

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2016 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information		
For calendar plan year 2016 or fiscal plan year beginning <u>01/01/2016</u> and ending <u>12/31/2016</u>			
A	This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____	
B	This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)	
C	If the plan is a collectively-bargained plan, check here. ☒		
D	Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)	

Part II	Basic Plan Information —enter all requested information		
1a	Name of plan <u>THRIFT PLAN FOR HOURLY EMPLOYEES OF LUFKIN INDUSTRIES, INC.</u>	1b	Three-digit plan number (PN) ▶ <u>004</u>
		1c	Effective date of plan <u>01/01/1991</u>
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>LUFKIN INDUSTRIES, INC.</u> <u>P O BOX 849</u> <u>601 S RAGUET</u> <u>LUFKIN, TX 75902</u> <u>LUFKIN, TX 75901</u>	2b	Employer Identification Number (EIN) <u>75-0404410</u>
		2c	Plan Sponsor's telephone number <u>936-634-2211</u>
		2d	Business code (see instructions) <u>333200</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/16/2017	MELODY HAYES
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address (include room or suite number)			Preparer's telephone number

3a Plan administrator's name and address ☒ Same as Plan Sponsor	3b Administrator's EIN 3c Administrator's telephone number
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
5 Total number of participants at the beginning of the plan year	5 900
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year..... a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	6a(1) 407 6a(2) 137 6b 0 6c 156 6d 293 6e 15 6f 308 6g 295 6h 25
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....	7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 3D 2T 2K 2J 2G 2F 2E 2S b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)	
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ 0 A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☒ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2016 Form M-1 annual report. If the plan was not required to file the 2016 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2016 This Form is Open to Public Inspection.
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A Name of plan THRIFT PLAN FOR HOURLY EMPLOYEES OF LUFKIN INDUSTRIES, INC.	B Three-digit plan number (PN) ► 004
C Plan sponsor's name as shown on line 2a of Form 5500 LUFKIN INDUSTRIES, INC.	D Employer Identification Number (EIN) 75-0404410

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No
- b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

	(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation CHARLES SCHWAB & CO. INC. AND AFFIL
	94-1737782

	(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

SCHWAB RETIREMENT PLAN SERVICES INC

34-1479833

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
15 50 64	NONE	38009	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

JP MORGAN CHASE

13-3200244

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
28 50	NONE	18125	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

CHARLES SCHWAB BANK

42-1558009

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
25 52 59 62 49 50	NONE	0	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

CHARLES SCHWAB & CO INC

94-1737782

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
59	NONE	0	Yes ☒ No ☐	Yes ☐ No ☒	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
CHARLES SCHWAB & CO. INC. AND AFFIL	59	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
SEE ATTACHMENT 06-1349805	SEE ATTACHMENT	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE D (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration	DFE/Participating Plan Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2016 This Form is Open to Public Inspection.
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A Name of plan <u>THRIFT PLAN FOR HOURLY EMPLOYEES OF LUFKIN INDUSTRIES, INC.</u>	B Three-digit plan number (PN) ► <u>004</u>
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 <u>LUFKIN INDUSTRIES, INC.</u>	D Employer Identification Number (EIN) <u>75-0404410</u>

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
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a Name of MTIA, CCT, PSA, or 103-12 IE: <u>MORLEY STABLE VALUE FEE CL245</u>		
b Name of sponsor of entity listed in (a): <u>UNION BOND & TRUST COMPANY</u>		
c EIN-PN <u>93-6274329-001</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>8914128</u>
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>SCHWAB MANAGED RET TRUST FUND 2010</u>		
b Name of sponsor of entity listed in (a): <u>CHARLES SCHWAB BANK</u>		
c EIN-PN <u>81-0625169-001</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>374531</u>
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>SCHWAB MANAGED RET TRUST FUND 2020</u>		
b Name of sponsor of entity listed in (a): <u>CHARLES SCHWAB BANK</u>		
c EIN-PN <u>81-0625169-002</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>865721</u>
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>SCHWAB MANAGED RET TRUST FUND 2030</u>		
b Name of sponsor of entity listed in (a): <u>CHARLES SCHWAB BANK</u>		
c EIN-PN <u>81-0625169-003</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>990411</u>
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>SCHWAB MANAGED RET TRUST FUND 2040</u>		
b Name of sponsor of entity listed in (a): <u>CHARLES SCHWAB BANK</u>		
c EIN-PN <u>81-0625169-004</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>790051</u>
a Name of MTIA, CCT, PSA, or 103-12 IE: <u>SCHWAB MANAGED RET TRUST FUND - INC</u>		
b Name of sponsor of entity listed in (a): <u>CHARLES SCHWAB BANK</u>		
c EIN-PN <u>81-0625169-005</u>	d Entity code <u>C</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>0</u>
a Name of MTIA, CCT, PSA, or 103-12 IE:		
b Name of sponsor of entity listed in (a):		
c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2016
		This Form is Open to Public Inspection

For calendar plan year 2016 or fiscal plan year beginning <u>01/01/2016</u> and ending <u>12/31/2016</u>		
A Name of plan <u>THRIFT PLAN FOR HOURLY EMPLOYEES OF LUFKIN INDUSTRIES, INC.</u>	B Three-digit plan number (PN) ►	<u>004</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>LUFKIN INDUSTRIES, INC.</u>	D Employer Identification Number (EIN) <u>75-0404410</u>	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	<u>819119</u>	<u>354191</u>
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)	<u>1925971</u>	<u>838535</u>
(9) Value of interest in common/collective trusts	1c(9)	<u>22666064</u>	<u>11934842</u>
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities.....	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	<u>6760445</u>	<u>3252283</u>
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	32171599	16379851

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	32171599	16379851
---	-----------	----------	----------

Part II Income and Expense Statement

- 2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income

		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	509442	
(B) Participants	2a(1)(B)	701832	
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		1211274
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	59020	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		59020
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	145286	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		145286
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0
(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		397040
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		212138
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		2024758

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	17760372	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		17760372
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees.....	2i(1)		
(2) Contract administrator fees.....	2i(2)		
(3) Investment advisory and management fees.....	2i(3)	18125	
(4) Other	2i(4)	38009	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		56134
j Total expenses. Add all expense amounts in column (b) and enter total	2j		17816506

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-15791748
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan.....	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **KPMG**

(2) EIN: **13-5565207**

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)

	Yes	No	Amount
4a		X	
4b		X	

		Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e Was this plan covered by a fidelity bond?	4e	X		10000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l Has the plan failed to provide any benefit when due under the plan?	4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n			
o Defined Benefit Plan or Money Purchase Pension Plan Only: Were any distributions made during the plan year to an employee who attained age 62 and had not separated from service?	4o			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If "Yes," enter the amount of any plan assets that reverted to the employer this year. ☐ Yes ☒ No **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (See ERISA section 4021.)? ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year (See instructions.)

Part V Trust Information

6a Name of trust	6b Trust's EIN
6c Name of trustee or custodian	6d Trustee's or custodian's telephone number

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2016 This Form is Open to Public Inspection.
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For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A Name of plan <u>THRIFT PLAN FOR HOURLY EMPLOYEES OF LUFKIN INDUSTRIES, INC.</u>	B Three-digit plan number (PN) ▶ <u>004</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>LUFKIN INDUSTRIES, INC.</u>	D Employer Identification Number (EIN) <u>75-0404410</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>42-1558009</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
----------------	---

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes	☐ No	☐ N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2016
v. 160205

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14	Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:		
	a The current year	14a	
	b The plan year immediately preceding the current plan year	14b	
	c The second preceding plan year	14c	
15	Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:		
	a The corresponding number for the plan year immediately preceding the current plan year	15a	
	b The corresponding number for the second preceding plan year	15b	
16	Information with respect to any employers who withdrew from the plan during the preceding plan year:		
	a Enter the number of employers who withdrew during the preceding plan year	16a	
	b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	
17	If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐		

Part VI	Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans
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18	If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment	☐
19	If the total number of participants is 1,000 or more, complete lines (a) through (c)	
	a Enter the percentage of plan assets held as: Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%	
	b Provide the average duration of the combined investment-grade and high-yield debt: ☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more	
	c What duration measure was used to calculate line 19(b)? ☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____	

Part VII	IRS Compliance Questions
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20a Is the plan a 401(k) plan? If "No," skip b	☐ Yes ☐ No
20b How did the plan satisfy the nondiscrimination requirements for employee deferrals under section 401(k)(3) for the plan year? Check all that apply:	☐ Design-based safe harbor ☐ "Prior year" ADP test ☐ "Current year" ADP test ☐ N/A
21a What testing method was used to satisfy the coverage requirements under section 410(b) for the plan year? Check all that apply:	☐ Ratio percentage test ☐ Average benefit test ☐ N/A
21b Did the plan satisfy the coverage and nondiscrimination requirements of sections 410(b) and 401(a)(4) for the plan year by combining this plan with any other plan under the permissive aggregation rules?	☐ Yes ☐ No
22a If the plan is a master and prototype plan (M&P) or volume submitter plan that received a favorable IRS opinion letter or advisory letter, enter the date of the letter / / and the serial number .	
22b If the plan is an individually-designed plan that received a favorable determination letter from the IRS, enter the date of the most recent determination letter / / .	

**THRIFT PLAN FOR HOURLY EMPLOYEES OF
LUFKIN INDUSTRIES, INC.**

Financial Statements and
Supplemental Schedule

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

**THRIFT PLAN FOR HOURLY EMPLOYEES OF
LUFKIN INDUSTRIES, INC.**

Table of Contents

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Independent Auditors' Report	1
Financial Statements:	
Statements of Net Assets Available for Benefits as of December 31, 2016 and 2015	3
Statements of Changes in Net Assets Available for Benefits for the years ended December 31, 2016 and 2015	4
Notes to Financial Statements, December 31, 2016 and 2015	5
Supplemental Schedule	
Schedule H Line 4(i) – Schedule of Assets (Held at End of Year) as of December 31, 2016	13
NOTE: All other supplemental schedules have been omitted because they are not applicable or are not required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended.	



KPMG LLP
Suite 1400
2323 Ross Avenue
Dallas, TX 75201-2721

Independent Auditors' Report

Pension and Employee Benefits Committee
Lufkin Industries, Inc.:

We were engaged to audit the accompanying financial statements of Thrift Plan for Hourly Employees of Lufkin Industries, Inc. (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2016 and 2015, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in note 4, which was certified by Charles Schwab Bank, the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2016 and 2015, and for the years then ended, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter – Supplemental Schedule

The supplemental Schedule H Line 4(i) – Schedule of Assets (Held at End of Year) as of December 31, 2016 is required by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we do not express an opinion on this supplemental schedule.

**Report on Form and Content in Compliance with DOL Rules and Regulations**

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

KPMG LLP

Dallas, Texas
October 16, 2017

**THRIFT PLAN FOR HOURLY EMPLOYEES OF
LUFKIN INDUSTRIES, INC.**

Statements of Net Assets Available for Benefits

December 31, 2016 and 2015

Assets	2016	2015
Investments at fair value:		
Mutual Funds	\$ 3,252,283	6,760,445
Common Collective Trusts	<u>11,934,842</u>	<u>22,666,064</u>
Total investments at fair value	15,187,125	29,426,509
Receivables:		
Employer contributions	354,191	819,119
Notes receivable from participants	<u>838,535</u>	<u>1,925,971</u>
Total receivables	<u>1,192,726</u>	<u>2,745,090</u>
Net assets available for benefits	<u>\$ 16,379,851</u>	<u>32,171,599</u>

See accompanying notes to financial statements.

**THRIFT PLAN FOR HOURLY EMPLOYEES OF
LUFKIN INDUSTRIES, INC.**

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Additions:		
Additions to net assets attributed to:		
Net appreciation (depreciation) in fair value of investments	\$ 572,449	(177,581)
Interest	36,728	72,188
Dividends	145,286	413,522
Total investment income	<u>754,463</u>	<u>308,129</u>
Interest income on notes receivable from participants	59,020	119,107
Contributions:		
Participants	701,832	1,816,586
Employer	509,443	2,126,820
Total contributions	<u>1,211,275</u>	<u>3,943,406</u>
Total additions	<u>2,024,758</u>	<u>4,370,642</u>
Deductions:		
Deductions from net assets attributed to:		
Benefits paid to participants/beneficiaries	17,760,372	17,108,833
Administrative expenses	56,134	74,402
Total deductions	<u>17,816,506</u>	<u>17,183,235</u>
Net decrease in net assets	(15,791,748)	(12,812,593)
Net assets available for plan benefits:		
Beginning of year	<u>32,171,599</u>	<u>44,984,192</u>
End of year	\$ <u><u>16,379,851</u></u>	<u><u>32,171,599</u></u>

See accompanying notes to financial statements.

**THRIFT PLAN FOR HOURLY EMPLOYEES OF
LUFKIN INDUSTRIES, INC.**

Notes to Financial Statements

December 31, 2016 and 2015

(1) Description of Plan

The following brief description of the Thrift Plan for Hourly Employees of Lufkin Industries, Inc., (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

(a) General

The Plan was established effective January 1, 1991, to encourage eligible employees to accumulate savings systematically through the use of investments. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). In July 2013, the shareholders of Lufkin Industries, LLC a GE Oil and Gas Company (the Company) approved the merger agreement between the Company and General Electric Company. The Plan sponsor prior to July 1, 2013 was Lufkin Industries, Inc., but after the merger of Lufkin Industries Inc. with General Electric Company in July 2013, the plan sponsor became the Company. Participants should refer to the Plan agreement for more complete information.

(b) Contributions

Each eligible employee may elect to contribute between 2% and 6% of their salary on a pretax basis as a basic contribution to the Plan and an additional 1% to 18% of their salary on a pretax basis as an additional contribution, not to exceed IRS limitations. The Company has agreed to make matching contributions equal to 100% of each employee's basic contribution. Participants who have attained the age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. Beginning with the December 31, 2015 Plan year, additional profit sharing contributions will be contributed to the Plan and are generally made as a percentage of pay and are allocated in accordance with the terms of the collective bargaining agreement dated October 3, 2014. During the year ended December 31, 2016 and 2015, the Company made profit sharing contributions to the plan of \$354,191 and \$819,119, respectively.

(c) Eligible Employee

All hourly employees of the Company are eligible to participate in the Plan on the first payroll period following the date that he/she completes three months of service and are eligible for employer matching contributions upon the completion of six months of service.

(d) Participant Accounts

Each participant's account is credited with the participant's and the Company's matching contributions and allocations of Plan earnings, and charged with an allocation of administrative expenses, if any. Administrative expenses are allocated based on participant transaction activity. Interest income from individual participant loans is credited to the respective participant's account.

(e) Investment

Participants direct the investment of their contributions and the company matching contributions among one or all of thirteen different funds. Participants may transfer some or all of the balances out

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of any fund into one or any combination of the other funds. Participants may change their election options at any time during the calendar year.

(f) Vesting

Participants are always fully vested in their basic and additional contributions and the income earned thereon. In addition, Plan participants become vested in company contributions and income earned thereon based on years of service.

A participant's accrued benefit derived from Company matching contributions shall vest on the basis of the participant's whole year periods of service. The employer matching contributions are 20% vested with two years of service and a 20% increase each year until the participant becomes fully vested. A participant is 100% vested after six years of credited service.

All amounts credited to a participant's account become fully vested upon the attainment of normal retirement age (65).

Participants impacted by reductions in force or plant closures during the year were 100% vested.

(g) Distributions

On termination of service due to death, disability, or retirement, a participant (or the beneficiary) may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or installments over a 10-year period. Participants are entitled to make an in-service or hardship distribution of their vested interest from the Plan in the form of a lump-sum payment prior to retirement, death, or termination subject to certain restrictions.

(h) Forfeitures

A terminated participant's unvested account balance in the Plan that has been forfeited is used to reduce the Company's matching contributions and certain plan administrative expenses. The following table provides further detail of the forfeiture balance.

Balance December 31, 2014	\$	156,278
Investment earnings		8,976
Forfeitures		234,587
Used for administrative fees		(33,656)
Used for employer contribution		<u>(49,092)</u>
Balance December 31, 2015		317,093
Investment earnings		688
Forfeitures		—
Used for administrative fees		(37,767)
Used for employer contribution		<u>(280,000)</u>
Balance December 31, 2016	\$	<u><u>14</u></u>

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(i) Notes Receivable from Participants

Participants may borrow from their fund accounts up to the lesser of one half of their account balance or \$50,000. The notes are secured by the balance in the participant's account and bear interest at prime plus 1%. Principal and interest is paid ratably through payroll deduction over a period not to exceed five years.

(2) Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Plan:

(a) Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan sponsor to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) Risk and Uncertainties

The Plan provides for various investments in mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

(d) New Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*. The amendments in the update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The standard also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The update is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. A reporting entity shall apply the amendment retrospectively for all financial statements presented. The Plan elected to early adopt in the prior year and certain disclosures were modified or removed in accordance with the revised requirements per this ASU.

In June 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-10, *Technical Corrections and Improvements*. ASU 2015-10 included amendments to the definition of readily determinable fair value (RDFV). These amendments clarified that investments in both mutual funds and investments in structures similar to mutual funds (e.g.,

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common or collective trust funds, pooled separate accounts, money market funds, and certain private open-ended investment companies) have a RDFV when certain criteria are met. Prior to these amendments the definition of RDFV did not include reference to structures similar to mutual funds. The amendments in ASU 2015-10 related to the definition of RDFV were effective upon its issuance in June 2015.

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962) and Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts (FBRICs), (Part II) Plan Investment Disclosures, and (Part III) Health and Welfare Benefit Plans* to reduce complexity in employee benefit plan accounting. Part I clarifies that the contract value is the relevant measure for FBRICs because it is the amount participants would receive in a transaction, and simplifies reporting of FBRICs at contract value. Part II eliminates the requirements to disclose individual investments that represent 5% or more of net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type. Part II also simplifies the level of disaggregation of investments that are measured using fair value as plans are no longer required to disaggregate investments by nature, characteristics and risks, and are only required to disaggregate by general type of plan asset. Part III is not applicable to the Plan. The Plan retrospectively adopted Parts I and II of this ASU in the prior year, and adoption did not have a material impact on the Plan's financial statements. Certain disclosures were modified or removed in accordance with the revised requirements per this ASU.

(e) Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

(f) Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are charged directly to the borrowing participant's account and are included in administrative expenses when incurred. As of December 31, 2016 and 2015, no allowance for credit losses has been recorded. If a participant does not make loan repayments and the plan administrator considers the participant loan to be in default, the loan balance is reduced, and the delinquent participant note receivable is recorded as a benefit payment based on the terms of the Plan document.

(g) Payment of Benefits

Benefit payments to participants are recorded upon distribution. At December 31, 2016 and 2015, no benefit payments were payable to participants who elected to withdraw before year end but have not been paid.

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(h) Subsequent Events

Subsequent events were evaluated through October 16, 2017, which is the date the financial statements were available to be issued and it was determined there were no other items to disclose.

(3) Investments

Charles Schwab Bank is the current trustee and holds the investments of the Plan on behalf of the participants and beneficiaries. Consistent with the fiduciary standards of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA, the Company believes safeguards are adhered to in protecting the interests of the Plan's participants and their beneficiaries.

(4) Information Certified by Charles Schwab

The plan sponsor has elected the method of annual reporting compliance permitted by 29 CFR 2520.103-8 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA. The custodian has certified that the following data included in the accompanying financial statements and supplemental information is complete and accurate at December 31, 2016 and 2015 and for the years then ended.

	<u>2016</u>	<u>2015</u>
Investments, at fair value	\$ 15,187,125	29,426,509
Notes receivable from participants	838,535	1,925,971
	<u>2016</u>	<u>2015</u>
Net appreciation (depreciation) in fair value of investments	\$ 572,449	(177,581)
Dividends	145,286	413,522
Interest	36,728	72,188
Interest income on notes receivable from participants	59,020	119,107

(5) Fair Value Measurements

The Plan's investments are reported at fair value in the accompanying statements of net assets available for benefits. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities, Level 1 measurements, and the lowest priority to measurements involving significant unobservable inputs, Level 3 measurements. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally

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provide the most reliable evidence of fair value; Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. Investments whose values are classified as Level 3 prices have significant unobservable inputs, as they may trade infrequently or not at all.

The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Funds: Valued daily at quoted market prices, which represent the Net Asset Value (NAV) of shares held by the Plan at year-end and are classified within Level 1 of the valuation hierarchy.

Common Collective Trusts: Valued daily at NAV of units held by the Plan at year end and are classified within Level 1 of the valuation hierarchy.

The following is a summary of the inputs to value the Plan's investments:

		Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets/ liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2016	Fair value			
Mutual funds	\$ 3,252,283	3,252,283	—	—
Common collective trusts	11,934,842	11,934,842	—	—
Total	<u>\$ 15,187,125</u>	<u>15,187,125</u>	<u>—</u>	<u>—</u>

**THRIFT PLAN FOR HOURLY EMPLOYEES OF
LUFKIN INDUSTRIES, INC.**

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December 31, 2016 and 2015

		Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>December 31, 2015</u>	<u>Fair value</u>			
Mutual funds	\$ 6,760,445	6,760,445	—	—
Common collective trusts	<u>22,666,064</u>	<u>22,666,064</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 29,426,509</u>	<u>29,426,509</u>	<u>—</u>	<u>—</u>

There were no transfers between levels for the periods presented.

(6) Plan Termination

Although it has not expressed any intention to do so, the Company has the right under the plan agreement to terminate the Plan subject to the provisions set forth by ERISA. Participants become fully vested in the event that the Company should discontinue its contributions or upon full or partial termination of the Plan. Upon termination of the Plan, each participant's account will be distributed to the participant, either in cash or as an annuity.

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Notes to Financial Statements

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(7) Tax Status

The Plan obtained its latest determination letter on June 19, 2014, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code of 1986, as amended (the Code). The Plan received a new determination letter on June 23, 2017, subsequent to the Plan's year end stating that the Plan was in compliance with the applicable requirements with the Code. Therefore, the Plan Administrator believes that the Plan was qualified and the related trust was tax-exempt as of December 31, 2016 and 2015.

The plan sponsor has concluded that as of December 31, 2016 and 2015 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by tax authorities however, there are currently no audits for any tax periods in progress. The Plan administrator believes the Plan is no longer subject to income tax examinations for years prior to 2013.

(8) Administration of Plan Assets

Certain administrative functions are performed by officers or employees of the Company. No such officer or employee (or the Company) receives compensation from the Plan. The Company also pays a portion of the Plan's administrative expenses. Expenses that are paid by the Company are excluded from these financial statements.

(9) Party-in-Interest

The Plan invests in common collective trust funds and mutual funds managed by Charles Schwab, an affiliate of the Trustee. As such, transactions related to these investments qualify as party-in-interest transactions. The investments are considered an exception to the Prohibited Transactions Rules of ERISA. Fees paid by the Plan for the investment management services amounted to \$56,134 and \$57,502 for the year ended December 31, 2016 and 2015, respectively.

The Plan makes loans available to participants on a nondiscriminatory basis. Since the Plan Participants are employees of the Plan Sponsor, the transactions related to the loans qualify as party-in-interest transactions. Loans to Plan Participants are considered an exception to the Prohibited Transaction Rules of ERISA, since the loans are adequately secured, bear a reasonable interest rate and do not exceed certain limits.

**SUPPLEMENTAL INFORMATION INCLUDED WITH
SCHEDULE H OF FORM 5500**

December 31, 2016

**THRIFT PLAN FOR HOURLY EMPLOYEES OF
LUFKIN INDUSTRIES, INC.**

Schedule H Line 4(i) – Schedule of Assets (Held at End of Year)

EIN 75-0404410 PIN 004

December 31, 2016

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, par or maturity value	(d)** Cost	(e) Current value
Mutual Funds:				
	Artisan Midcap Fund	4,314 shares		\$ 156,952
	Baron Small Cap Fund	11,740 shares		297,613
	First Eagle Overseas	19,894 shares		445,429
	MFS Mass Inv. Growth Stock Fund	19,910 shares		459,716
	MFS Value Fund Class A	11,925 shares		429,900
	PIMCO Total Return Fund Class D	63,521 shares		637,120
*	Schwab 1000 Investment	12,597 shares		675,446
	Weitz Partners Value Fund	5,198 shares		150,107
	Total Mutual Funds			3,252,283
Common Collective Trusts:				
	Morley Stable Value Fund	363,539 shares		8,914,128
*	Schwab Managed Retirement 2010	17,323 shares		374,531
*	Schwab Managed Retirement 2020	35,393 shares		865,721
*	Schwab Managed Retirement 2030	36,791 shares		990,411
*	Schwab Managed Retirement 2040	28,166 shares		790,051
				11,934,842
Participant Loans:				
*	Participant loans	Participant loans at various maturity dates with interest rates at 5.25–5.5%. Collateralized by vested balances with maturity value equal to current value.		838,535
				\$ 16,025,660

* Party-in-interest.

** Cost information has been omitted for participant-directed investments.

See accompanying independent auditors' report.

Thrift Plan for Hourly Employees of Lufkin Industries, Inc.
Schedule C, Part I, Line 3 - Service Provider Indirect Compensation Information
December 31, 2016

EIN: 75-0404410

Plan Number: 004

Received by Charles Schwab & Co., Inc. (EIN#94-1737782)

Fund Family/Provider	EIN	Formula
Allianz Funds	06-1349805	Rate of 0.02% of average daily balance of asset(s)
Artisan	39-1811840	Rate of 0.37% of average daily balance of asset(s)
Baron Capital Group	13-3107580	Rate of 0.37% of average daily balance of asset(s)
First Eagle	13-3392291	Rate of 0.37% of average daily balance of asset(s)
MFS	04-3253929	Rate of 0.41% of average daily balance of asset(s)
Schwab Funds	94-3106735	Rate of 0.09% of average daily balance of asset(s)
Weitz	47-0693748	Rate of 0.37% of average daily balance of asset(s)

Received by Charles Schwab Bank (EIN#42-1558009)

Fund Family/Provider	EIN	Formula
Gartmore	Not Available	Rate of 0.23% of average daily balance of asset(s)
Schwab Funds	94-3106735	Rate of 0.40% of average daily balance of asset(s)

Schedule H, line 4i - Schedule of Assets (Held at End of Year)

NAME OF PLAN SPONSOR:	Lufkin Industries, Inc
NAME OF PLAN:	Thrift Plan for Hourly Employees of Lufkin Industries, Inc.
EIN:	75-0404410
PLAN NUMBER:	004

		(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current Value
(a)	(b) Identity of issue, borrower, lessor, or similar party			
*	PARTICIPANT LOANS	Loans (5.25% - 5.5%)		838,535
	MORLEY STABLE VALUE FEE CL245	Common Collective Trust Fund		8,914,128
*	Schwab Managed Retirement 2010	Common Collective Trust Fund		374,531
*	Schwab Managed Retirement 2020	Common Collective Trust Fund		865,721
*	Schwab Managed Retirement 2030	Common Collective Trust Fund		990,411
*	Schwab Managed Retirement 2040	Common Collective Trust Fund		790,051
	Artisan Midcap Fund	Registered Investment Company		156,952
	Baron Small Cap Fund	Registered Investment Company		297,613
	First Eagle Overseas A	Registered Investment Company		445,429
	MFS Mass Inv Growth Stock Fund	Registered Investment Company		459,716
	MFS Value Fund Class A	Registered Investment Company		429,900
	PIMCO Total Return Fund	Registered Investment Company		637,120
*	Schwab 1000 Index Fund	Registered Investment Company		675,446
	Weitz Partners Value	Registered Investment Company		150,107

* Party-in-interest