the Exchange Act and we will no longer file periodic reports with the SEC. If the merger is completed, you will not own any shares of the capital stock of the surviving corporation.

The time at which the merger will become effective, which we refer to as the Effective Time, will occur upon the filing of articles of merger with the Secretary of State of the State of Washington (or at such later time as we, Parent and Merger Sub may agree and specify in the articles of merger).

Effect on Flow if the Merger is Not Completed

If the Merger Agreement is not approved by Flow shareholders or if the merger is not completed for any other reason, Flow shareholders will not receive any payment for their shares of Company Common Stock. Instead, Flow will remain an independent public company, the Company Common Stock will continue to be listed and traded on the NASDAQ Stock Market and registered under the Exchange Act and we will continue to file periodic reports with the SEC. In addition, if the Merger is not completed, Flow expects that management will operate the business in a manner similar to that in which it is being operated today and that Flow shareholders will continue to be subject to the same risks and opportunities to which they are currently subject, including, without limitation, risks related to the highly competitive industry in which Flow operates and adverse economic conditions.

Furthermore, if the merger is not completed, and depending on the circumstances that would have caused the merger not to be completed, it is likely that the price of Company Common Stock will decline significantly. If that were to occur, it is uncertain when, if ever, the price of Flow's Company Common Stock would return to the price at which it trades as of the date of this proxy statement.

Accordingly, if the merger is not completed, there can be no assurance as to the effect of these risks and opportunities on the future value of your shares of Flow's Company Common Stock. If the merger is not completed, the Flow Board will continue to evaluate and review Flow's business operations, properties, and capitalization, among other things, and make such changes as are deemed appropriate and continue to seek to identify strategic alternatives to enhance shareholder value. If the Merger Agreement is not approved by Flow's shareholders or if the merger is not completed for any other reason, there can be no assurance that any other transaction acceptable to Flow will be offered or that Flow's business, prospects or results of operation will not be adversely impacted.

In addition, under specified circumstances, Flow may be required to reimburse Parent's expenses or pay Parent a termination fee, or may be entitled to receive a reverse termination fee from Parent, upon the termination of the Merger Agreement, as described under "Approval of the Merger Agreement — Termination Fees and Expense Reimbursement" beginning on page [—].

Merger Consideration

In the merger, each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than shares of Company Common Stock (i) held by Flow or its subsidiaries, (ii) held, directly or indirectly, by Parent or Merger Sub and (iii) shares of Company Common Stock as to which holders have properly perfected and not withdrawn their dissenters' rights pursuant to the WBCA) will be canceled and converted automatically into the right to receive \$4.05 in cash, without interest, less any applicable withholding taxes, which amount we refer to as the

“Merger Consideration.”

After the merger is completed, under the terms of the Merger Agreement, you will have the right to receive the Merger Consideration, but you will no longer have any rights as a Flow shareholder as a result of the merger (except that shareholders who properly exercise their dissenters’ rights will have the right to receive a payment for the “fair value” of their shares as determined pursuant to an appraisal proceeding as contemplated by the WBCA), as described below under “The Special Meeting — Dissenters’ Rights” beginning on page [—].

Background of the Merger

As part of the ongoing evaluation of Flow’s business and strategic planning process, the Flow Board, together with senior management of Flow, has regularly considered a variety of strategic alternatives for the company with a view toward maximizing shareholder value. As part of this process, the Flow Board has evaluated, independently, and with input from senior management and its financial advisors, various alternatives to enhance shareholder value, including pursuing growth through acquisitions and considering a potential sale of the company. In addition, from time to time, certain of Flow’s shareholders identified below have encouraged Flow to explore, among other things, a potential sale of the company.

From time to time, the Flow Board and management are approached with strategic opportunities relating to other industry participants. In early February 2013, Flow’s Chief Executive Officer, Charles M. Brown, was contacted regarding Flow’s interest in a potential acquisition of KMT Group (“KMT”), a manufacturer of ultrahigh-pressure intensifier pumps. After discussion regarding the acquisition opportunity, Mr. Brown determined to present the matter for consideration by the Flow Board.

In early February 2013, representatives from Company A requested a meeting with Mr. Brown at Flow’s offices in Kent, Washington, where they expressed interest in a possible business combination transaction with Flow.

On February 15, 2013, in a teleconference with members of the Flow Board, Mr. Brown reported on his conversation regarding KMT and his meeting with Company A. After careful consideration, the Flow Board determined to conduct further diligence regarding the potential strategic opportunities with KMT and Company A, and directed management to interview financial advisors to help advise the company with respect to such opportunities and other potential strategic alternatives, including a potential sale of the company, in order to enhance shareholder value. Flow executed confidentiality agreements on or around that day with three financial advisors, which met with Flow's management from February 25, 2013 through February 28, 2013. After consulting with the members of the Flow Board, Flow decided to retain UBS Securities LLC ("UBS") to act as its financial advisor.

The Flow Board held its regularly scheduled quarterly meeting on March 5-6, 2013, during which the directors reviewed 2013 third quarter operating results and 2013 fourth quarter forecasts. In addition, representatives of UBS discussed with the Flow Board the competitive position and potential opportunities and challenges for Flow, as well as its proposed approach to evaluating Flow's strategic alternatives. K&L Gates, Flow's outside legal counsel, was also present. The Flow Board authorized management to sign a confidentiality agreement with KMT and to continue review of the KMT opportunity, as well as the opportunity with Company A, in consultation with UBS. The Flow Board also determined to hold a weekly teleconference (for all available directors) so that Flow's management and advisors could provide the directors with regular updates on the strategic alternatives review process.

On March 14, 2013, during the weekly update call, the directors present, along with representatives of UBS and K&L Gates, discussed the continuing review of the KMT and Company A opportunities, as well as the ongoing analysis of other strategic alternatives. Flow's management also presented an initial draft of a long range financial plan. In addition, Jerry L. Calhoun, Chair of the Flow Board, discussed a communication he had received from Keith Long of Otter Creek Partners, a holder of more than 5% of the Company Common Stock, expressing its intent to file a Schedule 13D.

On March 21, 2013, during the weekly update call, the directors present continued the discussion of the draft long-range financial plan presented by Flow's management, and Mr. Calhoun reported on a communication he had received from Freshford Capital Management, LLC, a holder of more than 5% of the Company Common Stock, inquiring as to Flow's strategic direction.

On March 27, 2013, Otter Creek submitted to the Flow Board a letter expressing concern with Flow's strategic direction and urging the Flow Board to retain an investment bank to explore strategic alternatives, including a sale of the company.

On March 28, 2013, during the weekly update call, the directors present discussed the Otter Creek letter and received an update on the progress of the strategic alternatives review.

On March 29, 2013, Flow executed a confidentiality agreement with KMT. On April 4, 2013, during the weekly update call, the directors present discussed the Otter Creek letter with Flow investor relations consultants. Management reported that it had received and was reviewing the KMT Confidential Offering Memorandum.

On April 9, 2013, Mr. Brown and representatives of UBS had a telephonic discussion regarding the KMT sale process with KMT's financial advisors. Also on April 9, Mr. Brown and Flow's General Counsel, John Leness, met over dinner with representatives of Company A to continue discussions regarding a possible acquisition transaction.

On April 9, 2013, Otter Creek submitted to Flow a proposal for the declassification of the Flow Board for inclusion in Flow's annual shareholder meeting agenda and proxy statement. Flow decided that it would present the declassification proposal at its next annual meeting of shareholders. On April 11, 2013, during the weekly update call, the directors present discussed the proposal from Otter Creek, and Mr. Brown and representatives of UBS reviewed the conversation with KMT's financial advisors and the meeting with Company A.

On April 19, 2013, at a meeting of the Flow Board in Kent, Washington, representatives of UBS reviewed with the Flow Board various strategic alternatives in light of the company's historical performance, long-range financial plan and competitive environment, including continuing to operate as a stand-alone publicly-held entity and executing on its current business plan, growth through acquisitions (including the KMT acquisition), pursuing a leveraged recapitalization transaction, and considering a potential sale of the company. After careful consideration and discussions with counsel regarding its fiduciary obligations, the Flow Board determined not to proceed with the KMT acquisition, and that Flow should consider a potential sale of the company as a means to enhance shareholder value. The Flow Board instructed Flow management and UBS to explore a potential sale process.

On April 23, 2013, Mr. Brown informed the financial advisor for the KMT sales process that Flow would no longer be participating in the process.

On May 3, 2013, during the weekly update call, representatives of UBS updated the Flow Board on developments since the most recent update. In addition, K&L Gates reviewed with the directors the fiduciary duties of the Flow Board in light of its consideration of strategic alternatives.

On May 8, 2013, Company A signed a confidentiality agreement with Flow. Between May 9, 2013 and May 31, 2013, Flow's executive team made due diligence materials available to, and participated in diligence meetings with, representatives from Company A.

On May 9, 2013, during the weekly update call, representatives of UBS provided an update on the discussions with Company A regarding a potential acquisition transaction, including a review of the diligence items that Company A requested to review.

On May 16, 2013, during the weekly update call, representatives of UBS provided an update on the discussions with Company A regarding a potential acquisition transaction, and the directors present directed UBS to continue such discussions.

On May 23 and 24, 2013, Mr. Brown and Flow's Chief Financial Officer, Allen M. Hsieh, together with the company's Executive Vice President of Sales, Richard LeBlanc, Vice President of Marketing, Charles Burnham, Executive Vice President of Operations, Ron Cooper, and representatives of UBS met with Company A at its offices.

On May 31, 2013, Company A submitted to UBS a preliminary, non-binding indication of interest for the acquisition of all the outstanding Company Common Stock at a range of \$4.25 to \$4.50 per share. Company A also requested that Flow agree to negotiate exclusively with Company A for a specified period of time.

On June 1, 2013, the Flow Board met. Representatives of UBS reviewed with the Flow Board Company A's preliminary indication of interest and discussed the material terms thereof, including Company A's request for exclusivity. On June 3, 2013, during a teleconference with the Flow Board, representatives of UBS and K&L Gates further discussed Company A's indication of interest, including a discussion of the impact of agreeing to an exclusivity provision and the likelihood that Company A would enter into a transaction at the price included in its indication of interest. The Flow Board directed UBS to engage in further discussions with Company A about increasing its price range in order for the Flow Board to continue to consider negotiating exclusively with Company A.

On June 6, 2013, during the weekly update call, UBS reported that Company A had indicated that it would not increase its price range. After discussion, the directors present concluded that Flow would not agree to Company A's

exclusivity request at that time, and directed Flow management and UBS to continue to explore a potential sale to Company A as well as other strategic alternatives, including the sale of the company through an auction process.

On June 7, 2013, Flow issued a press release announcing its preliminary fourth quarter results of an expected decrease in revenues and operating income (compared to 2012), which were lower than the guidance previously presented by Flow in March 2013. In addition, Flow announced that it had retained UBS to review strategic alternatives for Flow.

Beginning on June 10, 2013, at the direction of the Flow Board, representatives of UBS contacted or otherwise communicated with 27 potential strategic buyers and 46 potential financial buyers, including Parent, regarding a potential acquisition of Flow. Of these potential bidders, 31 (including Parent) executed written confidentiality agreements with Flow. AIP signed a confidentiality agreement with Flow on June 21, 2013.

On June 13, 2013, during the weekly update call, representatives of UBS discussed with the directors present an update with respect to the sale process, and the schedule for moving forward with potential bidders.

On June 21, 2013, at the direction of the Flow Board, representatives of UBS began providing a Confidential Information Memorandum relating to Flow to all companies who had executed a confidentiality agreement with the company, including AIP.

On June 24, 2013, at the direction of the Flow Board, UBS distributed a letter to potential bidders regarding the sale process.

The Flow Board held its regular quarterly meeting on June 25, 2013. During the meeting, Flow management reviewed the company's results and updated forecasts with management, and representatives of UBS reviewed with the Flow Board developments since the most recent meeting.

Between July 1, 2013 and July 9, 2013, at the direction of the Flow Board, Flow management and representatives of UBS began providing access to detailed diligence materials to the bidders, and three strategic bidders and one financial bidder attended a detailed presentation and question session with Flow management.

On July 11, 2013, during the weekly update call, representatives of UBS reviewed the status of the sale process.

On July 15, 2013, Flow received preliminary indications of interest from eight parties at prices ranging from \$3.69 to \$4.60 in cash. We refer to these parties as Company B, Company C, Company D, Company E, Company F, Company G, Company H, and Company I. AIP also submitted an indication of interest, but at that point did not include a price range.

On July 16, 2013, Flow announced that it was delaying the filing of its 10-K because additional time was required by management to complete the preparation of Flow's financial statements and the related audit procedures thereafter, primarily related to the company's Brazilian operations.

On July 17, 2013, Mr. Brown and Mr. Leness met with a representative of Company A. A representative of Company A indicated that, based on Flow's financial condition and prospects, Company A's price range for the acquisition of the company would not be higher than \$4.00. As a result, Company A did not at that point continue participating in the sale process. Additionally, on July 17, 2013, Company F withdrew from the process.

On July 18, 2013, during the weekly update call, representatives of UBS reviewed the results of the preliminary indications of interest and that Company F had withdrawn from the process. The status of the Form 10-K and the timing of its completion were also discussed.

On July 19, 2013, Company C and Company E withdrew from the process. On July 22 and 23, 2013, Company B, Company D, Company G, Company H and Company I began their review of the material in the electronic dataroom, and on July 25, 2013 Company B visited Flow's facility in Jeffersonville, Indiana.

On July 29, 2013, Mr. Brown, Mr. Hsieh, and representatives from UBS met with AIP representatives over dinner. The next day AIP representatives attended a presentation by Mr. Brown, Mr. Hsieh, Mr. Leness, and other senior Flow management at Flow's offices in Kent, Washington. That same day, Flow filed its Form 10-K and issued a press release reporting a decline in the 2013 fiscal fourth quarter revenues and operating income compared to 2012.

On July 31, 2013, Company D and Company H attended a management presentation at Flow's offices. Company B visited Flow's offices on August 1, 2013 for a second management meeting and due diligence session. On August 2, 2013 Company I attended a management presentation at Flow's offices.

During the first week of August 2013, at the direction of the Flow Board, UBS requested that the potential bidders confirm or submit revised indications of interest by August 13, 2013.

On August 6, 2013, during the weekly update call, representatives of UBS and members of Flow management reviewed the results of the meetings with AIP and Company B, Company D, Company H and Company I, and the progress since the last meeting. Additionally, on August 6, 2013, Company H withdrew from the process, and on August 8, 2013, Company D withdrew from the process.

On August 12, 2013, AIP provided a price for its indication of interest at \$4.00 per share.

On August 13, 2013, Company G attended a management presentation at Flow's offices and Company I withdrew from the process. On the same day, at the direction of the Flow Board, a representative of UBS informed AIP that the Flow Board would not permit AIP to continue in the process unless it increased its offer price.

On August 15, 2013 during the weekly update call, representatives of UBS reviewed with the directors present the status of the sale process. Representatives of UBS also reported that AIP had revised its indication of interest to a range of \$4.20 to \$4.25 and that Company B, which had been at \$4.60, had revised its indication of interest to \$4.40. Representatives from K&L Gates reviewed with the directors present a proposed form of merger agreement for distribution to the potential bidders. Also on August 15, 2013, AIP publicly announced that it had entered into an agreement to acquire KMT.

On August 16, 2013, at the direction of the Flow Board, UBS distributed the proposed form of merger agreement to AIP, Company B and Company G, and AIP began reviewing the materials in Flow's electronic data room, and engaging in diligence meetings with Flow management.

On August 20, 2013, at the direction of the Flow Board, UBS asked AIP and Company B to submit final indications of interest on September 17, 2013. Because Company G had indicated that its price range was below \$4.00 at that time, at the direction of the Flow Board, representatives of UBS did not ask for a final indication of interest from Company G. On the same day, Mr. Brown and a representative of UBS met with AIP at their office in New York to allow AIP to conduct additional due diligence.

On August 22, 2013, AIP visited Flow's facility in Jeffersonville, Indiana, with Mr. Brown and representatives of UBS in attendance. On the same day, during the weekly update call, representatives of UBS reported that Company G had indicated that its price range was below \$4.00, and that Company B had requested exclusivity or an expense reimbursement arrangement. The directors present determined not to enter into an exclusivity arrangement with Company B, but approved an expense reimbursement for Company B, up to a cap of \$500,000, if Company B submitted an offer of no less than \$4.40 per share and the other conditions were met. On the same day, AIP's financial advisors visited Flow's offices for due diligence meetings. Company G was later informed by a representative of UBS, at the direction of the Flow Board, that Company G would not be permitted to continue in the process because of its offer price.

On August 28, 2013, Company B, together with its lenders, attended a presentation at Flow's offices. Mr. Brown, together with a representative of UBS, attended a dinner with the principals of Company B. On August 29, 2013, during the weekly update call, Mr. Brown gave a report regarding his meeting and dinner with Company B.

On September 3, 2013, Mr. Brown and a representative of UBS met with AIP and its lenders in New York for a diligence meeting. Later that day, Mr. Brown and a representative of UBS met for dinner with representatives of AIP. Mr. Brown and Mr. Marvin of AIP, together with their respective legal advisors, held a preliminary meeting with the Federal Trade Commission staff in Washington D.C. the next day to discuss the potential antitrust review that would be involved if Parent ultimately entered into an acquisition transaction with Flow.

On September 5, 2013, the Flow Board met to review and approve the company's long range financial plan, which had been updated based on current market conditions. A representative of K&L Gates also discussed the fiduciary duties of Flow Board in connection with its review of strategic alternatives.

On September 6, 2013, the Federal Trade Commission sent Flow and AIP a list of the information the staff wished to review in connection with its consideration of potential antitrust issues.

On September 10, 2013, Flow filed its quarterly report on Form 10-Q regarding its financial results for the fiscal 2014 first quarter, reporting a decline in both revenues and operating income compared to the same period in fiscal 2013.

On September 12, 2013, during the weekly update call, representatives of UBS reviewed with the Flow Board a preliminary financial analysis of Flow and the assumptions and data supporting such analysis. Representatives of UBS also reported that both AIP and Company B anticipated submitting final indications of interest on September 17, 2013. Mr. Brown reported on his meetings with AIP and the Federal Trade Commission.

On the evening of September 17, 2013, Flow received an indication of interest from Parent containing a price of \$4.00 per share, together with a proposed form of the merger agreement based on the version previously prepared by K&L Gates. By its terms, Parent's indication of interest was set to expire on September 23, 2013. On the morning of September 18, 2013, Flow received an indication of interest from Company B, also containing a price of \$4.00 per share, and also accompanied by a proposed form of the merger agreement based on the version previously prepared by K&L Gates. Company B's proposed form of merger agreement contemplated a rollover of existing equity into (or investment of new money in) equity of the surviving corporation from five Flow executives.

The Flow Board met in person on September 18, 2013 to review the indications of interest. Representatives of UBS reviewed the developments since the most recent meeting as well as the financial terms of the indications of interest, and representatives from K&L Gates reviewed the fiduciary duties of the Flow Board and compared the two proposed forms of merger agreement with the Flow Board. The Flow Board authorized UBS, K&L Gates and Flow management to continue negotiations with both Parent and Company B in an effort to improve the terms set forth in each party's indication of interest. Additionally, the Flow Board authorized UBS to contact Company A in order to determine if Company A would submit a bid competitive with the indications of interest received from Parent and Company B.

On September 20, 2013, K&L Gates circulated revised drafts of the merger agreement to both Parent and Company B. Company B also engaged in discussions with Mr. LeBlanc, Flow's Senior Vice President-Technology, Dr. Hashish, and Mr. Cooper regarding their willingness to rollover existing equity into (or invest new money in) equity of the surviving corporation.

On September 21, 2013, Company A was given access to the electronic data room. Additionally, Company B reported that it was withdrawing from the process.

On September 23, 2013, Parent circulated a revised draft of the merger agreement with its additional comments. Over the course of the day, K&L Gates and Parent's counsel negotiated the various terms of the merger agreement and worked to resolve open issues. Later that evening, the Board met at the offices of K&L Gates. Representatives of UBS and K&L Gates reviewed with the Flow Board developments since the most recent meeting. The Board heard a report from special antitrust counsel regarding the risk of regulatory approvals associated with the proposed Parent acquisition, and discussed the probability of such review. K&L Gates also reported the status of negotiations regarding the merger agreement. The Board directed UBS and K&L Gates to continue to negotiate with Parent in an effort to resolve remaining issues and obtain Parent's final proposed terms for the acquisition. Later that evening, K&L Gates circulated a revised draft of the merger agreement to Parent's counsel.

On September 24, 2013, Parent increased its proposed purchase price to \$4.05 per share, and K&L Gates and Parent's counsel continued to negotiate the outstanding issues relating to the merger agreement and the ancillary agreements, including the equity and debt commitment letters.

The Flow Board met on the evening of September 24, 2013 at the offices of K&L Gates. Representatives from K&L Gates reviewed the fiduciary duties of the Flow Board and the terms of the merger agreement negotiated with Parent's counsel. Representatives of UBS indicated that it seemed unlikely that Company A would submit a bid, and indeed, Company A did not submit a bid. A representative of UBS reviewed with the Flow Board UBS' financial analysis of the Merger Consideration and delivered its oral opinion, which was subsequently confirmed in writing by delivery of a written opinion dated September 24, 2013, to the effect that, as of September 24, 2013, and based on and subject to various assumptions made, matters considered and limitations described in the opinion, the Merger Consideration to be received by the holders of Company Common Stock was fair, from a financial point of view, to such holders.

After further discussion and deliberation of the terms of the proposed merger agreement and ancillary agreements, consideration of other relevant issues, and a variety of business, financial and market factors, including those set forth under "The Merger—Reasons for the Merger", including discussion and deliberation in an executive session, the Flow Board voted unanimously to approve the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement and resolved to recommend that the Flow shareholders approve the Merger Agreement.

Following this meeting, Flow management, K&L Gates and representatives of UBS finalized the remaining open terms in the Merger Agreement and ancillary agreements in accordance with the direction given by the Flow Board.

On September 25, 2013, Flow, Parent, and its financing sources finalized and executed the Merger Agreement and the ancillary agreements. Flow issued a press release announcing the execution of the Merger Agreement after the close of trading on that day.

On September 27, 2013, Otter Creek filed an amendment to its Schedule 13D reporting that, in light of the announcement of Flow's entry into the Merger Agreement, and after a review of its shareholdings in Flow, Otter Creek determined to sell all of the Flow stock that it owned at prices per share ranging from \$3.9594 to \$3.9899.

Recommendation of Our Board of Directors

After deliberation and consultation with its financial and legal advisors, the Flow Board has determined that the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement are advisable to, and in the best interests of, our shareholders. **The Board of Directors unanimously recommends that you vote “FOR” the proposal to approve the Merger Agreement, “FOR” the proposal to adjourn the special meeting and “FOR” the non-binding, advisory proposal regarding compensation that will or may become payable by Flow to its named executive officers in connection with the merger.**

In considering the recommendation of the Flow Board with respect to the Merger Agreement, you should be aware that certain of our directors and executive officers have interests in the merger that are different from, or are in addition to, the interests of our shareholders. Please see “The Merger — Interests of the Certain Persons in the Merger” beginning on page [—] of this proxy statement.

Reasons for the Merger

At a meeting held on September 24, 2013, the Flow Board unanimously determined that the merger is advisable and fair to, and in the best interests of, Flow and its shareholders, approved the Merger Agreement, the merger and the other transactions contemplated by the Merger Agreement and the other transaction documents, resolved that the Merger Agreement be submitted for consideration by the shareholders of Flow at a Special Meeting of shareholders, and recommended that the shareholders of Flow vote to approve the Merger Agreement. The Flow Board consulted with Flow's outside financial and legal advisors and senior management at various times and considered a number of factors, including the following (not in any relative order of importance) that the Flow Board believes support its decision:

- Historical market prices, volatility and trading information with respect to the Company Common Stock, including that the Merger Consideration of \$4.05 per share of Company Common Stock:

- represented a premium of 8.58% over the closing price per share of Company Common Stock on September 25, 2013, the last full trading day prior to the announcement of the execution of the Merger Agreement; and

- represented a premium of 11.82% over the average closing price per share of Company Common Stock for the ten trading days prior to the announcement of the execution of the Merger Agreement and 9.18% for the year prior to the announcement of the execution of the Merger Agreement.

- The form of consideration to be paid in the transaction is cash, which provides certainty of value and immediate liquidity to Flow's shareholders while avoiding potential long-term business risk.

- Historically the Company Common Stock has traded with low volume, making the stock relatively illiquid and often difficult to sell without negatively impacting the share price.

The Flow Board's belief that its process of evaluating strategic alternatives, including the fact that 74 potential bidders were contacted by UBS or contacted Flow or UBS and that Flow publicly disclosed its strategic alternative review by press release on June 7, 2013, provided sufficient time and opportunity for interested parties to propose alternative transactions to Flow and for Flow to adequately consider them prior to making its decision.

The Flow Board's assessment that another party would be unlikely to propose an alternative transaction that would be more favorable to Flow and our shareholders than the merger, and the fact that if such a transaction were proposed it could be pursued subject to the terms of the Merger Agreement, and that that no other strategic alternatives, including acquisitions by Flow of third parties, and restructuring transactions, were reasonably likely to create greater value for Flow's shareholders than the merger, taking into account risks of execution as well as business, competitive, industry and market risk.

Flow's current and historical business, financial condition, results of operations, competitive position, strategic options, capital requirements, the nature of the industry in which Flow competes and the financial plan and prospects if Flow were to remain a stand-alone publicly-held entity, including risks and uncertainties with respect to (i) achieving growth, operating cash flow and profitability targets in light of the current and foreseeable market conditions, including the risks and uncertainties in the U.S. and global economy generally and the waterjet cutting industry specifically, (ii) general market conditions and volatility, including the performance of broad-based stock market indices and exchanges, (iii) challenges associated with attracting and retaining executive talent, (iv) meeting management's internal financial projections, (iv) Flow's ability to make necessary investments in its business to remain competitive, and (v) other risks and uncertainties described in the "risk factors" set forth in Flow's Form 10-K for the fiscal year ended April 30, 2013, as amended.

The price and terms proposed by Parent reflected extensive arms-length negotiations between the parties and their respective legal and financial advisors (who updated the Flow Board directly and regularly), and represented the highest proposal that Flow received for shares of Company Common Stock after a competitive solicitation of interest and the highest price per share to which the Flow Board believed Parent was willing to agree.

The opinion of UBS, dated September 24, 2013, to the Flow Board, as to the fairness, from a financial point of view and as of the date of such opinion, to the holders of Company Common Stock of the Merger Consideration, as more fully described below in the section entitled "The Merger—Opinion of UBS Securities LLC" beginning on page [—] of this proxy statement.

Our directors' concern that recent trading levels of the Company Common Stock may have been impacted by the announcement of the Flow Board's decision to explore strategic alternatives and may not be sustainable.

The factors contributing to the probability that the merger would be consummated, including:

the likelihood and anticipated timing of completing the merger in light of the limited and otherwise customary conditions to the parties' obligations to complete the merger;

the absence of a financing condition, the fact that Parent and Merger Sub had obtained the Financing Commitments for the transaction, the limited number and nature of the conditions to the Financing Commitments, and the obligations of Parent and Merger Sub to use reasonable best efforts in connection with obtaining the Financing;

the fact that the Merger Agreement provides for a reverse termination fee of \$12.238 million, or approximately 6% of the aggregate equity value of the transaction, payable by Parent to Flow if the Merger Agreement is terminated under certain circumstances because Parent fails to complete the Merger or otherwise breaches the Merger Agreement such that conditions to the consummation of the Merger cannot be satisfied;

the fact that the Merger Agreement provides that Parent will also be required to pay Flow a termination fee of \$6.119 million in certain other circumstances where the Merger Agreement is terminated because of the failure to meet the closing conditions related to antitrust laws;

the terms of the equity commitment letter providing that, to the extent the reverse termination fee or antitrust termination fee becomes payable, American Industrial Partners Capital Fund IV, L.P. and American Industrial Partners Capital Fund V, L.P. will cause such amounts to be funded to Parent to enable it to pay such fees to Flow;

Flow's ability, under certain circumstances pursuant to the Merger Agreement, to seek specific performance to prevent breaches of the Merger Agreement and to specifically enforce the terms of the Merger Agreement; and

the business reputation and capabilities of Parent and its affiliates and its management and the financial resources of Parent and its affiliates.

The other terms of the Merger Agreement, as further discussed in the section entitled "The Merger Agreement" beginning on page [—] of this proxy statement.

The fact that the following non-solicitation and termination provisions of the Merger Agreement, in the view of the Flow Board, should not preclude third parties from making "superior proposals":

Subject to specified limitations and requirements (including payment by the company of a termination fee), the Merger Agreement allows the Flow Board to terminate the transaction in order to accept a superior proposal.

At any time before the Merger Agreement is approved by Flow's shareholders, under certain circumstances, the Flow Board may:

furnish information to and conduct discussions and negotiations with a third party regarding an acquisition proposal;

change its recommendation that Flow's shareholders approve the Merger Agreement in a manner adverse to the merger in connection with, or terminate the Merger Agreement in order to accept, a superior proposal; or

so change its recommendation in response to an intervening event (other than in connection with an acquisition proposal).

The Flow Board's understanding that the termination fees payable to Parent under the Merger Agreement, and the circumstances under which each is payable, are reasonable in light of the benefits of the merger, the strategic alternative review process conducted by Flow, the overall terms of the Merger Agreement (including the Merger Consideration), and commercial practice.

The automatic termination, upon entry into the Merger Agreement, of the “don’t-ask/don’t-waive” standstill provisions contained in the confidentiality agreements executed with the other participants in the potential sales process, allowing for such participants to have the same opportunity to make an alternative transaction proposal and to pursue such alternative transaction proposal.

- The availability of statutory dissenters’ rights under the WBCA in connection with the merger.

The Flow Board also considered a number of uncertainties, risks and potentially negative factors in its deliberations concerning the merger and the other transactions contemplated by the Merger Agreement, including the following:

Flow’s current shareholders would not have the opportunity to participate in any possible growth and profits of Flow following the completion of the merger.

The costs involved in connection with entering into and completing the merger and the possible diversion of management focus and resources from other strategic opportunities and from operational matters while working to implement the merger.

- The risk that the merger might not be completed, or may be unduly delayed, and the potential material adverse effect of publicly announcing the resulting termination of the Merger Agreement on, among other things:

the market price of the Company Common Stock, which could be affected by many factors, including (i) the reason for which the Merger Agreement was terminated and whether such termination resulted from factors adversely affecting Flow, (ii) the possibility that the marketplace would consider Flow to be an unattractive acquisition candidate and (iii) the possible disposition of shares of Company Common Stock by short-term investors following the announcement of termination of the Merger Agreement;

Flow’s operating results, particularly in light of the significant costs incurred in connection with the strategic alternatives review process and the merger, including the potential obligation to pay the termination fee;

the ability to attract and retain key personnel; and

relationships with Flow’s employees, customers, partners and others that do business with Flow.

Completion of the merger would require antitrust clearance and the satisfaction of certain other closing conditions that are not generally within Flow’s control.

The terms of the Merger Agreement, including the operational restrictions imposed on Flow between signing and closing (which may delay or prevent Flow from undertaking business opportunities that may arise pending the completion of the transaction or any other action Flow otherwise would have taken with respect to the operations of Flow absent the pending completion of the merger).

The possibility that the deal protection provisions, including the termination fee equal to \$6.119 million (or approximately 3.0% of the equity value of the transaction) that could become payable by Flow under certain circumstances, including if Flow terminates the Merger Agreement to accept a superior proposal, could discourage other potential bidders from making a competing bid to acquire the company.

The interests of certain members of senior management in the merger, including certain severance arrangements as described in the section entitled “The Merger—Interests of Certain Persons in the Merger” beginning on page [—] of this proxy statement and the section entitled “Advisory Vote on Golden Parachute Compensation” beginning on page [—] of this proxy statement, recognizing that, in the case of Mr. Brown, he did not negotiate economic terms of the potential sale of the company or post-sale employment with bidders, and was always joined by a representative of Flow’s internal or outside counsel or financial advisor in any meeting with a bidder.

The fact that the cash consideration paid in the transaction would be taxable to Flow’s shareholders that are U.S. holders for U.S. federal income tax purposes.

The risk that Flow may be unable to obtain shareholder approval for the transactions contemplated by the Merger Agreement, given that approval of the Merger Agreement requires the affirmative vote of holders of shares of Company Common Stock representing at least two-thirds of the votes entitled to be cast and the high concentration in ownership of outstanding shares of Company Common Stock by certain shareholders of Flow.

The Flow Board believed that, overall, the potential benefits of the merger to Flow's shareholders outweighed the risks and uncertainties of the merger.

The foregoing discussion of information and factors considered by the Flow Board is not intended to be exhaustive. In light of the variety of factors considered in connection with their evaluation of the merger, the Flow Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching their determinations and recommendations. Moreover, each member of the Flow Board applied his own personal business judgment to the process and may have given different weight to different factors.

The foregoing discussion of the information and factors considered by the Flow Board is forward-looking in nature. This information should be read in light of the factors described in the section entitled "Cautionary Statement Regarding Forward-Looking Information" beginning on page [—] of this proxy statement.

Opinion of UBS Securities LLC

On September 24, 2013, at a meeting of the Flow Board held to evaluate the proposed merger, UBS delivered to the Flow Board an oral opinion, which opinion was confirmed by delivery of a written opinion, dated September 24, 2013, to the effect that, as of that date and based on and subject to various assumptions made, matters considered and limitations described in its opinion, the Merger Consideration to be received by the holders of Company Common Stock was fair, from a financial point of view, to such holders.

The full text of UBS' opinion to the Flow Board describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. This opinion is attached to this proxy statement as *Annex B* and is incorporated into this proxy statement by reference. Holders of Company Common Stock are encouraged to read UBS' opinion carefully in its entirety. UBS' opinion was provided for the benefit of the Flow Board (in its capacity as such) in connection with, and for the purpose of, its evaluation of the Merger Consideration, from a financial point of view, and does not address any other aspect of the merger. UBS' opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available with respect to Flow or Flow's underlying business decision to effect the merger. The opinion does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the merger. The following summary of UBS' opinion is qualified in its entirety by reference to the full text of UBS' opinion.

In arriving at its opinion, UBS, among other things:

- reviewed certain publicly available business and financial information relating to Flow;

- reviewed certain internal financial information and other data relating to the business and financial prospects of Flow that were not publicly available, including financial forecasts and estimates prepared by the management of Flow, referred to as the Forecasts, that the Flow Board directed UBS to utilize for purposes of its analysis;

- conducted discussions with members of the senior management of Flow concerning the business and financial prospects of Flow;

- reviewed publicly available financial and stock market data with respect to certain other companies UBS believed to be generally relevant;

- compared the financial terms of the merger with the publicly available financial terms of certain other transactions UBS believed to be generally relevant;

- reviewed current and historical market prices of Company Common Stock;

reviewed a draft, dated September 24, 2013, of the Merger Agreement; and

conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.

In connection with its review, with the consent of the Flow Board, UBS assumed and relied upon, without independent verification, the accuracy and completeness in all material respects of the information provided to or reviewed by UBS for the purpose of its opinion. In addition, with the consent of the Flow Board, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of Flow, nor was UBS furnished with any such evaluation or appraisal. With respect to the Forecasts, UBS assumed, at the direction of the Flow Board, that they were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Flow as to the future financial performance of Flow. UBS' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information available to UBS as of, the date of its opinion.

At the request of the Flow Board, UBS contacted third parties to solicit indications of interest in a possible transaction with Flow and held discussions with certain of these parties prior to the date of its opinion. At the direction of the Flow Board, UBS was not asked to, nor did UBS, offer any opinion as to the terms, other than the Merger Consideration to the extent expressly specified in UBS' opinion, of the Merger Agreement or any related documents or the form of the merger. In addition, UBS expressed no opinion as to the fairness of the amount or nature of any compensation to be received by any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the Merger Consideration. In rendering its opinion, UBS assumed, with the consent of the Flow Board, that (i) the final executed form of the Merger Agreement would not differ in any material respect from the draft that UBS reviewed, (ii) the parties to the Merger Agreement would comply with all material terms of the Merger Agreement, and (iii) the merger would be consummated in accordance with the terms of the Merger Agreement without any adverse waiver or amendment of any material term or condition thereof. UBS also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained without any material adverse effect on Flow, Parent or the merger. The issuance of UBS' opinion was approved by an authorized committee of UBS.

In connection with rendering its opinion to the Flow Board, UBS performed a variety of financial and comparative analyses which are summarized below. The following summary is not a complete description of all analyses performed and factors considered by UBS in connection with its opinion. The preparation of a financial opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. With respect to the selected companies analysis and the selected transactions analysis summarized below, no company or transaction used as a comparison was identical to Flow or the merger. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or acquisition values of the companies concerned.

UBS believes that its analyses and the summary below must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying UBS' analyses and opinion. UBS did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion, but rather arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole.

The estimates of the future performance of Flow underlying UBS' analyses are not necessarily indicative of actual future results or values, which may be significantly more or less favorable than those estimates. In performing its analyses, UBS considered industry performance, general business and economic conditions and other matters, many of which were beyond the control of Flow. Estimates of the financial value of companies do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold or acquired.

The Merger Consideration was determined through negotiation between Flow and Parent and the decision by Flow to enter into the merger was solely that of the Flow Board. UBS' opinion and financial analyses were only one of many factors considered by the Flow Board in its evaluation of the merger and should not be viewed as determinative of the views of the Flow Board or management of Flow with respect to the merger or the Merger Consideration.

The following is a brief summary of the material financial analyses performed by UBS and reviewed with the Flow Board on September 24, 2013 in connection with UBS' opinion relating to the proposed merger. The financial analyses summarized below include information presented in tabular format. In order for UBS' financial analyses to be fully understood, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of UBS' financial analyses.

Selected Companies Analysis

UBS compared selected financial and stock market data of Flow with corresponding data of (i) the following five publicly traded companies that provide laser technology that is used in some form of shape-cutting equipment, and (ii) the following five publicly traded companies that have a shape-cutting business that uses machine tools, referred to as the machine tool peers (the laser cutting peers, together with the machine tool peers, are referred to as the selected companies):

Laser Cutting Peers

· IPG Photonics Corporation

· Coherent, Inc.

· II-VI Incorporated

· Rofin-Sinar Technologies, Inc.

· Newport Corporation

Machine Tool Peers

· Kennametal, Inc.

Gildemesiter AG

Hurco Companies, Inc.

Hardinge Inc.

Conzzeta AG

UBS reviewed, among other things, the enterprise values, calculated as equity market value based on closing stock prices on September 23, 2013, plus debt at book value, preferred stock at book value and minority interests at book value, less cash and cash equivalents, of each selected company as a multiple of latest 12 months and estimated calendar years 2013 and 2014 earnings before interest, taxes, depreciation and amortization, as adjusted to exclude certain one-time gains and losses and add back stock-based compensation expenses, referred to as EBITDA, for such company. UBS then compared the multiples derived for the selected companies with corresponding multiples implied for Flow based on the Merger Consideration with respect to Flow's EBITDA and its earnings before interest, taxes, depreciation and amortization, as adjusted in accordance with Flow's credit agreement, referred to as Credit Agreement EBITDA. Financial data for the selected companies were based on publicly available research analysts' estimates, public filings and other publicly available information. Estimated financial data for Flow were based on the Forecasts. This analysis indicated the following implied mean and median multiples for the selected companies, as compared to corresponding multiples implied for Flow:

Laser Cutting Peers	Enterprise Value as a Multiple of		
	Latest 12 Months EBITDA	Estimated 2013 EBITDA	Estimated 2014 EBITDA
Mean	9.3x	9.0x	7.5x
Median	9.2x	8.6x	7.6x

Machine Tool Peers	Enterprise Value as a Multiple of		
	Latest 12 Months EBITDA	Estimated 2013 EBITDA	Estimated 2014 EBITDA
Mean	6.7x	7.0x	6.6x
Median	6.7x	7.2x	6.7x

Selected Companies	Enterprise Value as a Multiple of		
	Latest 12 Months EBITDA	Estimated 2013 EBITDA	Estimated 2014 EBITDA
Mean	8.5x	8.1x	7.2x
Median	8.8x	8.6x	7.3x

Flow	Enterprise Value as a Multiple of		
	Latest 12 Months EBITDA	Estimated 2013 EBITDA	Estimated 2014 EBITDA
EBITDA	9.7x	8.4x*	5.8x
Credit Agreement EBITDA	11.3x	9.5x*	5.8x

* As of January 31, 2014.

Selected Transactions Analysis

UBS reviewed publicly available information relating to the following six selected transactions involving announced acquisitions of companies in the specialty-cutting or machine-tooling industry since 2007 in which the target's enterprise value was greater than \$65 million:

Announcement Date	Acquiror	Target
· 8/15/13	· American Industrial Partners	· KMT Group

· 3/18/13	· Greenbriar Equity	· EDAC Technologies Corporation
· 6/13/11	· Vector Capital	· Gerber Scientific, Inc.**
· 2/4/08	· Industrias Romi S.A.	· Hardinge Inc.
· 2/1/08*	· Nordstjernan	· KMT Group**
· 1/3/07	· Kennametal, Inc.	· Cutting Tool Business of Federal Signal Corporation

* February 1, 2008 is the date on which Nordstjernan completed its unsolicited acquisition of KMT Group.

** UBS utilized next 12 months EBITDA for purposes of determining the applicable multiple.

UBS reviewed, among other things, transaction values, calculated as equity market value based on the purchase price paid for the target company's equity, plus debt at book value, less cash and cash equivalents, in the selected transactions as multiples of latest 12 months EBITDA of such target company, except as noted in the table above. UBS then compared the multiples derived for the selected transactions with corresponding multiples implied for Flow based on the Merger Consideration. Multiples for the selected transactions were based on publicly available information at the time of announcement of the relevant transaction. Estimated financial data for Flow were based on the Forecasts. This analysis indicated the following implied mean multiple for the selected transactions, as compared to corresponding multiples implied for Flow:

Selected Transactions Enterprise Value as a Multiple of EBITDA
Mean 7.9x

	Enterprise Value as a Multiple of	
Company	Latest 12 Months EBITDA	Latest 12 Months Credit Agreement EBITDA
	9.7x	11.3x

Discounted Cash Flow Analysis

UBS performed a discounted cash flow analysis of Flow using the Forecasts. UBS calculated a range of implied present values (as of July 31, 2013) of the standalone unlevered free cash flows that Flow was forecasted to generate from July 31, 2013 until April 30, 2018 and of terminal values for Flow based on Flow's fiscal year 2018 estimated EBITDA. Implied terminal values were derived by applying to Flow's fiscal year 2018 estimated EBITDA a range of estimated EBITDA terminal value multiples of 6.5x to 9.0x. Present values of cash flows and terminal values were calculated using discount rates ranging from 16.0% to 18.0%, which range was selected based on a weighted average cost of capital calculation for Flow. The discounted cash flow analysis resulted in a range of implied present values of approximately \$3.35 to \$4.56 per share of Company Common Stock, as compared to the Merger Consideration.

Other Factors

In rendering its opinion, UBS also reviewed, for informational purposes, certain other factors, including comparisons of:

- the historical closing prices of Company Common Stock over the one-year period ending September 23, 2013 to those of the Standard & Poor's 500 Index and the Russell 2000 Index over the same period; and

- the closing price of the Company Common Stock on September 23, 2013 and the Merger Consideration as a premium or discount to various historical closing prices and moving averages of Company Common Stock over the one-year period ending September 23, 2013.

Miscellaneous

Under the terms of UBS' engagement, Flow agreed to pay UBS for its financial advisory services in connection with the merger an aggregate fee currently estimated to be approximately \$2.5 million, a portion of which has been paid as a retainer and in connection with UBS' opinion and approximately \$1.6 million of which is contingent upon consummation of the merger. In addition, Flow agreed to reimburse UBS for its reasonable expenses, including fees, disbursements and other charges of counsel, and to indemnify UBS and related parties against liabilities, including liabilities under federal securities laws, relating to, or arising out of, its engagement. In the past, UBS has provided investment banking services to Flow unrelated to the merger, for which UBS received compensation. In the ordinary course of business, UBS and its affiliates may hold or trade, for their own accounts and the accounts of their customers, securities of Flow and certain affiliates of American Industrial Partners and, accordingly, may at any time hold a long or short position in such securities.

Flow selected UBS as its financial advisor in connection with the merger because UBS is an internationally recognized investment banking firm with substantial experience in similar transactions. UBS is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities and private placements.

Certain Company Projections

We do not as a matter of course make public projections as to future performance, earnings or other results due to the unpredictability of the underlying assumptions and estimates. However, we provided to the potential participants in the sales process who executed non-disclosure agreements with Flow (including Parent), in connection with their due diligence review beginning in August 2013, certain prospective financial information concerning our future financial condition and performance that had been prepared by management in connection with Flow's review of strategic alternatives. We updated that information subsequent to providing it to the participants to reflect lower revenue growth rates based on current market conditions. A summary of such updated information is included below. We also provided this information to UBS for purposes of the financial analyses and opinion as described above beginning on page [—] of this proxy statement in the section entitled "*The Merger—Opinion of UBS Securities LLC*".

The prospective financial information provided in this proxy statement was prepared by, and is the responsibility of, Flow's management. The prospective financial information was not prepared with a view toward public disclosure and, accordingly, does not necessarily comply with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of financial forecasts. Deloitte & Touche LLP, our independent registered public accounting firm, has not audited, compiled or performed any procedures with respect to the prospective financial information and does not express an opinion or any form of assurance related thereto. The summary of the prospective financial information is not being included in this proxy statement to influence a shareholder's decision whether to approve the Merger Agreement and thereby approve the merger, but is being included because the prospective financial information was provided to UBS.

The prospective financial information, while presented with numerical specificity, necessarily was based on numerous variables and assumptions that are inherently uncertain and many of which are beyond the control of Flow's management. Because the prospective financial information covers multiple years, by its nature, it becomes subject to greater uncertainty with each successive year. The assumptions upon which the prospective financial information was based necessarily involve judgments with respect to, among other things, future economic, competitive and financial market conditions and our ability to achieve our targeted cost savings, all of which are difficult or impossible to predict accurately and many of which are beyond our control. The prospective financial information also reflects assumptions as to certain business decisions that are subject to change. In addition, the prospective financial information might be affected by our ability to achieve strategic goals, objectives and targets over the applicable periods, by risks and uncertainties in the U.S. and global economy generally and the machine tooling industry specifically and by other risk factors described in Flow's Form 10-K for the fiscal year ended April 30, 2013, as amended, in more recent filings incorporated by reference in this proxy statement, including Flow's Form 10-Q for the quarter ended July 31, 2013, and in the section entitled "*Cautionary Statement Regarding Forward-Looking Information*" beginning on page [—] of this proxy statement. The prospective financial information also does not take into account any circumstances or events occurring after the date on which they were prepared and do not give effect to the transactions contemplated by the Merger Agreement, including the merger. The prospective financial information should not be utilized as public guidance.

Accordingly, there can be no assurance that the prospective financial information will be realized, and actual results may vary materially from those shown. The inclusion of the prospective financial information in this proxy statement should not be regarded as an indication that Flow or any of its affiliates, advisors, officers, directors or other representatives, including UBS, considered or consider the prospective financial information to be predictive of actual future events or events which have occurred since the date of such forecasts, and the prospective financial information should not be relied upon as such. Neither Flow nor any of its affiliates, advisors, officers, directors or other representatives, including UBS, can give any assurance that actual results will not differ materially from the prospective financial information, and none of them undertakes any obligation to update or otherwise revise or reconcile the prospective financial information to reflect circumstances existing after the date the prospective financial information was generated or to reflect the occurrence of future events even if any or all of the assumptions underlying the prospective financial information are shown to be in error. We do not intend to make publicly available any update or other revision to the prospective financial information, except as otherwise required by law. Neither Flow nor any of its affiliates, advisors, officers, directors or other representatives, including UBS, has made or makes any representation to any shareholder of Flow or other person regarding the ultimate performance of Flow compared to the information contained in the prospective financial information or that the prospective financial information will be achieved. Flow has made no representation to Parent, Merger Sub or their respective affiliates, in the Merger

Agreement or otherwise, concerning the prospective financial information.

In light of the foregoing factors and the uncertainties inherent in the prospective financial information, shareholders are cautioned not to place undue, if any, reliance on the prospective financial information. Since the date the prospective financial information was prepared, we have made publicly available its actual results of operations for the quarter ended July 31, 2013. You should review Flow's Quarterly Report on Form 10-Q for the quarter ended July 31, 2013, filed with the SEC on September 10, 2013, to obtain this information. See the section entitled "*Where You Can Find More Information*" beginning on page [—] of this proxy statement.

Flow's Management prepared the five-year projections based upon methodologies and factors used by Flow in preparing projections for the Flow Board's consideration in connection with its review of strategic alternatives. The five-year projections reflect numerous estimates and assumptions with respect to industry performance and general business, economic, regulatory, market and financial conditions, as well as matters specific to management outlook and business circumstances existing at that time. The prospective financial information should not be utilized as public guidance. The following is a summary of the five-year projections:

Summary of the Five-Year Projections

For fiscal years ending April 30

(amounts in 000s)

	Actual					Fiscal Year Ending April 30, Projected (1)								
	2011	2012	2013	2014	2015	2016	2017	2018						
Total Revenue	\$216,524	\$253,768	\$259,338	\$260,000	\$270,263	\$279,078	\$287,268	\$295,778						
% Growth		17.2	% 2.2	% 0.3	% 3.9	% 3.3	% 2.9	% 3.0						
Gross Profit	\$84,461	\$99,368	\$97,922	\$105,550	\$110,884	\$114,414	\$118,032	\$122,179						
Margin														
Gross Margin	39.0	% 39.2	% 37.8	% 40.6	% 41.0	% 41.0	% 41.1	% 41.3						
%														
Total														
Operating	\$79,574	\$84,699	\$85,255	\$81,866	\$84,402	\$87,148	\$89,164	\$91,207						
Expense														
Operating	\$4,887	\$14,669	\$12,667	\$23,684	\$26,482	\$27,266	\$28,869	\$30,973						
Income (2)														
Operating	2.3	% 5.8	% 4.9	% 9.1	% 9.8	% 9.8	% 10.0	% 10.5						
Income %														
Adjustments	\$-	\$-	\$1,267	\$-	\$-	\$-	\$-	\$-						
(3)														
Pro Forma														
Operating	\$4,887	\$14,669	\$13,934	\$23,684	\$26,482	\$27,266	\$28,869	\$30,973						
Income														
% of Revenue	2.3	% 5.8	% 5.4	% 9.1	% 9.8	% 9.8	% 10.0	% 10.5						
Adjusted														
EBITDA (as	\$13,739	\$24,362	\$21,186	\$32,104	\$35,763	\$36,647	\$37,969	\$40,173						
reported) (4)														
% of Revenue	6.3	% 9.6	% 8.2	% 12.3	% 13.2	% 13.1	% 13.2	% 13.6						
Adjusted														
EBITDA (3)	\$-	\$-	\$1,267	\$-	\$-	\$-	\$-	\$-						
Pro Forma														
Adjusted	\$13,739	\$24,362	\$22,453	\$32,104	\$35,763	\$36,647	\$37,969	\$40,173						
EBITDA (4)														
% of Revenue	6.3	% 9.6	% 8.7	% 12.3	% 13.2	% 13.1	% 13.2	% 13.6						

Financial projections exclude non-recurring costs related to our evaluation of strategic alternatives, charges (1) (primarily severance cost) associated with its initiatives to reduce its cost structure, both product costs and operating expenses, and costs incurred related to employee misconduct in our Brazil operations, including professional fees to investigate the allegations, write off of unsupported assets and severance costs.

Improvement in Operating Income and Operating Income % in the Projections compared to actual historical financial results (and correspondingly, improvement in Adjusted EBITDA and Pro Forma Operating Income and (2) Pro Forma Adjusted EBITDA) is based on the achievement of previously announced cost savings initiatives. These cost savings initiatives, announced in June 2013, relate to product cost reduction initiatives as well as operating expense reductions, primarily personnel cost and changes in commission structure.

Adjustments to Operating Income and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (3) ("Adjusted EBITDA") to derive Pro Forma Operating Income and Pro Forma Adjusted EBITDA include amounts similar to the items described in footnote 1.

We define Adjusted EBITDA as net income, determined in accordance with accounting principles generally accepted in the United States of America ("GAAP"), excluding the effects of income taxes, depreciation, (4) amortization of intangible assets, interest expense, and other non-cash charges, which includes such items as stock-based compensation expense, foreign currency gains or losses, and other non-cash allowable add backs pursuant to our Credit Facility Agreement.

Adjusted EBITDA is a non-GAAP financial measure and the presentation of this non-GAAP financial measure is not intended to be considered in isolation or as a substitute for the financial information presented in accordance with GAAP. The items excluded from this non-GAAP financial measure are significant components of our financial statements and must be considered in performing a comprehensive analysis of the overall financial results. We use this measure, together with GAAP financial metrics, to assess our financial performance, allocate resources, evaluate the overall progress towards meeting our long-term financial objectives, and assess compliance with our debt covenants. We believe that this non-GAAP financial measure is useful to investors and analysts in allowing for greater transparency with respect to the supplemental information used in our financial and operational decision making. Our calculation of Adjusted EBITDA may not be consistent with calculations of similar measures used by other companies.

A reconciliation to Adjusted EBITDA to Operating Income are presented below (amounts in 000's):

	Fiscal Years Ending April 30,		
	2011	2012	2013
Operating Income (as reported)	\$4,887	\$14,669	\$12,667
Depreciation and Amortization	\$6,302	\$6,208	\$5,919
Stock Based Comp and Other	\$2,550	\$3,485	\$2,600
Adjusted EBITDA (as reported)	\$13,739	\$24,362	\$21,186

The prospective financial information was based on numerous variables and assumptions that are inherently uncertain and many of which are beyond the control of Flow's management and should be evaluated, if at all, in light of the assumptions made by Flow and in conjunction with the historical financial statements and other information regarding Flow contained elsewhere in this proxy statement and Flow's public filings with the SEC.

Interests of Certain Persons in the Merger

When considering the recommendation of the Flow Board that you vote to approve the proposal to approve the Merger Agreement, you should be aware that some of our directors and executive officers have interests in the merger that are different from, or in addition to, the interests of our shareholders generally, as more fully described below. The Flow Board was aware of and considered these interests, among other matters, in approving the Merger Agreement and the merger and recommending that the Merger Agreement be approved by the shareholders of Flow.

Arrangements with Parent

As of the date of execution of the Merger Agreement, none of our executive officers have entered into, or negotiated the terms of, any specific post-closing employment arrangements with Parent or any of its affiliates. Prior to or following the closing of the merger, however, some or all of our executive officers may discuss or enter into agreements with Parent or Merger Sub or any of their respective affiliates regarding employment with, or the right to purchase or participate in the equity of, the surviving corporation or one or more of its affiliates. AIP and its affiliates have not entered into, or negotiated the terms of, any such arrangements with any members of Flow's management, and the obligations of Parent and Merger Sub to complete the Merger are not conditioned upon entry into any such arrangements with members of our management team.

Insurance and Indemnification of Directors and Executive Officers

The Merger Agreement provides that the surviving corporation and Parent will indemnify, defend and hold harmless, and advance expenses to current or former directors, officers, trustees, and employees or consultants of Flow and its subsidiaries with respect to all acts or omissions by them in their capacities as such at any time prior to the Effective Time (including any matters arising in connection with the Merger Agreement or the transactions contemplated thereby), to the fullest extent permitted by applicable law. Parent will also cause the articles of incorporation, bylaws or other organizational documents of the surviving corporation and its subsidiaries to contain provisions with respect to indemnification, advancement of expenses and limitation of director, officer, trustee, and employee or consultant liability that are no less favorable to the current or former directors, officers, trustees, and employees or consultants of Flow and its subsidiaries than those set forth in the Flow's and its subsidiaries' organizational documents as of the date of the Merger Agreement. The surviving corporation and its subsidiaries will not amend, repeal or otherwise modify

these provisions in the organizational documents in any manner that would adversely affect the rights of the current or former directors, officers, trustees, and employees or consultants of Flow and its subsidiaries.

The Merger Agreement also provides that prior to the Effective Time, Flow will use its commercially reasonable efforts to purchase a single payment, six year “tail” policy in amount and scope no less favorable than Flow’s existing directors’ and officers’ liability insurance and fiduciary insurance. Flow’s ability to purchase a tail policy is subject to a cap on the premium equal to 300% of the aggregate annual premiums currently paid by the Flow for its existing directors’ and officers’ liability insurance and fiduciary insurance as of the date of the Merger Agreement. If Flow does not purchase a tail policy prior to the Effective Time, Parent will obtain or cause the surviving corporation to obtain such a tail policy on terms and conditions no less advantageous than Flow’s existing directors’ and officers’ liability insurance and fiduciary insurance policy for at least six years after the Effective Time. Parent or the surviving corporation will not be required to pay premiums that exceed 300% of the aggregate annual premiums currently paid by Flow; provided that Parent or the surviving corporation will be required to obtain as much coverage as can be obtained by paying a premium equal to 300% of such cost. The tail policy will cover claims arising from actual or alleged errors, misstatements, acts, omissions or any other matter that occurred at or prior to the Effective Time, including in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement.

Treatment of Equity-Based Awards

Treatment of Stock Options

As of [—], 2013, there were [—] outstanding options to purchase shares of Company Common Stock held by directors and executive officers. At the Effective Time, each option to purchase shares of Company Common Stock, whether vested or unvested, will be fully vested and converted into the right to receive an amount in cash equal to (i) the excess, if any, of the Merger Consideration over the applicable exercise price per share of such stock option, multiplied by (ii) the number of shares of Company Common Stock subject to such stock option, without interest, less any applicable withholding for taxes. There are no outstanding options held by directors and executive officers with exercise prices that are higher than the Merger Consideration, and, as a result, no payments will be made to the directors and executive officers in respect of their options in connection with the merger.

Treatment of Restricted Stock Rights

As of [—], 2013, there were [—] outstanding Restricted Stock Rights held by directors and executive officers. Of these, [—] are subject to time-based vesting conditions, and [—] are subject to performance-based vesting conditions. At the Effective Time, each Restricted Stock Right issued by Flow that is subject to time-based vesting conditions will be fully vested and converted into the right to receive an amount in cash equal to the Merger Consideration multiplied by the number of shares of Common Stock subject to such Restricted Stock Right, in each case without interest, less any applicable withholding for taxes. Each Restricted Stock Right that is subject to performance-based vesting conditions that have not been satisfied as of the Effective Time will be canceled and no consideration will be payable with respect thereto.

Payments Upon Termination Following Change-in-Control

As of July 1, 2013, Flow has entered into change in control agreements with Mr. Hsieh, Dr. Hashish, Mr. LeBlanc, Mr. Leness, Ms. Treat, and Mr. Schweikart (the “CIC Agreements”). No other Flow executive is a party to a change in control agreement or is eligible for severance under Flow’s severance plan. The consummation of the merger will constitute a change of control under the CIC Agreements. Except as noted below, each CIC Agreement has substantially identical terms and is intended to encourage each applicable executive officer to continue to carry out his or her respective duties in the event of a change in control of Flow.

Under each CIC Agreement, if the executive’s employment is terminated by Flow or the surviving corporation “without cause” or if the executive officer voluntarily terminates his or her employment for “good reason”, such executive officer will be entitled to the following:

a gross lump sum amount equal to eighteen months of the executive’s base salary at the annualized rate then in effect immediately before the termination date; provided, however, that if the executive resigns for “good reason” as a result of a material reduction of the executive’s base salary, then base salary will be determined on the basis of the executive’s base salary immediately before such reduction;

if the executive is eligible and timely elects continued coverage under COBRA, Flow or its successor will pay the executive’s COBRA premiums to continue the executive’s coverage (including eligible dependents, if currently provided) during the eighteen-month period following the termination date on an after-tax basis; provided, however, that Flow will cease to pay the COBRA premiums if: (A) the executive becomes eligible for group health plan coverage through a new employer, or (B) the executive ceases to be eligible for COBRA continuation coverage; and

all unvested awards under the Flow International Corporation 2005 Equity Incentive Plan or any similar Flow equity plan or any unvested awards substituted or assumed by the surviving entity for such awards outstanding immediately before a termination without cause or for good reason will be accelerated so that such unvested awards will become fully vested.

Under the CIC Agreements, “without cause” means any termination of the executive’s employment that is not a:

termination for “cause,” which means a good faith finding by Flow or its successor that the executive has: (a) breached any contractual obligation owed to Flow; (b) engaged in unauthorized use or disclosure of certain confidential information or trade secrets of Flow; (c) failed to satisfactorily perform the executive’s essential responsibilities; (d) materially failed to comply with Flow’s rules, policies, or procedures; (e) engaged in misconduct, dishonesty, fraud, or gross negligence related to the business of Flow; (f) been convicted of or entered a plea of nolo contendere to a felony or a crime involving fraud, embezzlement, or any other act of moral turpitude; or (g) done any other thing that would constitute cause under the laws of Washington; provided that termination for any of the reasons set forth in clauses (a), (b), (c), (d), or (f) will not constitute “cause” unless Flow or its successor has (1) given written notice to the executive specifying in reasonable detail the event(s) relied upon for termination and (2) to the extent curable and no similar event that was previously remedied has occurred, given the executive 30 days to remedy such event(s);

termination due to the executive’s death; or

termination due to the executive becoming disabled within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986.

Under the CIC Agreements, “good reason” means, without the executive’s written consent, the occurrence of any of the following:

- a material diminution in the nature or scope of the authorities, powers, or functions of the position that the executive held immediately before the change in control;

- a material reduction in the executive’s base salary in place immediately before the change in control; provided that such reduction does not apply on a substantially similar basis to all key employees of Flow (or its successor); or

- a requirement that the executive relocate his or her primary base of employment to a location more than 30 miles from Kent, Washington;

provided that a termination of employment by the executive for any of the reasons above will not constitute good reason unless (i) the executive has given written notice to Flow or its successor within the 90-calendar day period immediately following the executive discovery of the occurrence of such event (or if earlier, the date the executive is notified in writing), specifying in reasonable detail the events relied upon for termination, and (ii) such events have not been remedied within 30 calendar days thereafter.

If any payment or distribution by Flow to the executives (whether under the CIC Agreements or otherwise) would be subject to the excise tax imposed by Section 4999 (or any successor provisions) of the Internal Revenue Code of 1986, as amended (the “Code”), or any interest or penalty is incurred by the executive with respect to such excise tax, then the payments will be reduced (but not below zero) if and to the extent that such reduction would result in the executive retaining a larger amount, on an after-tax basis, than if the executive received all of the payments. Flow will reduce or eliminate the payments by first reducing or eliminating the portion of the payments that are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits that are to be paid the farthest in time from the determination.

If any of the executive officers is a “specified employee” under Section 409A of the Code, any payment under the CIC Agreement that is treated as deferred compensation under Section 409A will be delayed until the date that is six months after the termination date (without interest or earnings).

Flow did not enter into a CIC Agreement with Mr. Brown as he previously entered into a severance agreement with Flow dated as of September 21, 2010 (the “Severance Agreement”). Under the Severance Agreement, if Mr. Brown’s employment terminates due to disability (as defined in the Severance Agreement), termination by Flow for “cause,” or the resignation of Mr. Brown other than for “good reason,” Flow must pay to Mr. Brown all “Accrued Obligations,” defined as the sum of (i) Mr. Brown’s base salary through termination to the extent not theretofore paid, (ii) the amount of any bonus, incentive compensation, deferred compensation and other cash compensation earned by Mr. Brown to

the extent not theretofore paid and (iii) any vacation pay, expense reimbursements and other cash entitlements earned by Mr. Brown or that are otherwise owed as of termination to the extent not theretofore paid. If his employment terminates by reason of death, Flow must pay all Accrued Obligations and shall provide for immediate vesting in all unvested options and restricted stock. To the extent that any of the amounts payable during the first six months following termination are subject to the provisions of Section 409A of the Code, such payments or compensation will not be paid until six months following termination.

If Flow terminates Mr. Brown's employment other than for "cause" (and other than due to death or disability) or Mr. Brown terminates his employment for "good reason," Mr. Brown shall receive, in addition to the Accrued Obligations:

for a period of two years following termination, continuation of (a) his then-current base salary, (b) the average of the two most recent bonuses paid to Mr. Brown (one or both of which may be zero), and (c) reimbursement for the costs of the premiums paid by Mr. Brown to participate, on terms and coverage no less favorable than the terms and coverage offered to current senior executives of Flow, in health, life, hospitalization and disability insurance plans, provided, however, that salary and bonus amounts that would have normally been paid during the first six months following termination shall be paid in a single lump sum on the six-month anniversary of termination;

immediate vesting of any unvested options and restricted stock; and

outplacement services not to exceed \$20,000.

Under the Severance Agreement, “cause” means (i) the willful failure to perform any duties of employment, as reasonably requested by the Flow Board as documented in writing to Mr. Brown where the failure to so perform can reasonably be expected to adversely affect Flow in a manner that is not insignificant, (ii) the willful failure to observe Flow’s policies and/or policies of affiliates of Flow generally applicable to executives of Flow and/or its affiliates, (iii) gross negligence or willful misconduct in the performance of Mr. Brown’s duties, (iv) the commission of any intentional act of fraud, theft or financial dishonesty with respect to Flow or its affiliates, or any felony or criminal act involving moral turpitude, and (v) the material breach of the Severance Agreement. Each of (i), (ii), and (v) above is subject to a reasonable cure period, if cure is possible, but not to exceed 20 days after the Company provides notice to Mr. Brown of its existence.

Under the Severance Agreement, “good reason” means, without Mr. Brown’s written consent, (i) a failure of Flow to remedy either of the following within 20 days after receipt of written notice a material reduction in Mr. Brown’s base salary or a material reduction in Mr. Brown’s incentive or bonus pay opportunity, (ii) the assignment of duties that are inconsistent with those of the Chief Executive Officer or that materially impair his ability to perform his duties (subject to a reasonable cure period if cure is possible, but not to exceed 20 days after Mr. Brown provides notice), or (iii) any relocation of Mr. Brown’s office to a location more than 50 miles from Flow’s existing offices in Kent, Washington.

The amounts described above are payable by Flow (and will be payable by the surviving corporation) under the Severance Agreement without regard to any change of control of Flow.

Mr. Cooper is not a party to a CIC Agreement or any other severance arrangement with Flow.

Golden Parachute Compensation

In accordance with Item 402(t) of Regulation S-K, the table below sets forth the compensation that is based on or otherwise relates to the merger that will or may become payable to each of Flow’s named executive officers in connection with the merger. Please see the previous portions of this section for further information regarding this compensation.

The amounts indicated in the table below are estimates of the amounts that would be payable assuming, solely for purposes of this table, the following:

that the merger is consummated on [—], 2013;

the price per share of Company Common Stock is \$4.05; and

each of our named executive officers was terminated without cause or resigned for good reason immediately following a change in control on [—], 2013.

Name	Cash \$(1)	Equity \$(2)	Pension/ NQDC (\$)	Perquisites/ Benefits \$(3)	Tax Reimbursements (\$)	Other (\$)	Total (\$)
Charles M. Brown	\$1,000,000	\$1,586,664	-	\$ 41,535	-	\$20,000(4)	\$2,648,199
Allen M. Hsieh	435,000	495,384	-	34,269	-	-	964,653
Ronald B. Cooper	-	75,938	-	-	-	-	75,938
Mohamed Hashish	305,012	270,670	-	24,001	-	-	599,683
Richard A. LeBlanc	435,000	398,540	-	24,001	-	-	858,041

For Mr. Brown, represents a continuation for two years of his then-current base salary. Although Mr. Brown's Severance Agreement also provides for a payment of the average of the two most recent bonuses paid to Mr. Brown payable under the Severance Agreement, Mr. Brown has not received a bonus during the last two years. As discussed above, Mr. Brown's severance payments are not contingent upon a change of control; rather, they are (1) payable upon termination as set forth in the Severance Agreement. For Mr. Hsieh, Dr. Hashish and Mr. LeBlanc, represents a gross lump sum amount equal to eighteen months of the executive's base salary at the annualized rate then in effect immediately before the termination date payable under the CIC Agreements. As discussed above, Mr. Cooper is not eligible for any cash payments because he is not a party to a CIC Agreement or any other severance arrangement with Flow.

Represents the value of Restricted Stock Rights that will or may be become fully vested and converted into the right to receive an amount in cash equal to the Merger Consideration multiplied by the number of shares of (2) Common Stock subject to such Restricted Stock Right, in each case without interest, less any applicable withholding for taxes. Amount does not include amounts related to outstanding options held by Mr. Brown as all outstanding option awards have a per share exercise price that is higher than the Merger Consideration.

For Mr. Brown, amount represents the aggregate value of amount represents the aggregate value of COBRA (3) premiums for two years. For Mr. Hsieh, Dr. Hashish and Mr. Leblanc, amount represents the aggregate value of COBRA premiums for 18 months.

- (4) Represents outplacement services in an amount not to exceed \$20,000.

Financing of the Merger

We anticipate that the total funds needed to complete the merger will be approximately \$[—] million, which includes approximately \$203.5 million to pay our shareholders the amounts due to them under the Merger Agreement and make payments in respect of Flow's outstanding equity-based awards pursuant to the Merger Agreement, and \$[—] million to pay all fees and expenses payable by Parent, Merger Sub and Flow in connection with the merger and Parent's agreements with its Lenders. These payments are expected to be funded through a combination of (i) equity financing of approximately \$120 million, to be provided by American Industrial Partners Capital Fund V, L.P. and American Industrial Partners Capital Fund IV, L.P., private equity funds, which we refer to as the "AIP Funds," or other parties to which the AIP Funds assign all or a portion of their commitment in accordance with the terms of an equity commitment letter and (ii) borrowings under a \$230 million senior secured credit facility, comprised of a \$210 million senior secured first lien term loan facility and a \$20 million senior secured first lien revolving credit facility, which we refer to collectively as the "Debt Financing." In addition, Parent may elect to pursue a note or other debt financing obtained prior to the closing of the merger in lieu of the Debt Financing, which we refer to as the "Other Debt Financing."

Equity Financing

The equity commitment letter, dated as of September 25, 2013, provides for equity financing by the AIP Funds of up to an aggregate of \$120 million to be provided to Parent immediately prior to the closing of the merger. Alternatively, the equity commitment letter includes commitments by the AIP Funds to provide equity financing (i) in an amount equal to the reverse termination fee of \$12.238 million, which is payable by Parent in the event the Merger Agreement is terminated under certain circumstances if Parent fails to complete the merger or otherwise breaches the Merger Agreement such that conditions to the consummation of the merger cannot be satisfied or (ii) in an amount equal to the antitrust termination fee of \$6.119 million, which is payable in certain circumstances if the Merger Agreement is terminated because of the failure to meet the closing conditions related to antitrust laws.

Debt Financing

Parent has entered into debt commitment letter, dated as of September 25, 2013 with Goldman Sachs Bank USA and Morgan Stanley Senior Funding, Inc. Pursuant to the debt commitment letter, the Lenders have committed to provide the Debt Financing to Parent. In addition, Parent may pursue the Other Debt Financing in lieu of the Debt Financing.

The commitment of the Lenders under the debt commitment letter expires upon the earliest to occur of (i) the consummation of the merger without use of the Debt Financing, (ii) the termination of the Merger Agreement before the closing of the merger and (iii) March 31, 2014 (or, if the Outside Date in the Merger Agreement has been extended, the date to which the Outside Date has been extended in accordance with the terms of the Merger Agreement). The documentation governing the Debt Financing has not been finalized and, accordingly, the actual terms of the Debt Financing may differ from those described in this document. Each of Parent and Merger Sub has agreed to use reasonable best efforts to obtain the Debt Financing as soon as reasonable practicable on the terms and conditions described in the debt commitment letter. If any portion of the Debt Financing becomes unavailable in the manner or from the sources contemplated in the debt commitment letter, the Merger Agreement requires Parent and Merger Sub to use their reasonable best efforts to arrange as promptly as practicable alternative financing from alternative sources on terms and conditions not less favorable, taken as a whole, to Parent and Merger Sub than those contained in the debt commitment letter and in an amount sufficient to consummate the transactions contemplated by the Merger Agreement.

The availability of the Debt Financing is subject, among other things, to:

- since April 30, 2013, that there has not been a Material Adverse Effect (as defined in the Merger Agreement);
- the negotiation, execution and delivery of definitive loan documents for the Debt Financing;

consummation of the merger in accordance with the terms of the Merger Agreement (without giving effect to any amendments, supplements, waivers or other modifications to the Merger Agreement that are adverse in any material respect to the Lenders and have not been approved by the arrangers (such approval not to be unreasonably withheld, delayed or conditioned);

- consummation of the equity financing contemplated by the equity commitment letter;

- repayment of Flow's outstanding balances under its existing credit facility;

- delivery of financial statements relating to Flow and its subsidiaries;

- delivery of pro forma financial statements of Parent;

- payment of costs, fees and expenses to the Lenders;

the delivery of all documents required to perfect the security interest in certain assets of Parent and its subsidiaries, which are collateral in the Debt Financing and the execution of certain guaranties;

at least 15 consecutive business days before the closing date, the receipt by the Lenders of the confidential information memorandum, lender presentation and other customary marketing materials for the Debt Financing;

- the accuracy of certain limited representations and warranties;

the delivery of customary legal opinions, certified organizational documents, officer's certificates, evidence of insurance and insurance endorsements, and a solvency certificate from Parent;

delivery of all "know your customer" and anti-money laundering documentation and information reasonably requested by the Lenders; and

- execution of facilities documentation and delivery of certain customary closing documents.

As of the date hereof, no alternative financing arrangements or alternative financing plans have been made if the Debt Financing described herein is not available. Although the Debt Financing is not subject to a due diligence or "market out," such financing may not be considered assured.

Closing and Effective Time

The closing of the merger will take place no later than the second business day following the satisfaction or waiver in accordance with the Merger Agreement of all of the conditions to closing of the merger (as described under “Approval of the Merger Agreement — Conditions to the Closing of the Merger” beginning on page [—]) (other than those conditions to be satisfied at the closing of the merger, but subject to the satisfaction or waiver of such conditions). However, the closing of the merger will not occur until the earlier of (i) a date during the Marketing Period specified by Parent on no less than three business days’ notice to Flow and (ii) the third business day immediately following the final day of the Marketing Period. The merger will become effective upon the filing of the articles of merger, or at such later time as is agreed by the parties and specified in the articles of merger.

Accounting Treatment

The merger will be accounted for as a “purchase transaction” for financial accounting purposes.

Certain Material U.S. Federal Income Tax Consequences of the Merger

The following discussion is a summary of certain material U.S. federal income tax consequences of the merger that are relevant to holders of shares of Company Common Stock whose shares are converted into the right to receive cash pursuant to the merger. This discussion is based upon the Internal Revenue Code of 1986, as amended, which we refer to as the Code, Treasury Regulations promulgated under the Code, court decisions, published positions of the Internal Revenue Service, which we refer to as the IRS, and other applicable authorities, all as in effect on the date of this proxy statement and all of which are subject to change or differing interpretations, possibly with retroactive effect. This discussion is limited to holders who hold their shares of Company Common Stock as “capital assets” within the meaning of Section 1221 of the Code (generally, property held for investment purposes). For purposes of this discussion, a “holder” means either a U.S. Holder or a Non-U.S. Holder (each as defined below) or both, as the context may require.

This discussion is for general information only and does not address all of the tax consequences that may be relevant to holders in light of their particular circumstances. For example, this discussion does not address:

tax consequences that may be relevant to holders who may be subject to special treatment under U.S. federal income tax laws, such as financial institutions; tax-exempt organizations; S corporations or any other entities or arrangements treated as partnerships or pass-through entities for U.S. federal income tax purposes; insurance companies; mutual funds; dealers in stocks and securities; traders in securities that elect to use the mark-to-market method of accounting for their securities; regulated investment companies; real estate investment trusts; retirement plans, individual retirement accounts or other tax-deferred accounts; or certain expatriates or former long-term residents of the United States;

tax consequences to holders holding the shares as part of a hedging, constructive sale or conversion, straddle or other risk reducing transaction;

- tax consequences to holders that received their shares of Company Common Stock as a gift or bequest;

- tax consequences to holders that received their shares of Company Common Stock in a compensatory transaction;

tax consequences to holders who own an equity interest, actually or constructively, in Parent or the surviving corporation following the merger;

- tax consequences to U.S. Holders whose “functional currency” is not the U.S. dollar;

- tax consequences to dissenting shareholders or shareholders that exercise appraisal rights;

- the U.S. federal estate, gift, excise or alternative minimum tax consequences, if any, to holders; or

- any state, local or foreign tax consequences.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of shares of Company Common Stock, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding the shares of Company Common Stock and partners therein should consult their tax advisors regarding the consequences of the merger.

No ruling has been or will be obtained from the IRS regarding the U.S. federal income tax consequences of the merger described below. If the IRS contests a conclusion set forth herein, no assurance can be given that a holder would ultimately prevail in a final determination by a court.

THIS DISCUSSION IS PROVIDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE LEGAL ADVICE TO ANY HOLDER. A HOLDER SHOULD CONSULT ITS OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES RELATING TO THE MERGER IN LIGHT OF ITS PARTICULAR CIRCUMSTANCES AND ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION.

U.S. Holders

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of shares of Company Common Stock who or that is:

- an individual who is a citizen or resident of the United States;

- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or 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 (i) the administration of which is subject to the primary supervision of a court within the United States and the substantial decisions of which are subject to the control of one or more United States persons as defined in section 7701(a)(30) of the Code or (ii) that has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

The receipt of cash by a U.S. Holder in exchange for shares of Company Common Stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. In general, such U.S. Holder's gain or loss will be equal to the difference, if any, between the amount of cash received (determined before any withholding tax) and the U.S. Holder's adjusted tax basis in the shares of Company Common Stock surrendered pursuant to the merger. A U.S. Holder's adjusted tax basis generally will equal the amount that such U.S. Holder paid for the shares of Company Common Stock. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if such U.S. Holder's holding period in such shares of Company Common Stock is more than one year at the time of the completion of the merger. A reduced tax rate on capital gain generally will apply to long-term capital gain of a non-corporate U.S. Holder (for 2013, long-term capital gains are taxed at a maximum U.S. federal income tax rate of 20%). There are limitations on the deductibility of capital losses.

Non-U.S. Holders

For purposes of this discussion, the term "Non-U.S. Holder" means a beneficial owner of shares of Company Common Stock who or that is, for U.S. federal income tax purposes, an individual, a corporation, a trust or an estate and who or that is not a U.S. holder.

Special rules not discussed below may apply to certain Non-U.S. Holders subject to special tax treatment such as "controlled foreign corporations" or "passive foreign investment companies." Non-U.S. Holders should consult their own tax advisors to determine the U.S. federal, state, local and other tax consequences that may be relevant to them in light of their particular circumstances.

Any gain realized by a Non-U.S. Holder pursuant to the merger generally will not be subject to U.S. federal income tax unless:

the gain is effectively connected with a trade or business of such Non-U.S. Holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States), in which case such gain generally will be subject to U.S. federal income tax at rates generally applicable to U.S. persons, and, if the Non-U.S. Holder is a corporation, such gain may also be subject to the branch profits tax at a rate of 30% (or a lower rate under an applicable tax treaty);

such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other specified conditions are met, in which case such gain will be subject to U.S. federal income tax at a rate of 30% (or a lower rate under an applicable tax treaty); or

we are or have been a “United States real property holding corporation” as such term is defined in Section 897(c) of the Code, which we refer to as a USRPHC, at any time within the shorter of the five-year period preceding the merger and such Non-U.S. Holder’s holding period with respect to the applicable shares of Company Common Stock, which we refer to as the relevant period, and, if shares of Company Common Stock are regularly traded on an established securities market (within the meaning of Section 897(c)(3) of the Code), such Non-U.S. Holder owns directly or is deemed to own pursuant to attribution rules more than 5% of shares of Company Common Stock at any time during the relevant period, in which case such gain will be subject to U.S. federal income tax at rates generally applicable to U.S. persons, except that the branch profits tax will not apply; we believe that we are not, and have not been, a USRPHC at any time during the five-year period preceding the merger.

Information Reporting and Backup Withholding

Information reporting and backup withholding (at a rate of 28%) may apply to the proceeds received by a holder pursuant to the merger. Information reporting will generally not apply to the proceeds received by a Non-U.S. Holder that provides a certification of its foreign status on the applicable IRS Form W-8 (or a substitute or successor form). Backup withholding will generally not apply to a holder that (i) furnishes a correct taxpayer identification number and certifies that such holder is not subject to backup withholding on IRS Form W-9 (or a substitute or successor form), (ii) provides a certification of such holder’s foreign status on the applicable IRS Form W-8 (or a substitute or successor form), or (iii) otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the holder’s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

Medicare Surtax

For taxable years beginning after December 31, 2012, certain U.S. Holders who are individuals, estates or trusts are subject to a 3.8% Medicare surtax on the lesser of (i) such U.S. Holder's net investment income (in the case of individuals) or undistributed net investment income (in the case of estates and trusts) (which includes, among other things, capital gains from the disposition of shares of Company Common Stock pursuant to the merger) for the relevant taxable year and (ii) the excess of the U.S. Holder's modified adjusted gross income (in the case of individuals) or adjusted gross income (in the case of estates and trusts) for the taxable year over a specified threshold. U.S. Holders should consult their tax advisors regarding the effect, if any, of this surtax on their exchange of shares of Company Common Stock pursuant to the merger.

Regulatory Approvals Required for the Merger

Under the HSR Act and the rules promulgated thereunder by the FTC, the merger cannot be completed until Flow and Parent each file a notification and report form with the FTC and the Antitrust Division of the DOJ under the HSR Act and the applicable waiting period has expired or been terminated. A transaction notifiable under the HSR Act may not be completed until the expiration of a 30 calendar day waiting period following the parties' filing of their respective HSR Act notification forms or the early termination of that waiting period. Flow and Parent completed the filing of their HSR notifications on October 28, 2013.

At any time before or after consummation of the merger, notwithstanding the termination of the waiting period under the HSR Act, the Antitrust Division of the DOJ or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the completion of the merger, seeking divestiture of substantial assets of the parties or requiring the parties to license, or hold separate, assets or terminate existing relationships and contractual rights. At any time before or after the completion of the merger, and notwithstanding the termination of the waiting period under the HSR Act, any state could take such action under the antitrust laws as it deems necessary or desirable in the public interest. Such action could include seeking to enjoin the completion of the merger or seeking divestiture of substantial assets of the parties. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

Legal Proceedings Regarding the Merger

On September 27, 2013, a purported class action lawsuit was filed on behalf of Flow's shareholders in the Superior Court of Washington for King County, docketed as *Englehart v. Brown, et al*, Case No. 13-2-33726-6 KNT. A second purported class action lawsuit on behalf of Flow's shareholders was filed five days later, on October 2, 2013, in the Superior Court of Washington for King County, docketed as *Wulfken v. Brown, et al.*, Case No. 13-2-34375-4 KNT.

On October 4, 2013, two more purported class action lawsuits on behalf of Flow's shareholders were filed in the Superior Court of Washington for King County, docketed as Papazian v. Brown, et al., Case No. 13-2-34980-9 KNT, and Chu v. Flow International Corporation, et al., Case No. 13-2-34967-1 KNT. On October 8, 2013, another purported class action lawsuit was filed in the Superior Court of Washington for King County, docketed as Bruno v. Flow International Corporation, et al., Case No. 13-2-35209-5 KNT. A sixth and final purported class action lawsuit on behalf of Flow's shareholders was filed in the Superior Court of Washington for King County, on October 16, 2013, docketed as Shaev v. Flow International Corporation, et al., Case No. 13-2-35865-4 KNT.

On October 9, 2013, the plaintiff in Englehart filed a Motion for Consolidation of Related Actions and Appointment of Lead Plaintiff and Co-Lead Counsel. Some of the other plaintiffs filed competing motions for appointment as lead plaintiff and lead counsel. On October 23, 2013, the Court consolidated all six actions, appointed Englehart as lead plaintiff and approved Englehart's selection of lead counsel in the consolidated action.

The lawsuits allege, among other things, that the Flow Board breached its fiduciary duties to shareholders by failing to take steps to maximize shareholder value or to engage in a fair sale process before approving the proposed acquisition of Flow by American Industrial Partners through its affiliates, Waterjet Holdings, Inc. and AIP/FIC Merger Sub, Inc. (collectively, "the AIP Entities"). Specifically, the lawsuits allege that the Merger Consideration is grossly inadequate in light of Flow's recent performance. The lawsuits also allege that the process was designed to ensure that the AIP Entities had the only opportunity to acquire Flow because certain deal protection mechanisms precluded Flow from seeking out or listening to competing offers. The lawsuits allege that the Flow Board was aided and abetted in its breaches of fiduciary duty by Flow and the AIP Entities. Each of the complaints names Flow, the members of the Flow Board, and some variant of the AIP Entities, as defendants.

The plaintiffs in these various actions seek relief that includes, among other things, an injunction prohibiting the consummation of the proposed merger, rescission to the extent the merger terms have already been implemented, unspecified damages, and the payment of plaintiffs' attorneys' fees and costs.

Flow and the Flow Board believe the lawsuits are without merit and intend to defend against them vigorously. There can be no assurance, however, with regard to the outcome. Additional lawsuits arising out of or relating to the Merger Agreement or the merger may be filed in the future.

Amendment to Rights Agreement

In connection with the Merger Agreement, on September 25, 2013, Flow entered into the First Amendment to Rights Agreement (the “Amendment”), between Flow and Computershare Inc., a Delaware corporation, successor-in-interest to Computershare Shareowner Services LLC (f/k/a Mellon Investor Services LLC, a New Jersey limited liability company) (the “Rights Agent”). The Amendment amends the terms of the Rights Agreement, dated as of September 1, 2009, by and between Flow and the Rights Agent (the “Rights Agreement”) such that the Merger Agreement and the consummation of the merger will not trigger the Rights (as defined in the Rights Agreement).

PROPOSAL 1: APPROVAL OF THE MERGER AGREEMENT

The following summary describes certain material provisions of the Merger Agreement. This summary is not complete and is qualified in its entirety by reference to the Merger Agreement, which is attached to this proxy statement as Annex A and incorporated into this proxy statement by reference. We encourage you to read carefully the Merger Agreement in its entirety because this summary may not contain all the information about the Merger Agreement that is important to you. The rights and obligations of the parties are governed by the express terms of the Merger Agreement and not by this summary or any other information contained in this proxy statement.

Explanatory Note Regarding the Merger Agreement

The Merger Agreement is included to provide you with information regarding its terms. Factual disclosures about Flow contained in this proxy statement or in Flow’s public reports filed with the SEC may supplement, update or modify the representations and warranties made by Flow contained in the Merger Agreement. The representations, warranties and covenants made in the Merger Agreement by Flow, Parent and Merger Sub were qualified and subject to important limitations agreed to by Flow, Parent and Merger Sub in negotiating the terms of the Merger Agreement. In particular, in your review of the representations and warranties contained in the Merger Agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of establishing the circumstances in which a party to the Merger Agreement may have the right not to consummate the merger if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocating risk between the parties to the Merger Agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to reports and documents filed with the SEC and in some cases were

qualified by the matters disclosed to Parent and Merger Sub by Flow in connection with the Merger Agreement. Investors and security holders are not third-party beneficiaries under the Merger Agreement and should not rely on the representations, warranties, covenants and agreements or any descriptions thereof as characterizations of the actual state of facts or condition of Flow, Parent or Merger Sub or any of their respective affiliates or businesses. In addition, you should not rely on the covenants in the Merger Agreement as actual limitations on the respective businesses of Flow, Parent and Merger Sub, because the parties may take certain actions that are either expressly permitted in the confidential disclosures to the Merger Agreement or as otherwise consented to by the appropriate party, which consent may be given without prior notice to the public. In addition, the representations and warranties contained in the Merger Agreement (i) have been qualified by certain disclosures made to Parent and Merger Sub not reflected in the text of the Merger Agreement, (ii) were made only as of the date of the Merger Agreement or other specific dates and (iii) have been included in the Merger Agreement for the purpose of allocating risk between the contracting parties rather than establishing matters as facts. Accordingly, the Merger Agreement and its summary is included with this Proxy Statement only to provide investors with information regarding the terms of the Merger Agreement and not to provide investors with any other factual information regarding Flow or its business. Investors should not rely on the representations and warranties or any descriptions thereof as characterizations of the actual state of facts or condition of Flow or any of its subsidiaries. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this proxy statement, may have changed since the date of the Merger Agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this proxy statement. Accordingly, the representations, warranties, covenants and other agreements in the Merger Agreement should not be read alone, and you should read the information provided elsewhere in this document and in our filings with the SEC regarding Flow and our business. Please see “Where You Can Find More Information” beginning on page [—].

Effects of the Merger; Directors and Officers; Articles of Incorporation; Bylaws

The Merger Agreement provides that, subject to the terms and conditions of the Merger Agreement, and in accordance with the WBCA, at the Effective Time, Merger Sub will be merged with and into Flow with Flow becoming a wholly owned subsidiary of Parent. From and after the Effective Time, the surviving corporation will possess all properties, rights, privileges, powers and franchises of Flow and Merger Sub, and all of the claims, obligations, liabilities, debts and duties of Flow and Merger Sub will become the claims, obligations, liabilities, debts and duties of the surviving corporation.

The parties will take all necessary action to ensure that, effective as of, and immediately following, the Effective Time, the board of directors of the surviving corporation will consist of the directors of Merger Sub, to hold office in accordance with the articles of incorporation and bylaws of the surviving corporation until the earlier of their resignation or removal or until their respective successors are duly elective and qualified. From and after the Effective Time, the officers of Merger Sub at the Effective Time will be the officers of the surviving corporation, until the earlier of their resignation or removal or until their respective successors are duly elective and qualified. At the Effective Time, the articles of incorporation and bylaws of Flow, as the surviving corporation, will be amended to be substantially identical (except with respect to the name of the surviving corporation) to the articles of incorporation and bylaws of Merger Sub immediately prior to the Effective Time, in each case until amended in accordance with their terms or by applicable law.

Closing and Effective Time

The closing of the merger will take place no later than the second business day following the satisfaction or waiver of all conditions to closing of the merger (described below under “— Conditions to the Closing of the Merger”) (other than those conditions to be satisfied at the closing of the merger); provided, that the closing of the merger will not occur until the earlier of (i) a date during the Marketing Period specified by Parent on no less than three business days’ notice to Flow and (ii) the third business day immediately following the final day of the Marketing Period. Concurrently with the closing of the merger, the parties will file articles of merger with the Secretary of State for the State of Washington as provided under the WBCA. The merger will become effective upon the filing of the articles of merger, or at such later time as is agreed by the parties and specified in the articles of merger.

Marketing Period

The Marketing Period is the first period of 25 consecutive business days throughout which, among other things, (i) Parent and the Lenders have received the required financial information concerning Flow (described below) and during which period such information remains compliant with the applicable provisions of Regulation S-X and

Regulation S-K under the Securities Act, (ii) such financial statements will be sufficient to permit a registration statement using such financial statements to be declared effective by the SEC throughout such 25 business day period, (iii) the closing conditions relating to approval of the Merger Agreement by Flow's shareholders, receipt of antitrust approvals, the absence of any law or order prohibiting the completion of the merger, Flow's representations and warranties being true and correct (subject to certain materiality qualifications), performance of Flow's obligations under the Merger Agreement, holders of no more than 7.5% of the shares of Company Common Stock having exercised dissenters' rights, and the absence of a Material Adverse Effect, have been satisfied and (iv) nothing has occurred and no condition exists that would prevent any of the conditions to the obligations of Parent and Merger Sub to consummate the merger from being satisfied if the closing of the merger were to occur at any time during such 25 business day period; provided that (A) the Marketing Period will not begin earlier than December 26, 2013, (B) the Marketing Period will end on any earlier date on which the Debt Financing or the Other Debt Financing is consummated, and (C) after February 1, 2014, the conditions with respect to receipt of antitrust approvals need not be satisfied during the first 10 business days of such 25 business day period.

In addition, the Marketing Period will not be deemed to have commenced if before the completion of the Marketing Period (i) Deloitte & Touche LLP withdraws its audit opinion with respect to any financial information contained in the required financial information, in which case the Marketing Period will not be deemed to commence until a new unqualified audit opinion is issued with respect to such financial statements by an independent public accounting firm reasonably acceptable to Parent or (ii) Flow has publicly announced any intention to, or determined that it must, restate any financial information or financial statements included in the required financial information or any such restatement is under consideration or is a possibility, in which case the Marketing Period may not commence until such restatement has been completed and the applicable required information has been amended or Flow has determined and announced that no such restatement is required in accordance with GAAP.

The required financial information referenced above consists of: (i) financial statements and other information required to satisfy specified conditions of the Debt Commitment Letters and (ii) such other information relating to Flow and its subsidiaries to the extent reasonably requested by Parent or Merger Sub in connection with the Debt Financing or the Other Debt Financing or is customary for the arrangement of loans or issuance of debt securities contemplated thereby, including drafts of customary comfort letters from Flow's independent accountants with respect to the foregoing.

Merger Consideration

Company Common Stock

At the Effective Time, each share of Company Common Stock issued and outstanding immediately prior to the Effective Time, other than (i) any shares of Company Common Stock held, directly or indirectly, by Flow, Parent or Merger Sub or any of their respective subsidiaries and (ii) any shares of Company Common Stock held by shareholders who have perfected their dissenters' rights, will be converted into the right to receive \$4.05 per share in cash, without interest and less any applicable withholding taxes. All shares converted into the right to receive the Merger Consideration will automatically be canceled at the Effective Time.

Outstanding Equity Awards

The Merger Agreement provides that Flow's equity awards that are outstanding immediately prior to the Effective Time will be subject to the following treatment at the Effective Time:

Options. Each option to purchase shares of Company Common Stock, whether vested or unvested, will be fully vested and converted into the right to receive an amount in cash equal to (i) the excess, if any, of the Merger Consideration over the applicable exercise price per share of such stock option, multiplied by (ii) the number of shares of Company Common Stock subject to such stock option, without interest, less any applicable withholding for taxes. There are no outstanding options with exercise prices that are higher than the Merger Consideration and, as a result, no payments will be made to optionholders in respect of their options in connection with the merger.

Restricted Stock Rights. Each Restricted Stock Right issued by Flow that is subject to time-based vesting conditions will be fully vested and converted into the right to receive an amount in cash equal to the Merger Consideration multiplied by the number of shares of Common Stock subject to such Restricted Stock Right, in each case without interest, less any applicable withholding for taxes. Each Restricted Stock Right that is subject to performance-based vesting conditions that have not been satisfied as of the Effective Time will be canceled and no consideration will be payable with respect thereto.

Exchange and Payment Procedures

Prior to the Effective Time, Parent will designate a bank or trust company reasonably satisfactory to Flow to make payments of the Merger Consideration to shareholders, which we refer to as the "Paying Agent." At or prior to the

Effective Time, Parent will deposit or cause to be deposited with the Paying Agent, cash sufficient to pay the aggregate Merger Consideration to shareholders and holders of equity awards.

As promptly as reasonably practicable (but no later than three business days) after the Effective Time, the Paying Agent will send to each holder of Company Common Stock a letter of transmittal and instructions advising shareholders how to surrender stock certificates and book-entry shares in exchange for the Merger Consideration. Upon receipt of (i) surrendered certificates (or affidavits of loss in lieu thereof) or book-entry shares representing the shares of Company Common Stock and (ii) a signed letter of transmittal and such other documents as may be required pursuant to such instructions, the holder of such shares will be entitled to receive the Merger Consideration in exchange therefor within three business days following the Paying Agent's receipt of such documents. The amount of any Merger Consideration paid to the shareholders may be reduced by any applicable withholding taxes.

If any cash deposited with the Paying Agent is not claimed within 12 months following the Effective Time, such cash will be returned to the surviving corporation, upon demand, and any holders of Company Common Stock who have not complied with the exchange procedures in the Merger Agreement will thereafter look only to the surviving corporation as general creditor for payment of the Merger Consideration.

The letter of transmittal will include instructions if a shareholder has lost a share certificate or if such certificate has been stolen or destroyed. If a shareholder has lost a certificate, or if such certificate has been stolen or destroyed, then before such shareholder will be entitled to receive the Merger Consideration, such shareholder will have to make an affidavit of the loss, theft or destruction, and if required by Parent, post a bond in a reasonable and customary amount as indemnity against any claim that may be made against it with respect to such certificate.

Representations and Warranties

The Merger Agreement contains representations and warranties of Flow, Parent and Merger Sub.

Some of the representations and warranties in the Merger Agreement made by Flow are qualified as to “materiality” or “Material Adverse Effect.” For purposes of the Merger Agreement, “Material Adverse Effect” means, with respect to Flow, any change, fact, event, circumstance or effect that, individually or in the aggregate, (i) is or would reasonably be expected to be materially adverse to the business, financial condition or results of operations of Flow and its subsidiaries, taken as a whole or (ii) would reasonably be expected to prevent or materially impair or delay Flow’s ability to complete the merger and the other transactions contemplated by the Merger Agreement. For purposes of clause (i) above, changes, facts, events, circumstances or effects arising out of or relating to the following will be excluded from the determination of a Material Adverse Effect:

the announcement or pendency of the Merger Agreement and the transactions contemplated by the Merger Agreement;

- changes in general economic or regulatory conditions or the financial, credit or securities markets;
- changes in GAAP or in laws or orders of any governmental entity or interpretations of any governmental entity;
- changes effecting generally the industries in which Flow or its subsidiaries operate;
- earthquakes, hurricanes, floods or other natural disasters;
- national or international political conditions, including any engagement in hostilities;

any action taken by Flow at the request or with the consent of Parent or any of its affiliates or as required by the Merger Agreement;

- any damage or destruction of any real property of Flow or its subsidiaries to the extent covered by insurance;

any failure by Flow to meet any estimates or outlook of revenues or earnings or other financial projections (provided that this clause will not prevent a determination that any change, event, circumstance or effect underlying such failure has resulted in a Material Adverse Effect, unless such change, fact, event circumstance or effect is otherwise excepted by the definition of Material Adverse Effect);

any action by Parent or any of its affiliates or the omission of any action that was required or reasonably should have been taken by Parent or its affiliates;

changes in the market price or trading volume of the Company Common Stock (provided that this clause will not prevent a determination that any change, event, circumstance or effect underlying such failure has resulted in a Material Adverse Effect

All other fees ^(d)	5,000	130,000
Total fees \$	851,000	\$ 933,000

- (a) Includes fees for the audit of our annual consolidated financial statements and the annual audit of our internal control over financial reporting, annual audits of the financial statements of our joint ventures, review of our financial statements included in our quarterly reports on Form 10-Q and services associated with securities filings such as comfort letters, consents and assistance with review of documents filed with the SEC.
- (b) Includes accounting consultations and due diligence services for acquisitions.
- (c) Includes tax consultation.
- (d) Includes fees for other permitted non-audit services such as project management consultation and accounting research tool subscriptions. All audit and non-audit services performed by our independent registered public accounting firm must be specifically pre-approved by our Audit Committee. Consistent with this policy, in 2011 and 2010 all audit and non-audit services performed by Deloitte & Touche LLP were pre-approved by our Audit Committee.

A representative of Deloitte & Touche LLP is expected to attend the Annual Meeting. He or she will have the opportunity to speak at the meeting and respond to appropriate questions.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Alliance believes that all SEC filings of directors, officers and greater than ten percent stockholders during 2011 complied with the requirements of Section 16 of the Securities Exchange Act. This belief is based on our review of forms filed or written notice that no forms were required.

FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995). These statements are based on our current expectations and involve risks and uncertainties, which may cause results to differ materially from those set forth in the statements. The forward-looking statements may include statements regarding actions to be taken by us, including actions with respect to pay risk and risk oversight. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Forward-looking statements should be evaluated together with the many uncertainties that affect our business, particularly those mentioned in the risk factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011 and in our quarterly reports on Form 10-Q and our current reports on Form 8-K.

AVAILABILITY OF CERTAIN DOCUMENTS

We will mail without charge to any stockholder upon written request a copy of Alliance's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, including the financial statements, schedules and a list of exhibits. We will also mail without charge upon written request copies of our Corporate Governance Guidelines and the charters of our standing Board committees.

Our Code of Business Conduct and Ethics governing our directors, officers and employees is posted on our website, which is located at www.alliancehealthcareservices-us.com/investors/corporate_governance (and is available in print, upon request), and we will also post on our website any amendment to the Code of Business Conduct and Ethics and any waiver applicable to our senior financial officers, as defined in the Code, and our executive officers or directors.

Requests for the above documents should be sent to our Secretary at Alliance HealthCare Services, Inc., 100 Bayview Circle, Suite 400, Newport Beach, California 92660.

By Order of the Board of Directors,

Richard W. Johns

Executive Vice President, General Counsel
and Secretary

Newport Beach, California

April 4, 2012

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Annex A

CERTIFICATE OF AMENDMENT

TO THE

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

ALLIANCE HEALTHCARE SERVICES, INC.

Alliance Healthcare Services, Inc., a Delaware Corporation (hereinafter called the **Corporation**), does hereby certify as follows:

FIRST: Paragraph (a) of Article IV of the Corporation's Amended and Restated Certificate of Incorporation is hereby amended in its entirety to read as follows:

(a) The Corporation is authorized to issue two classes of shares to be designated, respectively, **Common Stock** and **Preferred Stock**. The total number of shares that the Corporation shall have authority to issue is One Hundred One Million (101,000,000) shares, and the aggregate par value of all shares which are to have a par value is One Million Ten Thousand Dollars (\$1,010,000). The total number of shares of Common Stock which the Corporation shall have authority to issue is One Hundred Million (100,000,000) shares, and the par value of each share of Common Stock is One Cent (\$0.01). The total number of shares of Preferred Stock that the Corporation shall have authority to issue is One Million (1,000,000) shares, and the par value of each share of Preferred Stock is One Cent (\$0.01). Effective upon the filing of this Certificate of Amendment with the Delaware Secretary of State (the **Effective Time**), each share of Common Stock issued and outstanding or held in treasury by the Corporation immediately prior to the Effective Time (the **Old Common Stock**) shall be automatically and without any action on the part of the holder thereof reclassified into a different number of shares of Common Stock (the **New Common Stock**) such that each [four to ten] shares of Old Common Stock shall, at the Effective Time, be automatically reclassified into one share of New Common Stock, the exact ratio within the foregoing range to be determined by the Board of Directors of the Corporation prior to the Effective Time (the **Determined Ratio**) and publicly announced by the Corporation. Further, every right, option and warrant to acquire shares of Old Common Stock outstanding immediately prior to the Effective Time shall, as of the Effective Time and without any further action, automatically be reclassified into the right to acquire one (1) share of New Common Stock based on the Determined Ratio of shares of Old Common Stock to shares of New Common Stock, as publicly announced by the Corporation, but otherwise upon the terms of such right, option or warrant (except that the exercise or purchase price of such right, option or warrant shall be proportionately adjusted). The Corporation shall not issue fractions of shares of Common Stock in connection with such reclassification of shares of its Common Stock. In lieu thereof, each holder of any such fractional share shall be entitled to round up such fractional share to a full share. Each certificate that, prior to the Effective Time, represented shares of Old Common Stock shall, from and after the Effective Time, represent that number of whole shares of New Common Stock into which the shares of Old Common Stock represented by such certificate shall have been reclassified pursuant to this Certificate of Amendment.

SECOND: The foregoing amendment was duly adopted in accordance with Section 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, Alliance Healthcare Services, Inc. has caused this Certificate of Amendment to be duly executed in its corporate name this .

ALLIANCE HEALTHCARE SERVICES, INC.

By:
Name:
Title:

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ALLIANCE HEALTHCARE SERVICES, INC.

ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 4, 2012

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholders of Alliance HealthCare Services, Inc. (the "Company") hereby nominate, constitute and appoint Richard W. Johns and Howard K. Aihara, or either one of them, each with full power of substitution, as the lawful attorneys, agents and proxies of the undersigned, for the Annual Meeting of Stockholders of the Company (the "Annual Meeting") to be held at the Company's headquarters at 100 Bayview Circle, Suite 400, Newport Beach, CA 92660 on May 4, 2012 at 9:00 a.m., Pacific time, and at any and all adjournments thereof, to represent the undersigned and to cast all votes to which the undersigned would be entitled to cast if personally present, as follows:

PLEASE SIGN, DATE AND RETURN THIS PROXY CARD AS PROMPTLY AS POSSIBLE IN THE POSTAGE PREPAID ENVELOPE PROVIDED.

(Continued and to be signed on the reverse side)

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ANNUAL MEETING OF STOCKHOLDERS OF

ALLIANCE HEALTHCARE SERVICES, INC.

May 4, 2012

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:

**The Notice of Meeting, proxy statement and proxy card
are available at www.AllianceHealthCareServicesAnnualMeetingMaterials.com
or <http://phx.corporate-ir.net/phoenix.zhtml?c=129994&p=proxy>**

Please sign, date and mail

your proxy card in the

envelope provided as soon

as possible.

i Please detach along perforated line and mail in the envelope provided. i

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS AND

FOR PROPOSALS 2 AND 3.

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK
INK AS SHOWN HERE x**

1. Election of Directors: Class II term will
expire in 2015

2. APPROVAL OF THE AMENDMENT TO OUR AMENDED AND
RESTATED CERTIFICATE OF INCORPORATION. To approve a proposed
amendment to our Amended and Restated Certificate of Incorporation to effect a
reverse stock split of our common stock at any whole number ratio between
1-for-4 and 1-for-10, with the final decision whether to proceed with the reverse
stock split and the exact ratio and timing of the reverse stock split to be
determined by the Board of Directors, in its discretion, following stockholder
approval (if received), but not later than December 31, 2012.

FOR AGAINST ABSTAIN
.. ..

NOMINEES:

**.. FOR BOTH
NOMINEES**

O Larry C. Buckelew

O Michael P. Harmon

.. WITHHOLD AUTHORITY

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FOR BOTH NOMINEES

<p>.. FOR ALL EXCEPT</p> <p>(See instructions below)</p>	<p>3. RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012.</p>	<p>FOR AGAINST ABSTAIN</p> <p>.. ..</p>
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4. OTHER BUSINESS. To act upon any other matter properly brought before the Annual Meeting or any adjournments or postponements of the Annual Meeting. The Board of Directors at present knows of no other business to be presented by or on behalf of the Company or the Board of Directors at the Annual Meeting.

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here:

The Board of Directors recommends a vote (1) **FOR** for each of the 2 nominees for director, (2) **FOR** approval of a proposed amendment to our Amended and Restated Certificate of Incorporation to effect a reverse stock split of our common stock at any whole number ratio between 1-for-4 and 1-for-10, with the final decision whether to proceed with the reverse stock split and the exact ratio and timing of the reverse stock split to be determined by the Board of Directors, in its discretion, following stockholder approval (if received), but not later than December 31, 2012, and (3) **FOR** ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012.

In their discretion, the proxies named on the front of this card are authorized to vote upon such other matters as may properly come before the Annual Meeting and at any adjournment or postponement thereof, and for the election of a person to serve as director if any of the nominees above is unable to serve.

The undersigned hereby ratifies and confirms all that said attorneys and Proxy Holders, or any of them, or their substitutes, shall lawfully do or cause to be done by virtue hereof, and hereby revokes any and all proxies heretofore given by the undersigned to vote at the Annual Meeting. The undersigned acknowledges receipt of the Notice of Annual Meeting and Proxy Statement accompanying said notice.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

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Signature of Stockholder

Date:

Signature of Shareholder

Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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