

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

FORM 10-Q

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

For the quarterly period ended September 29, 2013.

OR

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

For the transition period from to .

Commission File Number 001-14962

CIRCOR INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

04-3477276

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

c/o CIRCOR, Inc.

30 Corporate Drive, Suite 200, Burlington, MA

(Address of principal executive offices)

01803-4238

(Zip Code)

(781) 270-1200

(Registrant's telephone number, including area code)

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

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

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

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

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

As of October 22, 2013, there were 17,590,812 shares of the registrant's Common Stock, par value \$0.01 per share, outstanding.

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PART I FINANCIAL INFORMATION.**ITEM 1. FINANCIAL STATEMENTS**

CIRCOR INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	<u>September 29, 2013</u>	<u>December 31, 2012</u>
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 86,285	\$ 61,738
Short-term investments	98	101
Trade accounts receivable, less allowance for doubtful accounts of \$2,334 and \$1,706, respectively	151,528	150,825
Inventories	198,454	198,005
Prepaid expenses and other current assets	18,185	16,510
Deferred income tax asset	15,601	15,505
Assets held for sale	480	542
Total Current Assets	<u>470,631</u>	<u>443,226</u>
PROPERTY, PLANT AND EQUIPMENT, NET	107,415	105,903
OTHER ASSETS:		
Goodwill	76,066	77,428
Intangibles, net	42,728	45,157
Deferred income tax asset	22,600	30,064
Other assets	5,923	8,203
TOTAL ASSETS	<u>\$ 725,363</u>	<u>\$ 709,981</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 78,112	\$ 80,361
Accrued expenses and other current liabilities	59,674	67,235
Accrued compensation and benefits	30,575	26,540
Income taxes payable	2,610	393
Notes payable and current portion of long-term debt	6,667	7,755
Total Current Liabilities	<u>177,638</u>	<u>182,284</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	43,250	62,729
DEFERRED INCOME TAXES	10,037	10,744
OTHER NON-CURRENT LIABILITIES	35,380	35,977
CONTINGENCIES AND COMMITMENTS (See Note 10)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value; 29,000,000 shares authorized; 17,590,312 and 17,445,687 shares issued and outstanding at September 29, 2013 and December 31, 2012, respectively	176	174
Additional paid-in capital	267,562	262,744
Retained earnings	194,797	158,509
Accumulated other comprehensive loss, net of taxes	(3,477)	(3,180)
Total Shareholders' Equity	<u>459,058</u>	<u>418,247</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 725,363</u>	<u>\$ 709,981</u>

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

CIRCOR INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Net revenues	\$ 214,731	\$ 209,804	\$ 643,773	\$ 643,946
Cost of revenues	144,593	151,109	443,679	462,823
GROSS PROFIT	70,138	58,695	200,094	181,123
Selling, general and administrative expenses	46,392	44,314	139,561	134,562
Impairment charges	—	10,348	—	10,348
Special charges / (recoveries)	(190)	1,377	3,441	1,377
OPERATING INCOME	23,936	2,656	57,092	34,836
Other (income) expense:				
Interest income	(67)	(101)	(189)	(262)
Interest expense	812	1,223	2,559	3,482
Other expense (income), net	568	564	1,807	887
TOTAL OTHER EXPENSE	1,313	1,686	4,177	4,107
INCOME BEFORE INCOME TAXES	22,623	970	52,915	30,729
Provision (benefit) for income taxes	4,903	(899)	14,619	9,138
NET INCOME	\$ 17,720	\$ 1,869	\$ 38,296	\$ 21,591
Earnings per common share:				
Basic	\$ 1.01	\$ 0.11	\$ 2.18	\$ 1.24
Diluted	\$ 1.00	\$ 0.11	\$ 2.18	\$ 1.24
Weighted average number of common shares outstanding:				
Basic	17,582	17,433	17,553	17,391
Diluted	17,667	17,467	17,602	17,436
Dividends paid per common share	\$ 0.0375	\$ 0.0375	\$ 0.1125	\$ 0.1125

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

CIRCOR INTERNATIONAL, INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Net income	\$ 17,720	\$ 1,869	\$ 38,296	\$ 21,591
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	8,236	7,670	(295)	802
Other comprehensive income (loss)	8,236	7,670	(295)	802
COMPREHENSIVE INCOME (LOSS)	\$ 25,956	\$ 9,539	\$ 38,001	\$ 22,393

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

CIRCOR INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 29, 2013	September 30, 2012
OPERATING ACTIVITIES		
Net income	\$ 38,296	\$ 21,591
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,943	11,765
Amortization	2,273	2,823
Payment for Leslie bankruptcy settlement	—	(1,000)
Impairment charges	—	10,348
Compensation expense of share-based plans	3,343	3,409
Tax effect of share-based compensation	(536)	573
(Gain) loss on property, plant and equipment	(70)	1,148
Gain on return of acquisition purchase price	(3,400)	—
Change in operating assets and liabilities, net of effects from business acquisitions:		
Trade accounts receivable	493	(123)
Inventories	(33)	8,586
Prepaid expenses and other assets	193	(2,110)
Accounts payable, accrued expenses and other liabilities	1,259	(26,178)
Net cash provided by operating activities	<u>53,761</u>	<u>30,832</u>
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(13,579)	(14,097)
Proceeds from the sale of property, plant and equipment	348	200
Business acquisitions, return of purchase price	3,400	—
Net cash used in investing activities	<u>(9,831)</u>	<u>(13,897)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt	104,626	170,795
Payments of long-term debt	(124,351)	(192,040)
Dividends paid	(2,011)	(1,997)
Proceeds from the exercise of stock options	1,843	348
Tax effect of share-based compensation	536	(573)
Net cash used in financing activities	<u>(19,357)</u>	<u>(23,467)</u>
Effect of exchange rate changes on cash and cash equivalents	(27)	653
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>24,547</u>	<u>(5,879)</u>
Cash and cash equivalents at beginning of period	61,738	54,855
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 86,285</u></u>	<u><u>\$ 48,976</u></u>
Supplemental Cash Flow Information:		
Cash paid during the period presented for:		
Income taxes	\$ 5,463	\$ 12,959
Interest	\$ 3,132	\$ 2,333

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

CIRCOR INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited, consolidated financial statements have been prepared according to the rules and regulations of the United States Securities and Exchange Commission ("SEC") and, in the opinion of management, reflect all adjustments, which include normal recurring adjustments, necessary for a fair presentation of the consolidated balance sheets, consolidated statements of income and consolidated statements of cash flows of CIRCOR International, Inc. ("CIRCOR", the "Company", "us", "we" or "our") for the periods presented. We prepare our interim financial information using the same accounting principles as we use for our annual audited financial statements. Certain information and note disclosures normally included in the annual audited financial statements have been condensed or omitted in accordance with prescribed SEC rules. We believe that the disclosures made in our consolidated financial statements and the accompanying notes are adequate to make the information presented not misleading.

The consolidated balance sheet at December 31, 2012 is as reported in our audited financial statements as of that date. Our accounting policies are described in the notes to our December 31, 2012 financial statements, which were included in our Annual Report filed on Form 10-K. We recommend that the financial statements included in our Quarterly Report on Form 10-Q be read in conjunction with the financial statements and notes included in our Annual Report filed on Form 10-K for the year ended December 31, 2012.

We operate and report financial information using a 52-week fiscal year ending December 31. The data periods contained within our Quarterly Reports on Form 10-Q reflect the results of operations for the 13-week, 26-week and 39-week periods which generally end on the Sunday nearest the calendar quarter-end date. Operating results for the three and nine months ended September 29, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

(2) Summary of Significant Accounting Policies

The significant accounting policies used in preparation of these condensed consolidated financial statements for the three and nine months ended September 29, 2013 are consistent with those discussed in Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2012.

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("AOCI")*. The new ASU requires entities to disclose in a single location (either on the face of the financial statement that reports net income or in the notes) the effects of reclassifications out of accumulated other comprehensive income. For items reclassified out of AOCI in their entirety into net income, entities must disclose the effect of the reclassification on each affected net income item. For AOCI reclassification items that are not reclassified in their entirety into net income, entities must provide a cross reference to other required U.S. GAAP disclosures. The new disclosure requirements are effective for annual reporting after December 15, 2012, and interim periods within those years. No reclassifications out of AOCI were made by the Company for the three and nine months ended September 29, 2013 or the three and nine months ended September 30, 2012 and therefore no additional AOCI disclosure is presented in our Quarterly Report on Form 10-Q.

In July 2013, FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The new ASU requires companies to present an unrecognized tax benefit as a reduction of a deferred tax asset for a tax loss or credit carryforward on the balance sheet when either: (A) the tax law requires the company to use the tax loss or credit carryforward to satisfy amounts payable upon disallowance of the tax position, or (B) the tax loss or credit carryforward is available to satisfy amounts payable upon disallowance of the tax position, and the company intends to use the deferred tax asset for that purpose. The new disclosure requirements are effective for annual reporting after December 15, 2013 and interim periods within those years. We do not believe the adoption of this update will have a material impact on our financial statements.

There were no additional new accounting pronouncements adopted during the nine months ended September 29, 2013 that had a material impact on our financial statements.

Subsequent events - On October 31, 2013, we announced an organizational restructuring under which we will simplify the manner in which we manage our businesses. Under this restructuring we will consolidate our group structure from three groups to two, reducing management layers and administrative expenses. Consistent with our new management structure we intend to begin reporting in two segments during the fourth quarter of 2013. The first segment will be 'Energy,' which will include all of the businesses from the existing Energy segment and the majority of the current 'Flow Technologies' businesses. The second segment will be 'Aerospace and Defense,' which will include all of the current Aerospace segment businesses plus a few primarily defense-oriented businesses currently in the Flow Technologies segment.

We expect to complete this reorganization in the fourth quarter of 2013 and expect to incur special charges of between \$2.6 million to \$3.0 million associated with this reorganization during the fourth quarter of 2013.

(3) Share-Based Compensation

As of September 29, 2013, we have one share-based compensation plan. The Amended and Restated 1999 Stock Option and Incentive Plan (the "1999 Stock Plan"), which was adopted by our Board of Directors and approved by our shareholders, permits the granting of the following types of awards to our officers, other employees and non-employee directors: incentive stock options; non-qualified stock options; deferred stock awards; restricted stock awards; unrestricted stock awards; performance share awards; cash-based awards; stock appreciation rights and dividend equivalent rights. The 1999 Stock Plan provides for the issuance of up to 3,000,000 shares of common stock (subject to adjustment for stock splits and similar events). New options granted under the 1999 Stock Plan could have varying vesting provisions and exercise periods. Options granted vest in periods ranging from one year to five years and expire ten years after the grant date. Restricted stock units granted generally vest from three years to six years. Vested restricted stock units will be settled in shares of our common stock. As of September 29, 2013, there were 279,819 stock options (including the April 9, 2013 CEO stock option award noted below) and 274,675 restricted stock units outstanding. In addition, there were 397,730 shares available for grant under the 1999 Stock Plan as of September 29, 2013. As of September 29, 2013, there were no outstanding restricted stock units that contain rights to nonforfeitable dividend equivalents and are considered participating securities that are included in our computation of basic and fully diluted earnings per share. There is no difference in the earnings per share amounts between the two class method and the treasury stock method, which is why we continue to use the treasury stock method.

For all stock options granted under the 1999 Stock Plan, the fair value of each grant was estimated at the date of grant using the Black-Scholes option pricing model. Black-Scholes utilizes assumptions related to volatility, the risk-free interest rate, the dividend yield and employee exercise behavior. Expected volatilities utilized in the model are based on the historic volatility of the Company's stock price. The risk free interest rate is derived from the U.S. Treasury Yield curve in effect at the time of the grant.

On April 9, 2013, the Company granted stock options to purchase 200,000 shares of common stock to its newly appointed President and Chief Executive Officer, Scott A. Buckhout, at an exercise price of \$41.17 per share. This option award was not granted under the Company's 1999 Stock Plan and includes both a service period and a market vesting condition. The stock options will vest if the following stock price targets are met based on the stock price closing at or above these targets for 60 consecutive trading days:

Stock Price Target	Cumulative Vested Portion of Stock Options (in Shares)
\$50.00	50,000
\$60.00	100,000
\$70.00	150,000
\$80.00	200,000

Vested options may be exercised 25% at the time of vesting, 50% one year from the date of vesting and 100% two years from the date of vesting. On August 8, 2013, the \$50.00 Price Target was met, therefore, 50,000 options have vested and 12,500 are currently exercisable. This stock option award is being expensed utilizing a graded method and is subject to forfeiture in the event of employment termination (whether voluntary or involuntary) prior to vesting. To the extent that the market conditions above (stock price targets) are not met, those options will not vest and will forfeit 5 years from grant date. The Company used a Monte Carlo simulation option pricing model to value this option award with the following assumptions: 10 year term, expected life of 5.5 years, risk-free rate of 1.2%, expected volatility of 41.2%, and fair value of \$14.46 per share at grant date. No other options were granted during the first nine months of 2013.

We account for Restricted Stock Unit (“RSU Awards”) by expensing the weighted average fair value to selling, general and administrative expenses ratably over vesting periods generally ranging from three years to six years. During the nine months ended September 29, 2013 and September 30, 2012, we granted 130,845 and 132,471 RSU Awards with approximate fair values of \$41.96 and \$33.54 per RSU Award, respectively.

The CIRCOR Management Stock Purchase Plan, which is a component of the 1999 Stock Plan, provides that eligible employees may elect to receive restricted stock units in lieu of all or a portion of their pre-tax annual incentive bonus and, in some cases, make after-tax contributions in exchange for restricted stock units (“RSU MSPs”). In addition, non-employee directors may elect to receive restricted stock units in lieu of all or a portion of their annual directors’ fees. Each RSU MSP represents a right to receive one share of our common stock after a three year vesting period. RSU MSPs are granted at a discount of 33% from the fair market value of the shares of our common stock on the date of grant. This discount is amortized as compensation expense, to selling, general and administrative expenses, over a four year period. A total of 28,463 and 34,534 RSU MSPs with per unit discount amounts representing fair values of \$13.90 and \$10.81 were granted under the CIRCOR Management Stock Purchase Plan during the nine months ended September 29, 2013 and September 30, 2012, respectively.

Compensation expense related to our share-based plans for the nine month periods ended September 29, 2013, and September 30, 2012 was \$3.5 million and \$3.3 million, respectively, and was recorded as selling, general and administrative expense. As of September 29, 2013, there was \$9.0 million of total unrecognized compensation costs related to our outstanding share-based compensation arrangements (inclusive of the April 9, 2013 CEO option award). That cost is expected to be recognized over a weighted average period of 2.2 years.

The weighted average contractual term for stock options outstanding and options exercisable as of September 29, 2013 was 8.9 years and 7.4 years, respectively. The aggregate intrinsic value of stock options exercised during the nine months ended September 29, 2013 was \$1.1 million and the aggregate intrinsic value of stock options outstanding and options exercisable as of September 29, 2013 was \$6.5 million and \$1.0 million, respectively.

The aggregate intrinsic value of RSU Awards settled during the nine months ended September 29, 2013 was \$3.6 million and the aggregate intrinsic value of RSU Awards outstanding and RSU Awards vested and deferred as of September 29, 2013 was \$12.7 million and \$0.0 million, respectively.

The aggregate intrinsic value of RSU MSPs settled during the nine months ended September 29, 2013 was \$0.7 million and the aggregate intrinsic value of RSU MSPs outstanding and RSU MSPs vested and deferred as of September 29, 2013 was \$2.6 million and \$0.0 million, respectively.

(4) Inventories

Inventories consist of the following (in thousands):

	September 29, 2013	December 31, 2012
Raw materials	\$ 53,429	\$ 63,104
Work in process	99,153	86,564
Finished goods	45,872	48,337
	<u>\$ 198,454</u>	<u>\$ 198,005</u>

(5) Goodwill and Intangible Assets

The following table shows goodwill, by segment, as of September 29, 2013 (in thousands):

	Energy	Aerospace	Flow Technologies	Consolidated Total
Goodwill as of December 31, 2012	\$ 51,526	\$ 22,121	\$ 3,781	\$ 77,428
Currency translation adjustments	(1,169)	42	(235)	(1,362)
Goodwill as of September 29, 2013	<u>\$ 50,357</u>	<u>\$ 22,163</u>	<u>\$ 3,546</u>	<u>\$ 76,066</u>

The table below presents gross intangible assets and the related accumulated amortization as of September 29, 2013 (in thousands):

	Gross Carrying Amount	Accumulated Amortization
Patents	\$ 6,078	\$ (5,671)
Non-amortized intangibles (primarily trademarks and trade names)	23,601	—
Customer relationships	34,032	(18,088)
Backlog	1,114	(1,114)
Other	7,479	(4,703)
Total	<u>\$ 72,304</u>	<u>\$ (29,576)</u>
Net carrying value of intangible assets	<u>42,728</u>	

The table below presents estimated remaining amortization expense for intangible assets recorded as of September 29, 2013 (in thousands):

	2013	2014	2015	2016	2017	After 2017
Estimated amortization expense	<u>\$ 774</u>	<u>\$ 3,066</u>	<u>\$ 3,045</u>	<u>\$ 2,760</u>	<u>\$ 2,626</u>	<u>\$ 6,856</u>

(6) Segment Information

The following table presents certain reportable segment information (in thousands):

	Energy	Aerospace	Flow Technologies	Corporate / Eliminations	Consolidated Total
Three Months Ended September 29, 2013					
Net revenues	\$ 108,474	\$ 36,483	\$ 69,775	\$ —	\$ 214,731
Inter-segment revenues	410	32	126	(568)	—
Operating income (loss)	21,620	3,002	8,334	(9,020)	23,936
Interest income					(67)
Interest expense					812
Other expense, net					568
Income before income taxes					\$ 22,623
Identifiable assets	410,975	180,025	223,737	(89,374)	725,363
Capital expenditures	1,381	2,071	906	489	4,847
Depreciation and amortization	1,651	1,167	1,508	346	4,672
Three Months Ended September 30, 2012					
Net revenues	\$ 109,968	\$ 31,795	\$ 68,041	\$ —	\$ 209,804
Inter-segment revenues	577	10	194	(781)	—
Operating income (loss)	11,236	(10,284)	8,873	(7,169)	2,656
Interest income					(101)
Interest expense					1,223
Other expense, net					564
Income before income taxes					\$ 970
Identifiable assets	366,730	180,547	204,107	(53,748)	697,636
Capital expenditures	647	686	1,856	125	3,314
Depreciation and amortization	1,713	1,233	1,543	378	4,867
Nine Months Ended September 29, 2013					
Net revenues	\$ 316,027	\$ 111,986	\$ 215,760	\$ —	\$ 643,773
Inter-segment revenues	1,136	56	526	(1,718)	—
Operating income (loss)	46,233	5,469	28,335	(22,945)	57,092
Interest income					(189)
Interest expense					2,559
Other expense, net					1,807
Income before income taxes					\$ 52,915
Identifiable assets	410,975	180,025	223,737	(89,374)	725,363
Capital expenditures	5,459	4,236	3,207	677	13,579
Depreciation and amortization	4,943	3,588	4,599	1,085	14,215
Nine Months Ended September 30, 2012					
Net revenues	\$ 332,759	\$ 105,776	\$ 205,411	\$ —	\$ 643,946
Inter-segment revenues	1,477	41	589	(2,107)	—
Operating income (loss)	32,744	(3,007)	25,503	(20,404)	34,836
Interest income					(262)
Interest expense					3,482
Other expense, net					887
Income before income taxes					\$ 30,729
Identifiable assets	366,730	180,547	204,107	(53,748)	697,636
Capital expenditures	2,397	2,263	7,600	1,837	14,097
Depreciation and amortization	5,546	3,672	4,348	1,022	14,588

Each reporting segment is individually managed and has separate financial results that are reviewed by our chief operating decision-maker. Each segment contains related products and services particular to that segment. For further discussion of the products included in each segment refer to Note (1) of the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

In calculating operating income for each reporting segment, substantial administrative expenses incurred at the corporate level for the benefit of other reporting segments were allocated to the segments based upon specific identification of costs, employment related information or net revenues.

Corporate / Eliminations are reported on a net "after allocations" basis. Inter-segment intercompany transactions affecting net operating profit have been eliminated within the respective operating segments.

The operating loss reported in the Corporate / Eliminations column in the preceding table consists primarily of the following corporate expenses: compensation and fringe benefit costs for executive management and other corporate staff; corporate development costs (relating to mergers and acquisitions); human resource development and benefit plan administration expenses; legal, accounting and other professional and consulting fees; facilities, equipment and maintenance costs; and travel and various other administrative costs. The above costs are incurred in the course of furthering the business prospects of the Company and relate to activities such as: implementing strategic business growth opportunities; corporate governance; risk management; treasury; investor relations and shareholder services; regulatory compliance; and stock transfer agent costs.

The total assets for each operating segment have been reported as the Identifiable Assets for that segment, including inter-segment intercompany receivables, payables and investments in other CIRCOR businesses. Identifiable assets reported in Corporate / Eliminations include both corporate assets, such as cash, deferred taxes, prepaid and other assets, fixed assets, as well as the elimination of all inter-segment intercompany assets. The elimination of intercompany assets results in negative amounts reported in Corporate / Eliminations for Identifiable Assets for the periods ended September 29, 2013 and September 30, 2012. Corporate Identifiable Assets after elimination of intercompany assets were \$36.8 million and \$41.8 million as of September 29, 2013 and September 30, 2012, respectively.

(7) Earnings Per Common Share (in thousands, except per share amounts):

	Three Months Ended					
	September 29, 2013			September 30, 2012		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic Earnings Per Common Share ("EPS")	\$ 17,720	17,582	\$ 1.01	\$ 1,869	17,433	\$ 0.11
Dilutive securities, common stock options	—	85	(0.01)	—	34	0.00
Diluted EPS	\$ 17,720	17,667	\$ 1.00	\$ 1,869	17,467	\$ 0.11

	Nine Months Ended					
	September 29, 2013			September 30, 2012		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS	\$ 38,296	17,553	\$ 2.18	\$ 21,591	17,391	\$ 1.24
Dilutive securities, common stock options	—	49	0.00	—	45	0.00
Diluted EPS	\$ 38,296	17,602	\$ 2.18	\$ 21,591	17,436	\$ 1.24

There were 133,218 and 396,849 anti-dilutive stock options, RSU Awards, and RSU MSPs for the nine months ended September 29, 2013 and September 30, 2012, respectively.

(8) Financial Instruments

Fair Value

The carrying amounts of cash and cash equivalents, trade receivables and trade payables approximate fair value because of the short maturity of these financial instruments. Short-term investments (principally guaranteed investment certificates) are carried at cost which approximates fair value at the balance sheet date. The fair value of our variable rate debt approximates its carrying amount.

Foreign Currency Exchange Risk

The Company is exposed to certain risks relating to its ongoing business operations including foreign currency exchange rate risk and interest rate risk. The Company currently uses derivative instruments to manage foreign currency risk on certain business transactions denominated in foreign currencies. To the extent the underlying transactions hedged are completed, these forward contracts do not subject us to significant risk from exchange rate movements because they offset gains and losses on the related foreign currency denominated transactions. These forward contracts do not qualify as hedging instruments and, therefore, do not qualify for fair value or cash flow hedge treatment. Any unrealized gains and losses on our contracts are recognized as a component of other expense in our consolidated statements of income.

As of September 29, 2013, we had twenty-three forward contracts with total values as follows (in thousands):

<u>Currency</u>	<u>Number</u>	<u>Contract Amount</u>	<u>Currency</u>
Canadian Dollar/Euro	3	115	Canadian Dollars
U.S. Dollar/Euro	15	13,007	U.S. Dollars
Brazilian Real/Euro	5	0	Brazilian Reals

This compares to twelve forward contracts as of December 31, 2012. The fair value asset of the derivative forward contracts as of September 29, 2013 was approximately \$0.1 million and was included in prepaid expenses and other current assets on our balance sheet. This compares to a fair value asset of approximately \$0.5 million that was included in prepaid expenses and other current assets on our balance sheet as of December 31, 2012. The unrealized foreign exchange gain (loss) for the nine month periods ended September 29, 2013 and September 30, 2012 was less than \$0.5 million and \$0.5 million, respectively. Unrealized foreign exchange gains (losses) are included in other (income) expense in our consolidated statements of income.

We have determined that the majority of the inputs used to value our foreign currency forward contracts fall within Level 2 of the fair value hierarchy, found under Accounting Standards Codification (“ASC”) Topic 820. The credit valuation adjustments, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties are Level 3 inputs. However, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our foreign currency forward contracts and determined that the credit valuation adjustments are not significant to the overall valuation. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

(9) Guarantees and Indemnification Obligations

As permitted under Delaware law, we have agreements whereby we indemnify certain of our officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The term of the indemnification period is for the officer’s or director’s lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited. However, we have directors’ and officers’ liability insurance policies that limit our exposure for events covered under the policies and should enable us to recover a portion of any future amounts paid. As a result of the coverage under these insurance policies, we believe the estimated fair value of these indemnification agreements based on Level 3 criteria as described under ASC Topic 820 is minimal and, therefore, we have no liabilities recorded from those agreements as of September 29, 2013.

We record provisions for the estimated cost of product warranties, primarily from historical information, at the time product revenue is recognized. While we engage in extensive product quality programs and processes, our warranty obligation is affected by product failure rates, utilization levels, material usage, service delivery costs incurred in correcting a product failure, and supplier warranties on parts delivered to us. Should actual product failure rates, utilization levels, material usage, service delivery costs or supplier warranties on parts differ from our estimates, revisions to the estimated warranty liability would be required.

The following table sets forth information related to our product warranty reserves for the nine months ended September 29, 2013 (in thousands):

Balance beginning December 31, 2012	\$	3,322
Provisions		2,878
Claims settled		(1,896)
Currency translation adjustment		46
Balance ending September 29, 2013	\$	4,350

(10) Contingencies and Commitments

Asbestos-related product liability claims continue to be filed against two of our subsidiaries-Spence Engineering Company, Inc. (“Spence”), the stock of which we acquired in 1984; and Circor Instrumentation Technologies, Inc. (f/k/a Hoke Incorporated) (“Hoke”), the stock of which we acquired in 1998. Due to the nature of the products supplied by these entities, the markets they serve and our historical experience in resolving these claims, we do not believe that these asbestos-related claims will have a material adverse effect on the financial condition, results of operations or liquidity of Spence or Hoke, or the financial condition, consolidated results of operations or liquidity of the Company.

During the third quarter of 2011, we commenced arbitration proceedings against T.M.W. Corporation (“TMW”), the seller from which we acquired the assets of Castle Precision Industries in August 2010, seeking to recover damages from TMW for breaches of certain representations and warranties made by TMW in the Asset Purchase Agreement dated August 3, 2010 relative to such acquisition. We currently are in the discovery phase of this arbitration and now expect the actual hearings to occur in the second quarter of 2014.

We are currently involved in various legal claims and legal proceedings, some of which may involve substantial dollar amounts. Periodically, we review the status of each significant matter and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be estimated, we accrue a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure can be reasonably estimated. Because of uncertainties related to these matters, accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in the estimates of the potential liabilities could have a material adverse effect on our business, results of operations and financial position.

Standby Letters of Credit

We execute standby letters of credit, which include bid bonds and performance bonds, in the normal course of business to ensure our performance or payments to third parties. The aggregate notional value of these instruments was \$52.6 million at September 29, 2013. Our historical experience with these types of instruments has been good and no claims have been paid in the current or past five fiscal years. We believe that the likelihood of demand for payments relating to the outstanding instruments is remote. These instruments generally have expiration dates ranging from less than 1 month to 5 years from September 29, 2013.

The following table contains information related to standby letters of credit instruments outstanding as of September 29, 2013 (in thousands):

<u>Term Remaining</u>		<u>Maximum Potential Future Payments</u>
0–12 months	\$	42,808
Greater than 12 months		9,821
Total	\$	52,629

(11) Defined Pension Benefit Plans

We maintain two pension benefit plans, a qualified noncontributory defined benefit plan and a nonqualified, noncontributory defined benefit supplemental plan that provides benefits to certain retired highly compensated officers and employees. To date, the supplemental plan remains an unfunded plan. These plans include significant pension benefit obligations which are calculated based on actuarial valuations. Key assumptions are made in determining these obligations and related expenses,

including expected rates of return on plan assets and discount rates. Benefits are based primarily on years of service and employees' compensation.

As of July 1, 2006, in connection with a revision to our retirement plan, we froze the pension benefits of our qualified noncontributory plan participants. Under the revised plan, such participants generally do not accrue any additional benefits under the defined benefit plan after July 1, 2006.

During the three and nine months ended September 29, 2013, we made cash contributions of \$0.4 million and \$1.2 million, respectively to our qualified defined benefit pension plan. Additionally, substantially all of our U.S. employees are eligible to participate in a 401(k) savings plan. Under this plan, we make a core contribution and match a specified percentage of employee contributions, subject to certain limitations.

The components of net pension benefit expense are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Service cost-benefits earned	\$ —	\$ 52	\$ —	\$ 157
Interest cost on benefits obligation	491	513	1,473	1,540
Estimated return on assets	(591)	(531)	(1,773)	(1,595)
Prior service cost amortization	—	—	—	—
Loss amortization	189	158	567	473
Net periodic cost of defined pension benefit plans	<u>\$ 89</u>	<u>\$ 192</u>	<u>\$ 267</u>	<u>\$ 575</u>

(12) Income Taxes

As required by the Income Tax Topic of the ASC, at September 29, 2013 and at December 31, 2012, we had \$1.8 million and \$2.0 million of unrecognized tax benefits, respectively, of which \$0.9 million and \$1.1 million, respectively, would affect our effective tax rate if recognized in any future period.

We recognize interest and penalties related to uncertain tax positions in income tax expense. As of September 29, 2013, we had approximately \$0.9 million of accrued interest related to uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction and in various state, local and foreign jurisdictions. The Company is no longer subject to examination by the Internal Revenue Service for years prior to 2010 and is no longer subject to examination by the tax authorities in foreign and state jurisdictions prior to 2006. The Company is under examination for income tax filings in various state and foreign jurisdictions.

For 2013, we expect an effective income tax rate of approximately 28.0%. The effective tax rate was 21.7% for the quarter ended September 29, 2013. The primary driver of this lower tax rate in the quarter was foreign rate differentials, the UK tax rate change and a non-taxable gain on a foreign price purchase settlement, offset by a change in the valuation allowance.

Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and vice versa. Changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or interpretations thereof may also adversely affect our future effective tax rate. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

The Company has a net domestic deferred income tax asset and a net foreign deferred tax asset. With regard to deferred income tax assets, we maintained a total valuation allowance of \$14.2 million at September 29, 2013 and \$13.5 million at December 31, 2012 due to uncertainties related to our ability to utilize certain of these assets, primarily consisting of certain foreign tax credits, foreign and state net operating losses and state tax credits carried forward. The valuation allowance is based on estimates of taxable income in each of the jurisdictions in which we operate and the period over which our deferred tax assets will be recoverable. If market conditions improve and future results of operations exceed our current expectations, our existing tax valuation allowances may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realizable. Consequently, we may need to establish additional tax valuation allowances for all or a portion of the gross deferred tax assets, which may have a material adverse effect on our business, results of operations

and financial condition. The Company has had a history of domestic and foreign taxable income, is able to avail itself of federal tax carryback provisions, has future taxable temporary differences and projects future domestic and foreign taxable income. We believe that after considering all of the available objective evidence, it is more likely than not that the results of future operations will generate sufficient taxable income to realize the remaining deferred tax assets.

(13) Special Charges / Recoveries

During the third quarter of 2012 we announced restructuring actions in the Energy, Aerospace, and Flow Technologies segments ("2012 Announced Restructuring") including actions to consolidate facilities, shift expenses to lower cost regions, and exiting some non-strategic product lines.

On July 12, 2013 we reached a settlement on the SF Valves arbitration ("SF Settlement") and have received a refund of a portion of the purchase price which resulted in a gain of approximately \$3.2 million during the third quarter of 2013. This gain was recorded as a special recovery during the third quarter of 2013.

On August 1, 2013 we announced additional restructuring actions associated with our Aerospace and Flow Technologies segments ("August 1, 2013 Announced Restructuring") including actions to consolidate facilities, shift expenses to lower cost regions, and exiting some non-strategic product lines.

In addition during the third quarter of 2013 we announced that our Chief Financial Officer would be retiring and recorded a \$0.6 million ("CFO retirement") special charge for associated salary continuation and bonus.

During the three and nine months ended September 30, 2012 we incurred \$1.4 million in special charges (recoveries) associated with the 2012 Announced Restructuring actions. The following table summarizes our special charges by expense type and business segment (in thousands):

	Special Charges / Recoveries				
	As of and for the three months ended September 30, 2012				
	Energy	Aerospace	Flow Technologies	Corporate	Total
Accrued special charges as of July 1, 2012					\$ —
Facility and professional fee related expenses	1,093	209	—	—	1,302
Employee-related expenses	—	30	45	—	75
Total restructuring related special charges	\$ 1,093	\$ 239	\$ 45	\$ —	\$ 1,377
Special charges paid					(1,377)
Accrued special charges as of September 30, 2012					\$ —
	Special Charges / Recoveries				
	As of and for the nine months ended September 30, 2012				
	Energy	Aerospace	Flow Technologies	Corporate	Total
Accrued special charges as of December 31, 2011					\$ —
Facility and professional fee related expenses	1,093	209	—	—	1,302
Employee-related expenses	—	30	45	—	75
Total restructuring related special charges	\$ 1,093	\$ 239	\$ 45	\$ —	\$ 1,377
Special charges paid					(1,377)
Accrued special charges as of September 30, 2012					\$ —

During the three and nine months ended September 29, 2013 we incurred \$(0.2) million and \$3.4 million in special charges (recoveries) associated with the 2012 Announced Restructuring actions, August 1, 2013 Announced Restructuring actions, SF Settlement, and CFO Retirement. The following table summarizes our special charges by expense type and business segment (in thousands):

Special Charges / Recoveries					
As of and for the three months ended September 29, 2013					
	Energy	Aerospace	Flow Technologies	Corporate	Total
Accrued special charges as of June 30, 2013					\$ 592
Facility and professional fee related expenses	—	800	536	—	1,336
Employee-related expenses	90	337	598	—	1,025
Total restructuring related special charges	\$ 90	\$ 1,137	\$ 1,134	\$ —	\$ 2,361
CFO retirement charges	—	—	—	600	600
Total Special Charges Incurred During Period	\$ 90	\$ 1,137	\$ 1,134	\$ 600	\$ 2,961
Special charges paid					(1,650)
Accrued special charges as of September 29, 2013					\$ 1,903
Total Special Charges Incurred During Period	90	1,137	1,134	600	2,961
SF Settlement special (recoveries)	(3,151)	—	—	—	(3,151)
Special Charges / (Recoveries) During Period	\$ (3,061)	\$ 1,137	\$ 1,134	\$ 600	\$ (190)

Special Charges / Recoveries					
As of and for the nine months ended September 29, 2013					
	Energy	Aerospace	Flow Technologies	Corporate	Total
Accrued special charges as of December 31, 2012					\$ 800
Facility and professional fee related expenses	811	2,638	563	—	4,012
Employee-related expenses	391	910	680	—	1,981
Total restructuring related special charges	\$ 1,202	\$ 3,548	\$ 1,243	\$ —	\$ 5,993
CFO retirement charges	—	—	—	600	600
Total Special Charges Incurred During Period	\$ 1,202	\$ 3,548	\$ 1,243	\$ 600	\$ 6,593
Special charges paid					(5,490)
Accrued special charges as of September 29, 2013					\$ 1,903
Total Special Charges Incurred During Period	1,202	3,548	1,243	600	6,593
SF Settlement special (recoveries)	(3,152)	—	—	—	(3,152)
Special Charges / (Recoveries) During Period	\$ (1,950)	\$ 3,548	\$ 1,243	\$ 600	\$ 3,441

The following table summarizes our 2012 Announced Restructuring action special charges incurred from the end of the third quarter of 2012 through September 29, 2013.

2012 Announced Restructurings Incurred as of September 29, 2013					
	Energy	Aerospace	Flow Technologies	Corporate	Total
Facility and professional fee related expenses - incurred to date	2,113	2,869	162	—	5,144
Employee-related expenses - incurred to date	896	925	191	—	2,012
Total restructuring related special charges - incurred to date	\$ 3,009	\$ 3,794	\$ 353	\$ —	\$ 7,156

Also, in connection with the 2012 Announced Restructuring special charges noted above, we recorded \$1.2 million and \$3.0 million of repositioning related inventory obsolescence charges since the third quarter of 2012, for the Energy and Aerospace segments, respectively.

We do not anticipate any additional special charges to be incurred associated with the 2012 Announced Restructurings.

The following table summarizes our August 1, 2013 Announced Restructuring action special charges incurred during the third quarter of 2013. Charges with this action began in the third quarter of 2013.

	August 1, 2013 Announced Restructurings Incurred as of September 29, 2013				
	Energy	Aerospace	Flow Technologies	Corporate	Total
Facility and professional fee related expenses - incurred to date	—	80	536	—	616
Employee-related expenses - incurred to date	—	171	598	—	769
Total restructuring related special charges - incurred to date	\$ —	\$ 251	\$ 1,134	\$ —	\$ 1,385

Additional special charges that we expect to be recorded with the August 1, 2013 Announced Restructuring action are included in the projected amounts below.

On October 31, 2013 we announced an organizational restructuring under which we will simplify the manner in which we manage our businesses. Under this restructuring we will consolidate our group structure from three groups to two, reducing management layers and administrative expenses. We expect to complete this reorganization in the fourth quarter of 2013 and expect to incur special charges of between \$2.6 million to \$3.0 million associated with this reorganization during the fourth quarter of 2013.

We expect to incur Restructuring related special charges between \$5.3 million and \$6.0 million during Q4 2013 (between \$0.8 million and \$0.9 million for the Energy segment, between \$1.3 million and \$1.4 million for the Aerospace segment, and between \$3.2 million and \$3.7 million for the Flow Technologies segment). We expect to incur additional Restructuring related special charges between \$3.9 million and \$4.3 million during the first half of 2014 (between \$0.5 million and \$0.6 million for the Aerospace segment and between \$3.4 million and \$3.7 million for the Flow Technologies segment) to complete these restructuring actions. These restructuring activities are expected to be funded with cash generated from operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*This Quarterly Report on Form 10-Q contains certain statements that are "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995 (the "Act") and releases issued by the SEC. The words "may," "hope," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking statements. We believe that it is important to communicate our future expectations to our stockholders, and we, therefore, make forward-looking statements in reliance upon the safe harbor provisions of the Act. However, there may be events in the future that we are not able to accurately predict or control and our actual results may differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the cyclical nature and highly competitive nature of some of our end markets which can affect the overall demand for and pricing of our products, changes in the price of and demand for oil and gas in both domestic and international markets, any adverse changes in governmental policies, variability of raw material and component pricing, changes in our suppliers' performance, fluctuations in foreign currency exchange rates, our ability to hire and maintain key personnel, our ability to continue operating our manufacturing facilities at efficient levels including our ability to prevent cost overruns and continue to reduce costs, our ability to generate increased cash by reducing our inventories, our prevention of the accumulation of excess inventory, our ability to successfully implement our acquisition strategy, fluctuations in interest rates, our ability to continue to successfully defend product liability actions including asbestos-related claims, our ability to realize savings anticipated to result from the restructuring activities discussed herein, as well as the uncertainty associated with the current worldwide economic conditions and the continuing impact on economic and financial conditions in the United States and around the world as a result of terrorist attacks, current Middle Eastern conflicts and related matters. **We advise you to read further about certain of these and other risk factors set forth in Part I, Item 1A, "Risk Factors" of our Annual Report filed on Form 10-K for the year ended December 31, 2012, together with subsequent reports we have filed with the SEC on Forms 10-Q and 8-K, which may supplement, modify, supersede, or update those risk factors.** We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

Company Overview

CIRCOR International, Inc. designs, manufactures and markets valves and other highly engineered products for markets including energy, oil & gas, power generation, and aerospace. Within our major product groups, we develop, manufacture, sell and service a portfolio of fluid-control products, subsystems and technologies that enable us to fulfill our customers' unique fluid-control application needs.

We have organized our reporting structure into three segments: Energy, Aerospace, and Flow Technologies. Our Energy segment primarily serves large international energy projects, short-cycle North American energy, and the pipeline transmission equipment and services end-markets. Our Aerospace segment primarily serves the commercial and military aerospace end-markets. Our Flow Technologies segment serves our broadest variety of end-markets, including power generation, industrial and process markets, chemical and refining, and industrial and commercial HVAC/steam. The Flow Technologies segment also provides products specifically designed for U.S. and international Navy applications.

On October 31, 2013, we announced an organizational restructuring under which we will simplify the manner in which we manage our businesses. Under this restructuring we will consolidate our group structure from three groups to two during the fourth quarter of 2013. Consistent with our new management structure we intend to begin reporting in two segments during the fourth quarter of 2013. The first segment will be 'Energy,' which will include all of the businesses from the existing Energy segment and the majority of the current 'Flow Technologies' businesses. The second segment will be 'Aerospace and Defense,' which will include all of the current Aerospace segment businesses plus a few primarily defense-oriented businesses currently in the Flow Technologies segment.

We have been enhancing both our domestic and our worldwide operations through the development of the CIRCOR Business System. The CIRCOR Business System is based on lean operating techniques designed to continuously improve product and work flow and drive waste out of our manufacturing, sales, procurement and office-related systems ("Lean"). Within the CIRCOR Business System, we are committed to attracting, developing and refining the best talent and pursuing continuous improvement in all aspects of our business and operations. The CIRCOR Business System promotes improved shareholder value through the enhancement of core competencies across all of our business units, including continuous improvement, talent

acquisition, development and retention, acquisition integration and factory restructuring, global business and supply chain development and product innovation.

Our primary objective is to enhance shareholder value through improvement of operating margins on existing businesses as well as profitable growth of our diversified, multi-national company utilizing the CIRCOR Business System. We are working to accomplish these objectives by focusing on factory repositioning activities and by winning highly engineered project and product opportunities in key end-markets that have above average growth. These end-markets include the upstream and midstream oil and gas, power generation, process and aerospace markets. In capitalizing on these opportunities, we are using the CIRCOR Business System to excel at:

- Lean Enterprise, Six Sigma and Continuous Improvement;
- Talent Acquisition, Development and Retention;
- Acquisition and Factory Restructuring;
- Global Business and Supply Chain Development;
- Customer Relationship Development; and
- Product Innovation.

Through organic and acquisition-based growth our three to five year objectives are to gain significant market positions in our key end-markets and build a global capability in high-growth emerging markets while improving operating margins.

Basis of Presentation

All significant intercompany balances and transactions have been eliminated in consolidation. We monitor our business in three segments: Energy, Aerospace and Flow Technologies.

We operate and report financial information using a 52-week fiscal year ending December 31. The data periods contained within our Quarterly Reports on Form 10-Q reflect the results of operations for the 13-week, 26-week and 39-week periods which generally end on the Sunday nearest the calendar quarter-end date.

Critical Accounting Policies

The following discussion of accounting policies is intended to supplement the section "Summary of Significant Accounting Policies" presented in Note (2) to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012. These policies were selected because they are broadly applicable within our operating units. The expenses and accrued liabilities or allowances related to certain of these policies are initially based on our best estimates at the time of original entry in our accounting records. Adjustments are recorded when our actual experience, or new information concerning our expected experience, differs from underlying initial estimates. These adjustments could be material if our actual or expected experience were to change significantly in a short period of time. We make frequent comparisons of actual experience and expected experience in order to mitigate the likelihood of material adjustments.

There have been no significant changes from the methodology applied by management for critical accounting estimates previously disclosed in our most recent Annual Report on Form 10-K.

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("AOCI")*. The new ASU requires entities to disclose in a single location (either on the face of the financial statement that reports net income or in the notes) the effects of reclassifications out of accumulated other comprehensive income. For items reclassified out of AOCI in their entirety into net income, entities must disclose the effect of the reclassification on each affected net income item. For AOCI reclassification items that are not reclassified in their entirety into net income, entities must provide a cross reference to other required U.S. GAAP disclosures. The new disclosure requirements are effective for annual reporting after December 15, 2012, and interim periods within those years. No reclassifications out of AOCI were made by the Company for the three and nine months ended September 29, 2013 or the three months and nine months ended September 30, 2012 and therefore no additional AOCI disclosure is presented in our Quarterly Report on Form 10-Q.

In July 2013, FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The new ASU requires companies to present an unrecognized tax benefit as a reduction of a deferred tax asset for a tax loss or credit carryforward on the balance sheet when either: (A) the tax law requires the company to use the tax loss or credit carryforward to satisfy amounts payable upon disallowance of the tax position, or (B) the tax loss or credit carryforward is available to satisfy amounts payable upon disallowance of the tax position, and the company intends to use the deferred tax asset for that purpose. The new disclosure requirements are effective for annual reporting after December 15, 2013, and interim periods within those years. We do not believe the adoption of this update will have a material impact on our financial statements.

Revenue Recognition

Revenue is recognized when products are delivered, title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, no significant post-delivery obligations remain, the price to the buyers is fixed or determinable and collection of the resulting receivable is reasonably assured. We have limited long-term arrangements, representing less than 2% of our revenue, requiring delivery of products or services over extended periods of time and revenue and profits on certain of these arrangements are recognized in accordance with the percentage of completion method of accounting. Shipping and handling costs invoiced to customers are recorded as components of revenues and the associated costs are recorded as cost of revenues.

Allowance for Inventory

We typically analyze our inventory aging and projected future usage on a quarterly basis to assess the adequacy of our inventory allowances. We provide inventory allowances for excess, slow-moving, and obsolete inventories determined primarily by estimates of future demand. The allowance is measured on an item-by-item basis determined based on the difference between the cost of the inventory and estimated market value. The provision for inventory allowance is a component of our cost of revenues. Assumptions about future demand are among the primary factors utilized to estimate market value. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Our net inventory balance was \$198.5 million as of September 29, 2013, compared to \$198.0 million as of December 31, 2012. Our inventory allowance as of September 29, 2013 was \$24.0 million, compared with \$22.3 million as of December 31, 2012. Our provision for inventory obsolescence was \$4.2 million and \$8.4 million for the first nine months of 2013 and 2012, respectively.

If there were to be a sudden and significant decrease in demand for our products, significant price reductions, or if there were a higher incidence of inventory obsolescence for any reason, including a change in technology or customer requirements, we could be required to increase our inventory allowances and our gross profit could be adversely affected.

Inventory management remains an area of focus as we balance the need to maintain adequate inventory levels to ensure competitive lead times against the risk of inventory obsolescence.

Penalty Accruals

Some of our customer agreements, primarily in our project related businesses, contain late shipment penalty clauses whereby we are contractually obligated to pay consideration to our customers if we do not meet specified shipment dates. The accrual for estimated penalties is shown as a reduction of revenue and is based on several factors including historical customer settlement experience and management's assessment of specific shipment delay information. Accruals related to these potential late shipment penalties as of September 29, 2013, and December 31, 2012 were \$10.0 million and \$8.6 million, respectively. As we conclude performance under these agreements, the actual amount of consideration paid to our customers may vary significantly from the amounts we currently have accrued.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash, cash equivalents, short-term investments and trade receivables. A significant portion of our revenue and receivables are from customers who are either in or service the energy, aerospace and industrial markets. We perform ongoing credit evaluations of our customers and maintain allowances for potential credit losses. During 2012, 2011, and 2010, the Company did not experience any significant losses related to the collection of our accounts receivable. For the years ended December 31, 2012, 2011 and 2010 we had no customers from which we derived revenues that exceeded 10% of our consolidated revenues.

Acquisition Accounting

In connection with our acquisitions, we assess and formulate a plan related to the future integration of the acquired entity. This process begins during the due diligence phase and is concluded within twelve months of the acquisition. We account for business combinations under the purchase method, and accordingly, the assets and liabilities of the acquired businesses are recorded at their estimated fair value on the acquisition date with the excess of the purchase price over their estimated fair value recorded as goodwill. We determine acquisition related asset and liability fair values through established valuation techniques for industrial manufacturing companies and utilize third party valuation firms to assist in the valuation of certain tangible and intangible assets.

Legal Contingencies

We are currently involved in various legal claims and legal proceedings, some of which may involve substantial dollar amounts. Periodically, we review the status of each significant matter and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be estimated, we accrue a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure can be reasonably estimated. Because of uncertainties related to these matters, accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in the estimates of the potential liabilities could have a material adverse effect on our business, results of operations and financial position. For more information related to our outstanding legal proceedings, see "Contingencies and Commitments" in Note 10 of the accompanying unaudited consolidated financial statements as well as "Legal Proceedings" in Part II, Item 1 hereof.

Impairment Analysis

As required by ASC Topic 350, "Intangibles - Goodwill and Other," we perform an annual assessment as to whether there was an indication that goodwill and certain intangible assets are impaired. We also perform impairment analyses whenever events and circumstances indicate that goodwill or certain intangibles may be impaired. In assessing the fair value of goodwill, we use our best estimates of future cash flows of operating activities and capital expenditures of the reporting unit, the estimated terminal value for each reporting unit and a discount rate based on the weighted average cost of capital.

If our estimates or related projections change in the future due to changes in industry and market conditions, we may be required to record additional impairment charges. The goodwill recorded on the consolidated balance sheet as of September 29, 2013 decreased \$1.4 million to \$76.1 million compared to \$77.4 million as of December 31, 2012 due to foreign currency fluctuations. There were no impairment triggering events as of September 29, 2013.

Income Taxes

See "Income Taxes" in Note 12 of the accompanying unaudited consolidated financial statements.

Pension Benefits

We maintain two pension benefit plans, a qualified noncontributory defined benefit plan and a nonqualified, noncontributory defined benefit supplemental plan that provides benefits to certain highly compensated officers and employees. To date, the supplemental plan remains an unfunded plan. These plans include significant pension benefit obligations which are calculated based on actuarial valuations. Key assumptions are made in determining these obligations and related expenses, including expected rates of return on plan assets and discount rates. Benefits are based primarily on years of service and employees' compensation.

As of July 1, 2006, in connection with a revision to our retirement plan, we froze the pension benefits of our qualified noncontributory plan participants. Under the revised plan, such participants generally do not accrue any additional benefits under the defined benefit plan after July 1, 2006 and instead receive enhanced benefits associated with our defined contribution 401(k) plan in which substantially all of our U.S. employees are eligible to participate.

During the three and nine months ended September 29, 2013, we made cash contributions of \$0.4 million and \$1.2 million, respectively to our qualified defined benefit pension plan. For the remainder of 2013, we expect to make a voluntary cash contribution of approximately \$0.4 million to our qualified defined benefit pension plan, although global capital market and interest rate fluctuations may impact future funding requirements.

Results of Operations for the Three Months Ended September 29, 2013 Compared to the Three Months Ended September 30, 2012

The following table sets forth the results of operations, percentage of net revenues and the period-to-period percentage change in certain financial data for the three months ended September 29, 2013 and September 30, 2012:

	Three Months Ended		Three Months Ended		% Change
	September 29, 2013		September 30, 2012		
	(Dollars in thousands)				
Net revenues	\$ 214,731	100.0 %	\$ 209,804	100.0 %	2.3 %
Cost of revenues	144,593	67.3 %	151,109	72.0 %	(4.3)%
Gross profit	70,138	32.7 %	58,695	28.0 %	19.5 %
Selling, general and administrative expenses	46,392	21.6 %	44,314	21.1 %	4.7 %
Impairment charges	—	— %	10,348	4.9 %	(100.0)%
Special charges / (recoveries)	(190)	(0.1)%	1,377	0.7 %	(113.8)%
Operating income	23,936	11.1 %	2,656	1.3 %	801.2 %
Other expense:					
Interest expense, net	745	0.3 %	1,122	0.5 %	(33.6)%
Other expense, net	568	0.3 %	564	0.3 %	0.7 %
Total other expense	1,313	0.6 %	1,686	0.8 %	(22.1)%
Income before income taxes	22,623	10.5 %	970	0.5 %	2,232.3 %
Provision for income taxes	4,903	2.3 %	(899)	(0.4)%	(645.4)%
Net income	\$ 17,720	8.3 %	\$ 1,869	0.9 %	848.1 %

Net Revenues

Net revenues for the three months ended September 29, 2013 increased by \$4.9 million, or 2%, to \$214.7 million from \$209.8 million for the three months ended September 30, 2012. The change in net revenues for the three months ended September 29, 2013 was attributable to the following:

Segment	Three Months Ended		Total Change	Operations	Foreign Exchange
	September 29, 2013	September 30, 2012			
	(In thousands)				
Energy	\$ 108,474	\$ 109,968	\$ (1,494)	\$ (3,567)	\$ 2,073
Aerospace	36,483	31,795	4,688	4,026	662
Flow Technologies	69,774	68,041	1,733	1,207	526
Total	\$ 214,731	\$ 209,804	\$ 4,927	\$ 1,666	\$ 3,261

The Energy segment accounted for approximately 51% of net revenues for the three months ended September 29, 2013 compared to 52% for the three months ended September 30, 2012. The Aerospace segment accounted for 17% of net revenues for the three months ended September 29, 2013 compared to 15% for the three months ended September 30, 2012. The Flow Technologies segment accounted for 32% of net revenues for the three months ended September 29, 2013 compared to 32% for the three months ended September 30, 2012.

Energy segment revenues decreased by \$1.5 million, or 1%, for the three months ended September 29, 2013 compared to the three months ended September 30, 2012. The decreased revenue was driven by \$3.6 million (3%) of organic declines primarily due to reductions in the short-cycle North American market as rig counts are down year over year partially offset by growth in large international projects. This net year over year organic decrease was offset by favorable foreign currency fluctuations of \$2.1 million. Energy segment orders decreased \$17.1 million to \$101.0 million for the three months ended September 29, 2013 compared to \$118.1 million for the same period in 2012 primarily due to lower large international projects. Backlog for our Energy segment has decreased \$1.9 million to \$208.5 million as of September 29, 2013 compared to \$210.4 million as of September 30, 2012 primarily due to our large international project business.

Aerospace segment revenues increased by \$4.7 million, or 15%, for the three months ended September 29, 2013 compared to the same period in 2012. The revenue increase was due to net organic increases of \$4.0 million (13%) with contributions from most of our markets as well as favorable foreign currency fluctuations of \$0.7 million. Orders for this segment increased \$0.9 million to \$43.8 million for the three months ended September 29, 2013 compared to \$42.9 million for the same period in 2012 primarily due to growth in most markets partially offset by a decline in landing gear. Order backlog decreased \$1.7 million to \$161.0 million as of September 29, 2013 compared to \$162.7 million as of September 30, 2012.

Flow Technologies segment revenues increased by \$1.7 million, or 3%, for the three months ended September 29, 2013 compared to the same period in 2012. The revenue increase was due to net organic increases of \$1.2 million (2%) primarily due to contributions from power and instrumentation, as well as favorable foreign currency fluctuations of \$0.5 million. This segment's customer orders increased \$14.0 million to \$78.5 million for the three months ended September 29, 2013 compared to \$64.5 million for the same period in 2012 with growth across the segment. Order backlog increased \$6.2 million to \$77.4 million as of September 29, 2013 compared to \$71.2 million as of September 30, 2012.

Special Charges / (Recoveries)

Special charges / (recoveries) of (\$0.2) million were recorded during the three months ended September 29, 2013; (\$3.1) million of recoveries in our Energy segment, partially offset by \$1.1 million of expenses in our Aerospace segment, \$1.1 million of expenses in our Flow Technologies segment, and \$0.6 million in Corporate.

Special charges of \$1.3 million were recorded during the three months ended September 30, 2012; \$1.1 million in our Energy segment, \$0.2 million in our Aerospace segment, and less than \$0.1 million in our Flow Technologies segment.

For additional information on the special charges / (recoveries), see Note 13 of the accompanying unaudited consolidated financial statements.

Operating Income (Loss)

The change in operating income for the three months ended September 29, 2013 compared to the three months ended September 30, 2012 was as follows:

Segment	Three Months Ended		Total Change	Operations	Foreign Exchange	Impairment, Special, and Restructuring (1)
	September 29, 2013	September 30, 2012				
	(In thousands)					
Energy	\$ 21,620	\$ 11,236	\$ 10,384	\$ 2,544	\$ 581	\$ 7,258
Aerospace	3,002	(10,284)	13,286	2,793	20	10,473
Flow Technologies	8,334	8,873	(539)	443	109	(1,091)
Corporate	(9,020)	(7,169)	(1,851)	(1,253)	3	(600)
Total	\$ 23,936	\$ 2,656	\$ 21,280	\$ 4,527	\$ 713	\$ 16,040

(1) Includes inventory restructuring, impairment and special charges - see tables below

Inventory restructuring, impairment, and special charges for the three months ended September 29, 2013 and September 30, 2012 were as follows:

<u>Segment</u>	<u>Three Months Ended</u>	<u>Inventory Restructuring</u>	<u>Impairment Charges</u>	<u>Special and Restructuring</u>
	<u>September 30, 2012</u>			
	(In thousands)			
Energy	\$ 4,196	\$ 947	\$ 2,156	\$ 1,093
Aerospace	11,609	3,177	8,193	239
Flow Technologies	45	—	—	45
Corporate	—	—	—	—
Total	\$ 15,850	\$ 4,124	\$ 10,349	\$ 1,377

<u>Segment</u>	<u>Three Months Ended</u>	<u>Inventory Restructuring</u>	<u>Impairment Charges</u>	<u>Special and Restructuring</u>
	<u>September 29, 2013</u>			
	(In thousands)			
Energy	\$ (3,062)	\$ —	\$ —	\$ (3,062)
Aerospace	1,136	—	—	1,136
Flow Technologies	1,136	—	—	1,136
Corporate	600	—	—	600
Total	\$ (190)	\$ —	\$ —	\$ (190)

Operating income increased 801%, or \$21.3 million, to \$23.9 million for the three months ended September 29, 2013 compared to \$2.7 million for the same period in 2012.

Operating income for our Energy segment increased \$10.4 million, or 92%, to \$21.6 million for the three months ended September 29, 2013, compared to the same period in 2012. The increase in operating income was primarily driven by net organic increases of \$2.5 million (23%), a \$7.3 million year over year reduction of special, impairment, and inventory restructuring related charges, and favorable foreign currency fluctuations \$0.6 million. Operating margins improved 970 basis points to 19.9% compared to the same period in 2012 primarily driven by a year over year reduction of inventory restructuring, impairment, and restructuring related charges, SF Settlement recovery of purchase price and by improved order mix and pricing within our large international project business as well as Brazil restructuring benefits.

Operating income for the Aerospace segment increased \$13.3 million, or 129%, to \$3.0 million for the three months ended September 29, 2013 compared to the same period in 2012. The increase in operating income was primarily driven by net organic increases of \$2.8 million (27%) and a \$10.5 million reduction in inventory restructuring, impairment, and restructuring related charges from the prior year. Operating margins improved 4,050 basis points to 8.2% compared to the same period in 2012 due primarily to reduced restructuring charges, increased volume and savings associated with the California restructuring.

Operating income for the Flow Technologies segment decreased \$0.5 million, or 6%, to \$8.3 million for the three months ended September 29, 2013 compared to the same period in 2012. The decrease in operating income was primarily driven by \$1.1 million in higher restructuring related charges partially offset by net organic increase of \$0.4 million (5%) and favorable foreign currency fluctuations of \$0.1 million. Operating margins declined by 110 basis points to 11.9% compared to the same period in 2012 primarily due to increased restructuring related special charges and sales and marketing investments for growth partially offset by improved sales volume, associated leverage and improved pricing.

Corporate operating expenses increased \$1.9 million, or 26%, to \$9.0 million for the three months ended September 29, 2013 compared to the same period in 2012, primarily due to higher special charges and variable compensation.

Interest Expense, Net

Interest expense, net, decreased \$0.4 million to \$0.7 million for the three months ended September 29, 2013 compared to the three months ended September 30, 2012. This change in interest expense was primarily due to lower outstanding debt balances.

Other Expense, Net

Other expense, net, was \$0.6 million for the three months ended September 29, 2013 compared to \$0.6 million in the same period of 2012.

Provision for Taxes

The effective tax rate was 21.7% for the quarter ended September 29, 2013 compared to (92.8)% for the same period of 2012. The primary driver of the higher tax rate in the quarter ended September 29, 2013 was that pre-tax income exceeded \$22 million versus less than \$1 million in the quarter ended September 30, 2012.

For 2013, we expect an effective income tax rate of approximately 28.0%. The primary driver of this lower tax rate in the quarter was foreign rate differentials, the UK tax rate change and a non-taxable gain on a foreign price purchase settlement, offset by a change in the valuation allowance.

Net Income

Net income increased approximately \$15.9 million to \$17.7 million for the quarter ended September 29, 2013 compared to \$1.9 million for the same period in 2012.

Results of Operations for the Nine Months Ended September 29, 2013 Compared to the Nine Months Ended September 30, 2012

The following table sets forth the results of operations, percentage of net revenues and the period-to-period percentage change in certain financial data for the nine months ended September 29, 2013 and September 30, 2012:

	Nine Months Ended September 29, 2013		Nine Months Ended September 30, 2012		% Change
	(Dollars in thousands)				
Net revenues	\$ 643,773	100.0%	\$ 643,946	100.0%	— %
Cost of revenues	443,679	68.9%	462,823	71.9%	(4.1)%
Gross profit	200,094	31.1%	181,123	28.1%	10.5 %
Selling, general and administrative expenses	139,561	21.7%	134,562	20.9%	3.7 %
Impairment charges	—	—%	10,348	1.6%	(100.0)%
Special charges	3,441	0.5%	1,377	0.2%	149.9 %
Operating income	57,092	8.9%	34,836	5.4%	63.9 %
Other expense:					
Interest expense, net	2,370	0.4%	3,220	0.5%	(26.4)%
Other expense, net	1,807	0.3%	887	0.1%	103.7 %
Total other expense	4,177	0.6%	4,107	0.6%	1.7 %
Income before income taxes	52,915	8.2%	30,729	4.8%	72.2 %
Provision for income taxes	14,619	2.3%	9,138	1.4%	60.0 %
Net income	\$ 38,296	5.9%	\$ 21,591	3.4%	77.4 %

Net Revenues

Net revenues for the nine months ended September 29, 2013 decreased by \$0.2 million, or 0.0%, to \$643.8 million from \$643.9 million for the nine months ended September 30, 2012. The change in net revenues for the nine months ended September 29, 2013 was attributable to the following:

Segment	Nine Months Ended			Operations	Foreign Exchange	Impairment, Special and Restructuring (1)
	September 29, 2013	September 30, 2012	Total Change			
(Dollars In thousands)						
Energy	\$ 46,234	\$ 32,744	\$ 13,490	\$ 6,781	\$ 859	\$ 5,850
Aerospace	5,469	(3,007)	8,476	114	15	8,348
Flow Technologies	28,336	25,503	2,833	4,112	(84)	(1,198)
Corporate	(22,946)	(20,404)	(2,542)	(1,933)	(7)	(600)
Total	\$ 57,093	\$ 34,836	\$ 22,257	\$ 9,074	\$ 783	\$ 12,400

(1) Includes inventory restructuring, impairment and special charges - see tables below

Inventory restructuring, impairment, and special charges for the nine months ended September 29, 2013 and September 30, 2012 were as follows:

Segment	Nine Months Ended			
	September 30, 2012	Inventory Restructuring	Impairment Charges	Special and Restructuring
(In thousands)				
Energy	\$ 4,196	\$ 947	\$ 2,156	\$ 1,093
Aerospace	11,609	3,177	8,193	239
Flow Technologies	45	—	—	45
Corporate	—	—	\$ —	—
Total	\$ 15,850	\$ 4,124	\$ 10,349	\$ 1,377

Segment	Nine Months Ended			
	September 29, 2013	Inventory Restructuring	Impairment Charges	Special and Restructuring
(In thousands)				
Energy	\$ (1,654)	\$ 296	\$ —	\$ (1,950)
Aerospace	3,259	(288)	—	3,547
Flow Technologies	1,244	—	—	1,244
Corporate	600	—	—	600
Total	\$ 3,449	\$ 8	\$ —	\$ 3,441

Operating income increased 64%, or \$22.3 million, to \$57.1 million for the nine months ended September 29, 2013 compared to \$34.8 million for the same period in 2012.

Operating income for our Energy segment increased \$13.5 million, or 41%, to \$46.2 million for the nine months ended September 29, 2013, compared to the same period in 2012. Operating margins improved 480 basis points to 14.6% on a revenue decrease of 5%, compared to the first nine months in 2012. The increase in operating income was primarily driven by favorable pricing within our large international project business, lower inventory restructuring charges and savings from the Brazil restructuring partially offset primarily by lower impairment charges, lower gross margin associated with lower shipment volume and higher operating expenses.

Operating income for the Aerospace segment increased \$8.5 million, or 282%, to \$5.5 million for the nine months ended September 29, 2013 compared to the same period in 2012. Operating income was higher primarily due to lower impairment charges, lower inventory restructuring charges, savings from the California restructuring as well as higher gross margin associated with higher shipment volume partially offset by large new program expenses.

Operating income for the Flow Technologies segment increased \$2.8 million, or 11%, to \$28.3 million for the nine months ended September 29, 2013 compared to the same period in 2012. Operating income was higher primarily due to lower restructuring charges, improved gross margin associated with higher shipment volume and favorable pricing partially offset by sales and marketing investments for growth and special and restructuring charges.

Corporate operating expenses increased \$2.5 million, or 12%, to \$22.9 million for the nine months ended September 29, 2013 compared to the same period in 2012, primarily due to higher variable compensation.

Interest Expense, Net

Interest expense, net, decreased \$0.9 million to \$2.4 million for the nine months ended September 29, 2013 compared to the nine months ended September 30, 2012. This reduction in interest expense was primarily due to lower interest charges from lower borrowings associated with our revolving credit facility and other borrowings.

Other Expense, Net

Other expense, net, was \$1.8 million for the nine months ended September 29, 2013 compared to \$0.9 million in the same period of 2012. The difference of \$0.9 million was largely the result of the remeasurement of foreign currency balances.

Provision for Taxes

The effective tax rate was 27.6% for the nine months ended September 29, 2013 compared to 29.7% for the same period of 2012. The primary driver of the lower 2013 tax rate was a smaller loss for one of our international subsidiaries, which was not tax-benefited in either period, partially offset by discrete tax benefits recognized in the quarter ended September 30, 2012.

Net Income

Net income increased \$16.7 million to \$38.3 million for the nine months ended September 29, 2013 compared to \$21.6 million for the same period in 2012.

Liquidity and Capital Resources

Our liquidity needs arise primarily from capital investment in machinery, equipment and the improvement of facilities, funding working capital requirements to support business growth initiatives, acquisitions, dividend payments, pension funding obligations and debt service costs. We have historically generated cash from operations and remain in a strong financial position, with resources available for reinvestment in existing businesses, strategic acquisitions and managing our capital structure on a short and long-term basis.

The following table summarizes our cash flow activities for the nine months ended September 29, 2013 (in thousands):

Cash flow provided by (used in):

Operating activities	\$	53,761
Investing activities		(9,831)
Financing activities		(19,357)
Effect of exchange rates on cash and cash equivalents		(27)
Decrease in cash and cash equivalents	\$	<u>24,546</u>

During the nine months ended September 29, 2013, we generated \$53.8 million in operating activities compared to \$30.8 million generated during the same period in 2012. The higher amounts of cash provided by operating activities during the nine months ended September 29, 2013 was primarily due to higher net income and increases in accounts payable and accrued expense balances compared to the nine months ended September 30, 2012. The \$9.8 million used by investing activities primarily consists of net purchases of capital equipment partially offset by the \$3.4 million return of purchase price associated with a business we acquired in 2011. Financing activities used \$19.4 million, which included a \$19.7 million net reduction of borrowings. As of September 29, 2013, total debt was \$49.9 million compared to \$70.5 million at December 31, 2012. Total debt as a percentage of total shareholders' equity was 10.9% as of September 29, 2013 compared to 16.9% as of December 31, 2012.

On May 2, 2011, we entered into a five year unsecured credit agreement ("2011 Credit Agreement") that provides for a \$300.0 million revolving line of credit. The 2011 Credit Agreement includes a \$150.0 million accordion feature for a maximum facility size of \$450.0 million. The 2011 Credit Agreement also allows for additional indebtedness not to exceed \$80 million. We anticipate borrowing under the 2011 Credit Agreement to fund potential acquisitions, to support our organic growth initiatives and working capital needs, and for general corporate purposes. As of September 29, 2013, we had borrowings of \$42.4 million outstanding under our credit facility and \$52.6 million was allocated to support outstanding letters of credit.

Certain of our loan agreements contain covenants that require, among other items, maintenance of certain financial ratios and also limit our ability to: enter into secured and unsecured borrowing arrangements; issue dividends to shareholders; acquire and dispose of businesses; invest in capital equipment; transfer assets among domestic and international entities; participate in certain higher yielding long-term investment vehicles; and issue additional shares of our stock. The two primary financial covenants are leverage ratio and interest coverage ratio. We were in compliance with all financial covenants related to our existing debt obligations on September 29, 2013 and we believe it is reasonably likely that we will continue to meet such covenants in the near future.

The ratio of current assets to current liabilities was 2.65:1 as of September 29, 2013 compared to 2.43:1 at December 31, 2012. The increase in the current ratio was primarily due to the payment of short term borrowings, which reduced our current liabilities compared to December 31, 2012. As of September 29, 2013, cash and cash equivalents totaled \$86.3 million, of which approximately \$68.7 million was held in foreign bank accounts. This compares to \$61.7 million of cash and cash equivalents as of December 31, 2012 of which \$61.7 million was held in foreign bank accounts. The cash and cash equivalents located at our foreign subsidiaries may not be repatriated to the United States or other jurisdictions without significant tax implications. We believe that our U.S. based subsidiaries, in the aggregate, will generate positive operating cash flows and in addition we may utilize our 2011 Credit Facility for U.S. based subsidiary cash needs. As a result, we believe that we will not need to repatriate cash from our foreign subsidiaries with earnings that are indefinitely reinvested.

On November 4, 2010, we filed with the SEC a shelf registration statement on Form S-3 under which we may issue up to \$400 million of securities including debt securities, common stock, preferred stock, warrants to purchase any such securities and units comprised of any such securities (the "Securities"). The registration statement was declared effective by the SEC on December 17, 2010. We may offer these Securities from time to time in amounts, at prices and on terms to be determined at the time of sale. We believe that with this registration statement, we will have greater flexibility to take advantage of financing opportunities, acquisitions and other business opportunities when and if such opportunities arise. Depending on market conditions, we may issue securities under this or future registration statements or in private offerings exempt from registration requirements.

In 2013, we expect to generate positive cash flow from operating activities sufficient to support our capital expenditures and pay dividends of approximately \$2.7 million based on our current dividend practice of paying \$0.15 per share annually. Based on our expected cash flows from operations and contractually available borrowings under our credit facility, we expect to have sufficient liquidity to fund working capital needs and future growth. We continue to search for strategic acquisitions; a larger acquisition may require additional borrowings and/or the issuance of our common stock.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Sensitivity Risk

As of September 29, 2013, our primary interest rate risk is related to borrowings under our revolving credit facility. The interest rate for our revolving credit facility fluctuates with changes in short-term interest rates. We had \$42.4 million borrowed under our revolving credit facility as of September 29, 2013. Based upon expected levels of borrowings under our credit facility in 2013, an increase in variable interest rates of 100 basis points would have an effect on our annual results of operations and cash flows of approximately \$0.1 million.

Foreign Currency Exchange Risk

The Company is exposed to certain risks relating to its ongoing business operations including foreign currency exchange rate risk and interest rate risk. The Company currently uses derivative instruments to manage foreign currency risk on certain business transactions denominated in foreign currencies. To the extent the underlying transactions hedged are completed, these forward contracts do not subject us to significant risk from exchange rate movements because they offset gains and losses on the related foreign currency denominated transactions. These forward contracts do not qualify as hedging instruments and, therefore, do not qualify for fair value or cash flow hedge treatment. Any unrealized gains and losses on our contracts are recognized as a component of other expense in our consolidated statements of income.

As of September 29, 2013, we had twenty-three forward contracts with total values as follows (in thousands):

<u>Currency</u>	<u>Number</u>	<u>Contract Amount</u>	<u>Currency</u>
Canadian Dollar/Euro	3	115	Canadian Dollars
U.S. Dollar/Euro	15	13,007	U.S. Dollars
Brazilian Real/Euro	5	0	Brazilian Reais

This compares to twelve forward contracts as of December 31, 2012. The fair value liability of the derivative forward contracts as of September 29, 2013 was approximately \$0.1 million and was included in accrued expenses and other current liabilities on our balance sheet. This compares to a fair value asset of approximately \$0.5 million that was included in prepaid expenses and other current assets on our balance sheet as of December 31, 2012. The unrealized foreign exchange gain (loss) for the nine month periods ended September 29, 2013 and September 30, 2012 was less than \$0.5 million and \$0.5 million, respectively. Unrealized foreign exchange gains (losses) are included in other (income) expense in our consolidated statements of income.

We have determined that the majority of the inputs used to value our foreign currency forward contracts fall within Level 2 of the fair value hierarchy, found under ASC 820. The credit valuation adjustments, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties are Level 3 inputs. However, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our foreign currency forward contracts and determined that the credit valuation adjustments are not significant to the overall valuation. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were designed and were effective to give reasonable assurance that information we disclose in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure and that such information is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

Changes in Internal Controls Over Financial Reporting

We have made no changes in our internal controls over financial reporting during the quarter ended September 29, 2013 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION.

ITEM 1. LEGAL PROCEEDINGS.

Early in the third quarter of 2012 we commenced arbitration proceedings against the individuals from whom we purchased SF Valves in Brazil for breaches of certain representations and warranties made in the Stock Purchase Agreement dated February 4, 2011. On July 12, 2013 we reached a settlement on the SF Valves arbitration and have received a refund of a portion of the purchase price which resulted in a gain of approximately \$3.2 million during the third quarter of 2013.

Asbestos-related product liability claims continue to be filed against two of our subsidiaries-Spence Engineering Company, Inc. (“Spence”), the stock of which we acquired in 1984; and Circor Instrumentation Technologies, Inc. (f/k/a Hoke Incorporated) (“Hoke”), the stock of which we acquired in 1998. Due to the nature of the products supplied by these entities, the markets they serve and our historical experience in resolving these claims, we do not believe that these asbestos-related claims will have a material adverse effect on the financial condition, results of operations or liquidity of Spence or Hoke, or our financial condition, consolidated results of operations or liquidity of the Company.

During the third quarter of 2011, we commenced arbitration proceedings against T.M.W. Corporation (“TMW”), the seller from which we acquired the assets of Castle Precision Industries in August 2010, seeking to recover damages from TMW for breaches of certain representations and warranties made by TMW in the Asset Purchase Agreement dated August 3, 2010 relative to such acquisition. We currently are in the discovery phase of this arbitration and now expect the actual hearings to occur in the second quarter of 2014.

We are currently involved in various legal claims and legal proceedings, some of which may involve substantial dollar amounts. Periodically, we review the status of each significant matter and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be estimated, we accrue a liability for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure can be reasonably estimated. Because of uncertainties related to these matters, accruals are based on the best information available at the time. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise our estimates. Such revisions in the estimates of the potential liabilities could have a material adverse effect on our business, results of operations and financial position.

ITEM 1A. RISK FACTORS.

We have not identified any material changes from the risk factors as previously disclosed in Item 1A to Part I of our Annual Report on Form 10-K for the year ended December 31, 2012.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Working Capital Restrictions and Limitations upon Payment of Dividends

Certain of our loan agreements contain covenants that require, among other items, maintenance of certain financial ratios and also limit our ability to: enter into secured and unsecured borrowing arrangements; issue dividends to shareholders; acquire and dispose of businesses; invest in capital equipment; transfer assets among domestic and international entities; participate in certain higher yielding long-term investment vehicles; and issue additional shares of our stock. The two primary financial covenants are leverage ratio and interest coverage ratio. We were in compliance with all covenants related to our existing debt obligations at September 29, 2013 and December 31, 2012. We believe it is reasonably likely that we will continue to meet such covenants in the near future.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

On October 31, 2013, the Company announced certain leadership changes in connection with the simplification of its organizational structure. As a result, Wayne F. Robbins, currently Executive Vice President and Chief Operating Officer, will transition into the role of Executive Vice President and Group President--Circor Energy which will now consist of a combination of the Company's previously existing Energy group together with a majority of the businesses previously in the Flow Technologies group. At the same time, the Company announced that, in connection with this change in organizational structure, Mahesh Joshi, the current Group President -- Circor Energy, will be leaving the Company.

By resolution of the Board of Directors dated October 30, 2013, the Bylaws of the Company were amended in order to afford flexibility on the part of the Board of Directors to hold its regular Annual Meeting either immediately preceding or immediately following the Annual Meeting of Stockholders. Prior to such resolution, the Bylaws contemplated that the regular Annual Meeting of the Board of Directors would occur immediately after the Annual Meeting of Stockholders. The amendment took effect upon adoption by the Board of Directors on October 30, 2013. The preceding is qualified in its entirety by reference to the Company's Amended and Restated Bylaws, as amended, which are attached herewith Exhibit 3.1 and are incorporated herein by reference.

ITEM 6. EXHIBITS.

Exhibit No.	Description and Location
3.1*	Amended and Restated Bylaws, as amended, of Circor International, Inc as of October 30, 2013.
10.1§*	Agreement, dated as of July 31, 2013, between Circor International, Inc and Frederic M. Burditt
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from CIRCOR International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 29, 2013, as filed with the Securities and Exchange Commission on October 24, 2013, formatted in XBRL (eXtensible Business Reporting Language), as follows: <ul style="list-style-type: none">(i) Consolidated Balance Sheets as of September 29, 2013 (unaudited) and December 31, 2012(ii) Consolidated Statements of Income for the three and nine months ended September 29, 2013 and September 30, 2012 (unaudited)(iii) Statements of Consolidated Comprehensive Income (Loss) for the three and nine months ended September 29, 2013 and September 30, 2012 (unaudited)(iv) Consolidated Statements of Cash Flows for the nine months ended September 29, 2013 and September 30, 2012 (unaudited)(v) Notes to the Consolidated Financial Statements (unaudited)
*	Filed with this report.
**	Furnished with this report.
§	Indicates management contract or compensatory plan or arrangement.

SIGNATURES

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

CIRCOR INTERNATIONAL, INC.

October 31, 2013

/s/ Scott A. Buckhout

Scott A. Buckhout
President and Chief Executive Officer
Principal Executive Officer

October 31, 2013

/s/ Frederic M. Burditt

Frederic M. Burditt
Vice President, Chief Financial Officer
Principal Financial Officer

October 31, 2013

/s/ John F. Kober

John F. Kober
Vice President, Corporate Controller and Treasurer
Principal Accounting Officer

**AMENDED AND RESTATED BY-LAWS
OF**

**CIRCOR INTERNATIONAL, INC.
(the "Corporation")**

ARTICLE I
Stockholders

SECTION 1. Annual Meeting. The annual meeting of stockholders (any such meeting being referred to in these By-laws as an "Annual Meeting") shall be held at the hour, date and place within or without the United States which is fixed by the majority of the Board of Directors, the Chairman of the Board, if one is elected, or the President, which time, date and place may subsequently be changed at any time by vote of the Board of Directors. If no Annual Meeting has been held for a period of thirteen months after the Corporation's last Annual Meeting, a meeting in lieu thereof may be held, and such meeting shall have, for the purposes of these By-laws or otherwise, all the force and effect of an Annual Meeting. Any and all references hereafter in these By-laws to an Annual Meeting or Annual Meetings also shall be deemed to refer to any meeting(s) in lieu thereof.

SECTION 2. Special Meetings. Except as otherwise required by law and subject to the rights, if any, of the holders of any series of preferred stock, special meetings of the stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution approved by the affirmative vote of a majority of the directors then in office.

SECTION 3. Notice of Stockholder Business and Nominations. (a) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an Annual Meeting (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this By-law, who is entitled to vote at the meeting

and who complied with the notice procedures set forth in this By-law.

(2) For nominations or other business to be properly brought before an Annual Meeting by a stockholder pursuant to clause (c) of paragraph (a)(1) of this By-law, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's Annual Meeting; provided, however, that in the event that the date of the Annual Meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such Annual Meeting and not later than the close of business on the later of the 90th day prior

to such Annual Meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an Annual Meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this By-law to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 100 days prior to the first anniversary of the preceding year's Annual Meeting, a stockholder's notice required by this By-law shall also be considered timely, but

only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this By-law, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this By-law. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a)(2) of this By-law shall be delivered to the Secretary at the principal executive

offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this By-law shall be eligible for election as and to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this By-law. If the Board of Directors or a designated committee thereof determines that any stockholder proposal or nomination was not made in a timely fashion in accordance with the provisions of this By-law or that the information provided in a stockholder's notice does not satisfy the information requirements of this By-law in any material respect, such proposal or nomination shall not be presented for action at the Annual Meeting in question. If neither the Board of Directors nor such committee makes a determination as to the validity of any stockholder proposal or nomination in the manner set forth above, the presiding officer of the Annual Meeting shall determine whether the stockholder proposal or nomination was made in accordance with the terms of this By-law. If the presiding officer determines that any stockholder proposal or nomination was not made in a timely fashion in accordance with the provisions of this By-law or that the information provided in a stockholder's notice does not satisfy the

information requirements of this By-law in any material respect, such proposal or nomination shall not be presented for action at the Annual Meeting in question. If the Board of Directors, a designated committee thereof or the presiding officer determines that a stockholder proposal or nomination was made in accordance with the requirements of this By-law, the presiding officer shall so declare at the Annual Meeting and ballots shall be provided for use at the meeting with respect to such proposal or nomination.

(2) For purposes of this By-law, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission (including, without limitation, a Form 8-K) pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this By-law, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-law. Nothing in this By-law shall be deemed to affect any rights of (i) stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) the holders of any series of preferred stock to elect directors under specified circumstances.

SECTION 4. Matters to be Considered at Special Meetings. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders of the Corporation, unless otherwise provided by law.

SECTION 5. Notice of Meetings; Adjournments. A written notice of each Annual Meeting stating the hour, date and place of such Annual Meeting shall be given by the Secretary or an Assistant Secretary (or other person authorized by these By-laws or by law) not less than 10 days nor more than 60 days before the Annual Meeting, to each stockholder entitled to vote thereat and to each stockholder who, by law or under the Amended and Restated Certificate of Incorporation of the Corporation (as the same may hereafter be amended and/or restated, the "Certificate") or under these By-laws, is entitled to such notice, by delivering such notice to him or by mailing it, postage prepaid, addressed to such stockholder at the address of such stockholder as it appears on the Corporation's stock transfer books. Such notice shall be deemed to be given when hand delivered to such address or deposited in the mail so addressed, with postage prepaid.

Notice of all special meetings of stockholders shall be given in the same manner as provided for Annual Meetings, except that the written notice of all special meetings shall state the purpose or purposes for which the meeting has been called.

Notice of an Annual Meeting or special meeting of stockholders need not be

given to a stockholder if a written waiver of notice is signed before or after such meeting by such stockholder or if such stockholder attends such meeting, unless such attendance was for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any Annual Meeting or special meeting of stockholders need be specified in any written waiver of notice.

The Board of Directors may postpone and reschedule any previously scheduled Annual Meeting or special meeting of stockholders and any record date with respect thereto, regardless of whether any notice or public disclosure with respect to any such meeting has been sent or made pursuant to Section 3 of this Article I of these By-laws or otherwise. In no event shall the public announcement of an adjournment, postponement or rescheduling of any previously scheduled meeting of stockholders commence a new time period for the giving of a stockholder's notice under Section 3 of this Article I of these By-laws.

When any meeting is convened, the presiding officer may adjourn the meeting if (a) no quorum is present for the transaction of business, (b) the Board of Directors determines that adjournment is necessary or appropriate to enable the stockholders to consider fully information which the Board of Directors determines has not been made sufficiently or timely available to stockholders, or (c) the presiding officer determines that adjournment is otherwise in the best interests of the Corporation. When any Annual Meeting or special meeting of stockholders is adjourned to another hour, date or place, notice need not be given of the adjourned meeting other than an announcement at the meeting at which the adjournment is taken of the hour, date and place to which the meeting is adjourned; provided, however, that if the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote thereat and each stockholder who, by law or under the Certificate or these By-laws, is entitled to such notice.

SECTION 6. Quorum. A majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at any meeting of stockholders. If less than a quorum is present at a meeting, the holders of voting stock representing a majority of the voting power present at the meeting or the presiding officer may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice, except as provided in Section 5 of this Article I. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. The stockholders present at a duly constituted meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

SECTION 7. Voting and Proxies. Stockholders shall have one vote for each

share of stock entitled to vote owned by them of record according to the books of the Corporation, unless otherwise provided by law or by the Certificate. Stockholders may vote either in person or by written proxy, but no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Proxies shall be filed with the Secretary of the meeting before being voted. Except as otherwise limited therein or as otherwise provided by law, proxies shall entitle the persons authorized thereby to vote at any adjournment of such meeting, but they shall not be valid after final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by or on behalf of any one of them unless at or prior to the exercise of the proxy the Corporation receives a specific written notice to the contrary from any one of them.

SECTION 8. Action at Meeting. When a quorum is present at any meeting, any matter before any meeting of stockholders shall be decided by a majority of the votes properly cast on such matter other than an election to office, except where a larger vote is required by law, by the Certificate or by these By-laws. Any election of directors by stockholders shall be determined by a plurality of the votes properly cast on the election of directors, except where a larger vote is required by law, by the Certificate or by these By-laws. The Corporation shall not directly or indirectly vote any shares of its own stock; provided, however, that the Corporation may vote shares which it holds in a fiduciary capacity to the extent permitted by law.

SECTION 9. Stockholder Lists. The Secretary or an Assistant Secretary (or the Corporation's transfer agent or other person authorized by these By-laws or by law) shall prepare and make, at least 10 days before every Annual Meeting or special meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the hour, date and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 10. Presiding Officer. The Chairman of the Board, if one is elected, or

if not elected or in his or her absence, the President, shall preside at all Annual Meetings or special meetings of stockholders and shall have the power, among other things, to adjourn such meeting at any time and from time to time, subject to Sections 5 and 6 of this Article I. The order of business and all other matters of procedure at any meeting of the stockholders shall be determined by the presiding officer.

SECTION 11. Voting Procedures and Inspectors of Elections. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act

at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the presiding officer shall appoint one or more inspectors to act at the meeting. Any inspector may, but need

not, be an officer, employee or agent of the Corporation. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her

ability. The inspectors shall perform such duties as are required by the General Corporation Law of the State of Delaware, as amended from time to time (the "DGCL"), including the counting of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. The presiding officer may review all determinations made by the inspectors, and in so doing the presiding officer shall be entitled to exercise his or her sole judgment and discretion and he or she shall not be bound by any determinations made by the inspectors. All determinations by the inspectors and, if applicable, the presiding officer, shall be subject to further review by any court of competent jurisdiction.

ARTICLE II Directors

SECTION 1. Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided by the Certificate or required by law.

SECTION 2. Number and Terms. The number of directors of the Corporation shall be fixed solely by resolution duly adopted from time to time by the Board of Directors. The directors shall hold office as provided in the Certificate.

SECTION 3. Qualification. No director need be a stockholder of the Corporation. SECTION 4. Vacancies.

Subject to the rights, if any, of the holders of any series of preferred stock to elect directors and to fill vacancies in the Board of Directors relating thereto, any and all vacancies in the Board of Directors, however occurring, including, without limitation, by reason of an increase in size of the Board of Directors, or the death, resignation, disqualification or removal of a director, shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum of the Board of Directors. Any director appointed in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been duly elected and qualified or until his or her earlier resignation or removal. Subject to the rights, if any, of the holders of any series of preferred stock to elect directors, when the number of directors is increased or

decreased, the Board of Directors shall determine the class or classes to which the increased or decreased number of directors shall be apportioned; provided, however, that no decrease in the number of directors shall shorten the term of any incumbent director. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board of Directors until the vacancy is filled.

SECTION 5. Removal. Directors may be removed from office in the manner provided in the Certificate.

SECTION 6. Resignation. A director may resign at any time by giving written notice to the Chairman of the Board, if one is elected, the President or the Secretary. A resignation shall be effective upon receipt, unless the resignation otherwise provides.

SECTION 7. Regular Meetings. The regular annual meeting of the Board of Directors shall be held, without notice other than this Section 7, on the same date and at the same place as the Annual Meeting of stockholders. Other regular meetings of the Board of Directors may be held at such hour, date and place as the Board of Directors may by resolution from time to time determine without notice other than such resolution.

SECTION 8. Special Meetings. Special meetings of the Board of Directors may be called, orally or in writing, by or at the request of a majority of the directors, the Chairman of the Board, if one is elected, or the President. The person calling any such special meeting of the Board of Directors may fix the hour, date and place thereof.

SECTION 9. Notice of Meetings. Notice of the hour, date and place of all special meetings of the Board of Directors shall be given to each director by the Secretary or an Assistant Secretary, or in case of the death, absence, incapacity or refusal of such persons, by the Chairman of the Board, if one is elected, or the President or such other officer designated by the Chairman of the Board, if one is elected, or the President. Notice of any special meeting of the Board of Directors shall be given to each director in person, by telephone, or by facsimile, telex, telecopy, telegram, or other written form of electronic communication, sent to his or her business or home address, at least 24 hours in advance of the meeting, or by written notice mailed to his or her business or home address, at least 48 hours in advance of the meeting. Such notice shall be deemed to be delivered when hand delivered to such address, read to such director by telephone, deposited in the mail so addressed, with postage thereon prepaid if mailed, dispatched or transmitted if faxed, telexed or telecopied, or when delivered to the telegraph company if sent by telegram.

When any Board of Directors meeting, either regular or special, is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any notice of the hour, date or place of

any meeting adjourned for less than 30 days or of the business to be transacted thereat, other than an announcement at the meeting at which such adjournment is taken of the hour, date and place to which the meeting is adjourned.

A written waiver of notice signed before or after a meeting by a director and filed with

the records of the meeting shall be deemed to be equivalent to notice of the meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because such meeting is not lawfully called or convened. Except as otherwise required by law, by the Certificate or by these By-laws, neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 10. Quorum. At any meeting of the Board of Directors, a majority of the total number of directors then in office shall constitute a quorum for the transaction of business, but if less than a quorum is present at a meeting, a majority of the directors present may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice, except as provided in Section 9 of this Article II. Any business which might have been transacted at the meeting as originally noticed may be transacted at such adjourned meeting at which a quorum is present.

SECTION 11. Action at Meeting. At any meeting of the Board of Directors at which a quorum is present, a majority of the directors present may take any action on behalf of the Board of Directors, unless otherwise required by law, by the Certificate or by these By-laws.

SECTION 12. Action by Consent. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing. Such written consent shall be filed with the records of the meetings of the Board of Directors and shall be treated for all purposes as a vote at a meeting of the Board of Directors.

SECTION 13. Manner of Participation. Directors may participate in meetings of the Board of Directors by means of conference telephone or similar communications equipment by means of which all directors participating in the meeting can hear each other, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for purposes of these By-laws.

SECTION 14. Committees. The Board of Directors, by vote of a majority of the directors then in office, may elect from its number one or more committees, including, without limitation, an Executive Committee, a Compensation Committee, a Stock Option Committee and an Audit Committee, and may delegate thereto some or all of its powers except those which by law, by the Certificate or by these By-laws may not be delegated.

Except as the Board of Directors may otherwise determine, any such committee may make rules for the conduct of its business, but unless otherwise provided by the Board of Directors or in such rules, its business shall be conducted so far as possible in the same manner as is provided by these By-laws for the Board of Directors. All members of such committees shall hold such offices at the pleasure of the Board of Directors. The Board of Directors may abolish any such committee at any time. Any committee to which the Board of Directors delegates any of its powers or duties shall keep records of its meetings and shall report its action to the Board of Directors.

SECTION 15. Compensation of Directors. Directors shall receive such compensation for their services as shall be determined by a majority of the Board of Directors provided that directors who are serving the Corporation as employees and who receive compensation for their services as such, shall not receive any salary or other compensation for their services as

directors of the Corporation.

ARTICLE III

Officers

SECTION 1. Enumeration. The officers of the Corporation shall consist of a President, a Treasurer, a Secretary and such other officers, including, without limitation, a Chairman of the Board of Directors, a Chief Executive Officer and one or more Vice Presidents (including Executive Vice Presidents or Senior Vice Presidents), Assistant Vice Presidents, Assistant Treasurers and Assistant Secretaries, as the Board of Directors may determine.

SECTION 2. Election. At the regular annual meeting of the Board that occurs on the date of the Annual Meeting, the Board of Directors shall elect the President, the Treasurer and the Secretary. Other officers may be elected by the Board of Directors at such regular annual meeting of the Board of Directors or at any other regular or special meeting.

SECTION 3. Qualification. No officer need be a stockholder or a director. Any person may occupy more than one office of the Corporation at any time. Any officer may be required by the Board of Directors to give bond for the faithful performance of his or her duties in such amount and with such sureties as the Board of Directors may determine.

SECTION 4. Tenure. Except as otherwise provided by the Certificate or by these By-laws, each of the officers of the Corporation shall hold office until the regular annual meeting of the Board of Directors following the next Annual Meeting and until his or her successor is elected and qualified or until his or her earlier resignation or removal.

SECTION 5. Resignation. Any officer may resign by delivering his or her written resignation to the Corporation addressed to the President or the Secretary, and such

resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

SECTION 6. Removal. Except as otherwise provided by law, the Board of Directors may remove any officer with or without cause by the affirmative vote of a majority of the directors then in office.

SECTION 7. Absence or Disability. In the event of the absence or disability of any officer, the Board of Directors may designate another officer to act temporarily in place of such absent or disabled officer.

SECTION 8. Vacancies. Any vacancy in any office may be filled for the unexpired portion of the term by the Board of Directors.

SECTION 9. President. The President shall, subject to the direction of the Board of Directors, have general supervision and control of the Corporation's business. If there is no Chairman of the Board or if he or she is absent, the President shall preside, when present, at all meetings of stockholders and of the Board of Directors. The President shall have such other powers and perform such other duties as the Board of Directors may from time to time

designate.

SECTION 10. Chairman of the Board. The Chairman of the Board, if one is elected, shall preside, when present, at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board shall have such other powers and shall perform such other duties as the Board of Directors may from time to time designate.

SECTION 11. Chief Executive Officer. The Chief Executive Officer, if one is elected, shall have such powers and shall perform such duties as the Board of Directors may from time to time designate.

SECTION 12. Vice Presidents and Assistant Vice Presidents. Any Vice President (including any Executive Vice President or Senior Vice President) and any Assistant Vice President shall have such powers and shall perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 13. Treasurer and Assistant Treasurers. The Treasurer shall, subject to the direction of the Board of Directors and except as the Board of Directors or the Chief Executive Officer may otherwise provide, have general charge of the financial affairs of the Corporation and shall cause to be kept accurate books of account. The Treasurer shall have custody of all funds, securities, and valuable documents of the Corporation. He or she shall have such other duties and powers as may be designated from time to time by the Board of Directors or the Chief Executive Officer.

Any Assistant Treasurer shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 14. Secretary and Assistant Secretaries. The Secretary shall record all the proceedings of the meetings of the stockholders and the Board of Directors (including committees of the Board) in books kept for that purpose. In his or her absence from any such meeting, a temporary secretary chosen at the meeting shall record the proceedings thereof. The Secretary shall have charge of the stock ledger (which may, however, be kept by any transfer or other agent of the Corporation). The Secretary shall have custody of the seal of the Corporation, and the Secretary, or an Assistant Secretary, shall have authority to affix it to any instrument requiring it, and, when so affixed, the seal may be attested by his or her signature or that of an Assistant Secretary. The Secretary shall have such other duties and powers as may be designated from time to time by the Board of Directors or the Chief Executive Officer. In the absence of the Secretary, any Assistant Secretary may perform his or her duties and responsibilities.

Any Assistant Secretary shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 15. Other Powers and Duties. Subject to these By-laws and to such limitations as the Board of Directors may from time to time prescribe, the officers of the Corporation shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors or the Chief Executive Officer.

ARTICLE IV
Capital Stock

SECTION 1. Certificates of Stock. Each stockholder shall be entitled to a certificate of the capital stock of the Corporation in such form as may from time to time be prescribed by the Board of Directors. Such certificate shall be signed by the Chairman of the Board of Directors, the President or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary. The Corporation seal and the signatures by the Corporation's officers, the transfer agent or the registrar may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the time of its issue. Every certificate for shares of stock which are subject to any restriction on transfer and every certificate issued when the Corporation is authorized to issue more than one class or series of stock shall contain such legend with respect thereto as is required by law. Notwithstanding anything to the contrary provided in these By-laws, the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares (except that the foregoing shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation), and by the approval and adoption of these By-laws the Board of Directors has determined that all classes or series of the Corporation's stock may be uncertificated, whether upon original issuance, re-issuance, or subsequent transfer.

SECTION 2. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by applicable law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation, and in the case of certificated shares of stock, only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefore, properly endorsed for transfer and payment of all necessary transfer taxes; or, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney lawfully constituted in writing, and upon payment of all necessary transfer taxes and compliance with appropriate procedures for transferring shares in uncertificated form; provide, however, that such surrender and endorsement, compliance or payment of all taxes shall not be required in any case in which the officers of the Corporation shall determine to waive such requirement. With respect to certificated shares of stock, every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the Secretary or Assistant Secretary of the Corporation or the transfer agent thereof. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

SECTION 3. Record Holders. Except as may otherwise be required by law, by the Certificate or by these By-laws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-laws.

It shall be the duty of each stockholder to notify the Corporation of his or her post office address and any changes thereto.

SECTION 4. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date: (a) in the case of determination of stockholders entitled to vote at any meeting of stockholders, shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting and (b) in the case of any other action, shall not be more than sixty (60) days prior to such other action. If no record date is fixed: (i) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day immediately preceding the day on which notice is given, or, if notice is waived, at the close of business on the day immediately preceding the day on which the meeting is held and (ii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 5. Replacement of Certificates. In case of the alleged loss, destruction or mutilation of a certificate of stock, a duplicate certificate may be issued in place thereof, upon such terms as the Board of Directors may prescribe.

ARTICLE V

Indemnification

SECTION 1. Definitions. For purposes of this Article:

(a) "Director" means any person who serves or has served the Corporation as a director on the Board of Directors of the Corporation.

(b) "Officer" means any person who serves or has served the Corporation as an officer appointed by the Board of Directors of the Corporation;

(c) "Non-Officer Employee" means any person who serves or has served as an employee of the Corporation, but who is not or was not a Director or Officer;

(d) "Proceeding" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, inquiry, investigation, administrative hearing or other proceeding, whether civil, criminal, administrative, arbitral or investigative;

(e) "Expenses" means all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of expert witnesses, private investigators and professional advisors (including, without limitation, accountants and investment bankers), travel expenses, duplicating costs,

printing and binding costs, costs of preparation of demonstrative evidence and other courtroom presentation aids and devices, costs incurred in connection with document review, organization, imaging and computerization, telephone charges, postage, delivery service fees, and all other disbursements, costs or expenses of the type customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, settling or otherwise participating in, a Proceeding;

(f) "Corporate Status" describes the status of a person who (i) in the case of a Director, is or was a director of the Corporation and is or was acting in such capacity, (ii) in the case of an Officer, is or was an officer, employee or agent of the Corporation or is or was a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such Officer is or was serving at the request of the Corporation, and (iii) in the case of a Non-Officer Employee, is or was an employee of the Corporation or is or was a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such Non-Officer Employee is or was serving at the request of the Corporation. For purposes of subsection (ii) of this Section 1(f), an officer or director of the Company who is serving as a director, partner, trustee, officer, employee or agent of a Subsidiary shall be deemed to be serving at the request of the Company;

(g) "Disinterested Director" means, with respect to each Proceeding in respect of which indemnification is sought hereunder, a Director of the Corporation who is not and was not a party to such Proceeding; and

(h) "Subsidiary" shall mean any corporation, partnership, limited liability company, joint venture, trust or other entity of which the Corporation owns (either directly or through or together with another Subsidiary of the Corporation) either (i) a general partner, managing member or other similar interest or (ii) (A) 50% or more of the voting power of the voting capital equity interests of such corporation, partnership, limited liability company, joint venture or other entity, or (B) 50% or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other entity.

SECTION 2. Indemnification of Directors and Officers. Subject to the operation of Section 4 of this Article V of these By-laws, each Director and Officer shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment) against any and all Expenses, judgments, penalties, fines and amounts reasonably paid in settlement that are incurred by such Director or Officer or on such Director's or Officer's behalf in connection with any threatened, pending or completed Proceeding or any claim, issue or matter therein, which such Director or Officer is, or is threatened to be made, a party to or participant in by reason of such Director's or Officer's Corporate Status, if such Director or Officer acted in good faith and in a manner such Director or Officer reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The rights of indemnification provided by this Section 2 shall continue as to a Director or Officer after he or she has ceased to be a Director or Officer and shall inure to the benefit of his or her heirs, executors, administrators and

personal representatives. Notwithstanding the foregoing, the Corporation shall indemnify any Director or Officer seeking indemnification in connection with a Proceeding initiated by such Director or Officer only if such Proceeding was authorized by the Board of Directors of the Corporation, unless such Proceeding was brought to enforce an Officer or Director's rights to Indemnification under these By-laws.

SECTION 3. Indemnification of Non-Officer Employees. Subject to the operation of Section 4 of this Article V of these By-laws, each Non-Officer Employee may, in the discretion of the Board of Directors of the Corporation, be indemnified by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, against any or all Expenses, judgments, penalties, fines and amounts reasonably paid in settlement that are incurred by such Non-Officer Employee or on such Non-Officer Employee's behalf in connection with any threatened, pending or completed Proceeding, or any claim, issue or matter therein, which such Non-Officer Employee is, or is threatened to be made, a party to or participant in by reason of such Non-Officer Employee's Corporate Status, if such Non-Officer Employee acted in good faith and in a manner such Non-Officer Employee reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The rights of indemnification provided by this Section 3 shall exist as to a Non-Officer Employee after he or she has ceased to be a Non-Officer Employee and shall inure to the benefit of his or her heirs, personal representatives, executors and administrators. Notwithstanding the foregoing, the Corporation may indemnify any Non-Officer Employee seeking indemnification in connection with a Proceeding initiated by such Non-Officer Employee only if such Proceeding was authorized by the Board of Directors of the Corporation.

SECTION 4. Good Faith. Unless ordered by a court, no indemnification shall be provided pursuant to this Article V to a Director, to an Officer or to a Non-Officer Employee unless a determination shall have been made that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal Proceeding, such person had no reasonable cause to believe his or her conduct was unlawful. Such determination shall be made by (a) a majority vote of the Disinterested Directors, even though less than a quorum of the Board of Directors, (b) a committee comprised of Disinterested Directors, such committee having been designated by a majority vote of the Disinterested Directors (even though less than a quorum), (c) if there are no such Disinterested Directors, or if a majority of Disinterested Directors so directs, by independent legal counsel in a written opinion, or (d) by the stockholders of the Corporation.

SECTION 5. Advancement of Expenses to Directors Prior to Final Disposition. The Corporation shall advance all Expenses incurred by or on behalf of any Director in connection with any Proceeding in which such Director is involved by reason of such Director's Corporate Status within 10 days after the receipt by the Corporation of a written statement from such Director requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by such Director and shall be preceded or accompanied by an undertaking by or on behalf of such Director to repay any Expenses so advanced if it shall ultimately be determined that such Director is not entitled to

be indemnified against such Expenses.

SECTION 6. Advancement of Expenses to Officers and Non-Officer Employees Prior to Final Disposition.

(a) Advancement to Officers. The Corporation may, at the discretion of the Board of Directors of the Corporation, advance any or all Expenses incurred by or on behalf of any Officer in connection with any Proceeding in which such is involved by reason of such Officer's Corporate Status upon the receipt by the Corporation of a statement or statements from such Officer requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by such Officer and shall be preceded or accompanied by an undertaking by or on behalf of such to repay any Expenses so advanced if it shall ultimately be determined that such Officer is not entitled to be indemnified against such Expenses.

(b) Advancement to Non-Officer Employees. The Corporation may, at the discretion of the Board of Directors or of any Officer who is authorized to act on behalf of the Corporation, advance any or all Expenses incurred by or on behalf of any Non-Officer Employee in connection with any Proceeding in which such Non-Officer Employee is involved by reason of such Non-Officer Employee's Corporate Status upon the receipt by the Corporation of a statement or statements from such Non-Officer Employee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by such Non-Officer Employee and shall be preceded or accompanied by an undertaking by or on behalf of such Non-Officer Employee to repay any Expenses so advanced if it shall ultimately be determined that such Non-Officer Employee is not entitled to be indemnified against such Expenses.

SECTION 7. Contractual Nature of Rights. The foregoing provisions of this Article V shall be deemed to be a contract between the Corporation and each Director and Officer entitled to the benefits hereof at any time while this Article V is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any Proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts. If a claim for indemnification or advancement of Expenses hereunder by a Director or Officer is not paid in full by the Corporation within (a) 60 days after receipt by the Corporation's of a written claim for indemnification, or (b) in the case of a Director, 10 days after receipt by the Corporation of documentation of Expenses and the required undertaking, such Director or Officer may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, such Director or Officer shall also be entitled to be paid the expenses of prosecuting such claim. The failure of the Corporation (including its Board of Directors or any committee thereof, independent legal counsel, or stockholders) to make a determination concerning the permissibility of such indemnification or, in the case of a Director, advancement of Expenses, under this Article V shall not be a defense to the action and shall not create a presumption that such indemnification or advancement is not permissible.

SECTION 8. Non-Exclusivity of Rights. The rights to indemnification and advancement

of Expenses set forth in this Article V shall not be exclusive of any other right which any Director, Officer, or Non-Officer Employee may have or hereafter acquire under any statute, provision of the Certificate or these Bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise.

SECTION 9. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any Director, Officer or Non-Officer Employee against any liability of any character asserted against or incurred by the Corporation or any such Director, Officer or Non-Officer Employee, or arising out of any such person's Corporate Status, whether or not the Corporation would have the power to indemnify such person against such liability under the DGCL or the provisions of this Article V.

ARTICLE VI

Miscellaneous Provisions

SECTION 1. Fiscal Year. Except as otherwise determined by the Board of Directors, the fiscal year of the Corporation shall end on the last day of December of each year.

SECTION 2. Seal. The Board of Directors shall have power to adopt and alter the seal of the Corporation.

SECTION 3. Execution of Instruments. All deeds, leases, transfers, contracts, bonds, notes and other obligations to be entered into by the Corporation in the ordinary course of its business without director action may be executed on behalf of the Corporation by the Chairman of the Board, if one is elected, the President or the Treasurer or any other officer, employee or agent of the Corporation as the Board of Directors or Executive Committee may authorize.

SECTION 4. Voting of Securities. Unless the Board of Directors otherwise provides, the Chairman of the Board, if one is elected, the President or the Treasurer may waive notice of and act on behalf of this Corporation, or appoint another person or persons to act as proxy or attorney in fact for this Corporation with or without discretionary power and/or power of substitution, at any meeting of stockholders or shareholders of any other corporation or organization, any of whose securities are held by this Corporation.

SECTION 5. Resident Agent. The Board of Directors may appoint a resident agent upon whom legal process may be served in any action or proceeding against the Corporation.

SECTION 6. Corporate Records. The original or attested copies of the Certificate, By-laws and records of all meetings of the incorporators, stockholders and the Board of Directors and the stock transfer books, which shall contain the names of all stockholders, their record addresses and the amount of stock held by each, may be kept outside the State of Delaware and shall be kept at the principal office of the Corporation, at the office of its counsel or at an office of its transfer agent or at such other place or places as may be designated from time to time by the Board of Directors.

SECTION 7. Amendment of By-laws.

(a) Amendment by Directors. Except as provided otherwise by law, these

By-laws may be amended or repealed by the Board of Directors by the affirmative vote of a majority of the directors then in office.

(b) Amendment by Stockholders. These By-laws may be amended or repealed at any Annual Meeting, or special meeting of stockholders called for such purpose, by the affirmative vote of at least two-thirds of the shares present in person or represented by proxy at such meeting and entitled to vote on such amendment or repeal, voting together as a single class; provided, however, that if the Board of Directors recommends that stockholders approve such amendment or repeal at such meeting of stockholders, such amendment or repeal shall only require the affirmative vote of the majority of the shares present in person or represented by proxy at such meeting and entitled to vote on such amendment or repeal, voting together as a single class.

Adopted September 16, 1999 and modified as of December 31, 2007 and as of October 30, 2013.

AGREEMENT

This Agreement (the "Agreement") is entered into by and between Circor International, Inc. (the "Company") and Frederic M. Burditt ("Executive") as of July 31, 2013.

WITNESSETH:

WHEREAS, Executive is employed by the Company as its Vice President and Chief Financial Officer ("CFO");

WHEREAS, Executive and the Company have agreed that Executive will be terminating his employment from the Company and, consequently, his employment will end at such time as Company has retained Executive's successor and provided Executive with at least two (2) weeks' prior written notice (the last day of Executive's employment shall be referred to herein as the "Separation Date"); and

WHEREAS, in recognition of Executive's long period of service with the Company, Executive and the Company now desire to enter into this Agreement to set forth the terms and conditions of the Executive's separation from the Company.

NOW THEREFORE, in consideration of the mutual promises contained in this Agreement, Executive and Company agree as follows:

1. **Continuation of Services.** The Company will continue to employ Executive on an at-will basis through the Separation Date, provided , however, that Separation Date will not extend beyond February 28, 2014 regardless of whether Company has retained Executive's successor by that date. Unless otherwise directed by the Company, prior to the Separation Date, Executive shall continue to work and provide services to the Company on a regular full-time basis; provided, however, that the Company may, in its discretion, reduce Executive's duties and responsibilities (but not his Salary and Benefits (as defined below)).
2. **On-Going Payments and Benefits to Executive.**
 - (a) *Salary and Benefits Continuation.* Executive will continue to receive his current

salary and benefits through the Separation Date.

3. **Contingent Payments to Executive**

(a) Subject to the satisfaction of the Separation Conditions (as defined below) Executive shall receive the benefits set forth in clauses 3(b) through 3(f) below. For purposes of this Agreement “Separation Conditions” shall mean, Executive: (i) fulfills his responsibilities as CFO and associated transitional services through the Separation Date in a satisfactory manner at standard performance as determined in good faith by the Company’s Chief Executive Officer; (ii) does not voluntarily terminate his employment prior to the Separation Date without the Company’s consent; (iii) is not terminated by the Company for “cause” (as defined below), and (iv) after the Separation Date, signs and does not revoke the general release of legal claims in the form attached hereto as Exhibit A. For purposes hereof, “cause” shall be defined as the occurrence of one or more of the following as determined by the Company’s Compensation Committee in its sole and good faith discretion: (i) the Executive is convicted of, pleads guilty to, or confesses to any felony or any act of fraud, misappropriation or embezzlement which has an immediate and materially adverse effect on the Company or any Subsidiary; (ii) the Executive engages in a fraudulent act to the material damage or prejudice of the Company or any Subsidiary or in conduct or activities materially damaging to the property, business or reputation of the Company or any Subsidiary; (iii) any material act or omission by the Executive involving malfeasance or negligence in the performance of the Executive’s duties to the Company or any Subsidiary to the material detriment of the Company or any Subsidiary, which has not been corrected by the Executive within thirty (30) days after written notice from the Company of any such act or omission; (iv) failure by the Executive to comply in any material respect with any written policies or directives of the Company, which has not been corrected by the Executive within ten (10) days after written notice from the Company of such failure; or (v) material breach by the Executive of any non-competition, confidentiality or similar agreements between the Executive and the Company. With regard to the Separation Condition set forth in clause (i) above, in the event that the Company's Chief Executive Officer determines that Executive is not

performing his responsibilities in a satisfactory manner at standard performance, the Chief Executive Officer will provide Executive with written notice specifying the perceived deficiencies in such performance in which case Executive shall have fifteen (15) business days (the "Cure Period") to remedy such performance to the reasonable satisfaction of the Chief Executive Officer. The foregoing sentence notwithstanding, Executive shall be entitled only to one Cure Period under this Agreement.

(b) Continuation Pay. Upon satisfaction of the Separation Conditions, Company will provide continuation pay to the Executive in the amount equal to twelve (12) months the ("Continuation Pay Period") of Executive's current annual base salary equal to three hundred fifty thousand eight hundred ninety-two dollars and sixty-eight cents (\$350,892.68). Continuation Pay shall be made in bi-weekly payments in accordance with the Company's usual and customary salary payment schedule.

(c) Short-Term Bonus. Upon satisfaction of the Separation Conditions, Executive shall be entitled to a one-time payment equal to equal to a pro-rata portion of the Executive's current target Short Term Incentive Bonus calculated by dividing the number of elapsed calendar days through the Separation Date divided by 365; this fraction will be multiplied times the actual bonus earned. Such payment shall be made at such time as the Company generally makes payment to eligible employees with respect to the 2013 Short Term Incentive Plan (expected to be March 2014). Such Payment will be made through direct deposit to Executive's account(s) or as otherwise designated.

(d) Performance and Productivity Bonus. Upon satisfaction of the Separation Conditions, Executive shall be entitled to a lump sum bonus payment equal to two hundred and five thousand dollars and zero cents (\$205,000.00). Such payment shall be made to Executive in the Company's first payroll period in January 2014.

(e) Acceleration of Stock Options and Restricted Stock Units. Schedule A hereto sets forth certain outstanding stock options and restricted stock unit awards granted to Executive by the Company pursuant to the Company's Amended and Restated 1999 Stock Option and Incentive Plan ("Stock Option Plan") and the relevant award agreements related to such grants (collectively, the "Award

Agreements”). Subject to the satisfaction of the Separation Conditions, on the Separation Date, the relevant sections of each of the Award Agreements governing vesting and exercise rights upon termination shall be superseded and replaced by the vesting and exercise terms set forth in Schedule A hereto. All other provisions of the Award Agreements shall remain in full force and effect in accordance with their respective terms.

(f) **Health Insurance Continuation.** Effective as of the Separation Date, and subject to satisfaction of the Separation Conditions, if Executive timely elects to continue receiving group medical and dental insurance pursuant to the federal “COBRA” law, 29 U.S.C. § 1161 et seq., the Company shall, during the Continuation Pay Period, continue to pay the share of the premium for such coverage that the Company is paying during the Continuation Pay Period for active and similarly situated employees who receive the same type of coverage. The remaining balance of any premium costs, and all premium costs after the Continuation Pay Period, shall be paid by Executive on a monthly basis for as long as, and to the extent that, Executive remains eligible for COBRA continuation. Executive should consult the COBRA materials to be provided by the Company for details regarding these benefits.

4. **Cessation of Benefits/Payout under Management Stock Purchase Plan.** Except as set forth in Section 3 above, as of the Separation Date, Executive shall cease to accrue any benefits including but not limited to benefits under the Company’s Defined Contribution 401(k) savings plan, automobile allowance, life insurance, and tax planning benefits. With respect to restricted stock units outstanding on account of awards pursuant to the Company’s Management Stock Purchase Plan (“MSPP”), distributions of shares and return of cash shall be made in accordance with the terms of the MSPP and subject to any waiting period required under Internal Revenue Code Section 409A

5. **Tax Treatment.** The Company shall undertake to make deductions, withholdings and tax reports with respect to payments and benefits under this Agreement to the extent that it reasonably and in good faith determines that it is required to make such deductions, withholdings and tax reports. Payments under this Agreement shall be subject to any such deductions or withholdings. Nothing in this Agreement

shall be construed to require the Company to make any payments to compensate Executive for any adverse tax effect associated with any payments or benefits or for any deduction or withholding from any payment or benefit.

6. **Deferral of Payments.** Notwithstanding the provisions of this Agreement, the Company shall be entitled to defer payments of cash and issuance of stock to Executive to the extent necessary in order to ensure compliance with the Treasury Regulations issued pursuant to Internal Revenue Code Section 409A.

7. **Return of Property.** Executive acknowledges that all documents, records, apparatus, equipment and other physical property which were furnished or will be furnished to Executive in connection with his employment at the Company remain and will remain the sole property of the Company. Executive will return to the Company all such materials and property when requested by the Company. In any event, Executive will return all such materials and property on or before the Separation Date, including, without limitation, all computer equipment, laptops, software, keys and access cards, credit cards, cell phone, files and any documents (including computerized data and any copies made of any computerized data or software) containing information concerning the Company, its business or its business relationships (in the latter two cases, actual or prospective). In the event that Executive discovers that he continues to retain any such property after the termination of his employment, he shall return it to the Company immediately. Executive also commits to deleting and finally purging any duplicates of files or documents that may contain Company information from any computer or other device that remains his property after the Separation Date.

8. **Confidentiality and Non-Compete Covenants.** Executive shall not disclose to any third party any information which, during his employment, he knew, or reasonably should have known, is considered by the Company to be confidential and/or proprietary. **Executive covenants and agrees that, for a period of two (2) years following the Separation Date, Executive shall not, anywhere in the world, own, manage, operate, join, control, promote, invest or participate in or be connected with in**

any capacity (either as an employee, employer, trustee, consultant, agent, principal, partner, corporate officer, director, creditor, owner or shareholder or in any other individual or representative capacity) with any business individual, partnership, firm, corporation or other entity which is engaged wholly or partly in the design, manufacture, development, distribution, marketing or sales of any products which compete with the Company's then current lines of business for which Executive, during the two year period immediately preceding termination of affiliation with the Company, had managerial responsibility or otherwise provided regular services.

9. **Non-Solicitation.** During Executive's employment and for the two-year period immediately following the Separation Date, Executive shall not, without the prior written consent of the Company, directly or indirectly: (i) solicit for employment or otherwise hire any individual who both (a) is or was an employee or consultant of the Company within the 12-month period preceding the Separation Date, and (b) has not been involuntarily terminated by the Company or not otherwise employed by the Company for at least six months; or (ii) encourage any such employee or consultant to terminate his or her employment or consultant relationship with the Company.

10. **Nondisparagement.** Company agrees not to make any disparaging statements concerning Executive, and Executive agrees not to make any disparaging statements concerning the Company or any of its affiliates or current or former officers or directors, and shareholders holding a five percent (5%) or greater stake in the Company; *provided* that these nondisparagement obligations shall not in any way affect the obligation of either the Executive or representatives of the Company to testify truthfully in any legal proceeding.

11. **Future Cooperation.** During his employment and thereafter, Executive agrees to cooperate reasonably with the Company and all of its affiliates and related entities, including its and their outside counsel, in connection with the contemplation, prosecution and defense of all phases of existing, past and future litigation about which the Company believes Executive may have knowledge or information. Executive further agrees to make himself available at mutually convenient times during and

outside of regular business hours as reasonably deemed necessary by the Company's counsel. Executive agrees to appear without the necessity of a subpoena and to testify truthfully in any legal proceedings in which the Company calls him as a witness. The Company agrees to pay the reasonable costs and attorney's fees incurred by Executive in providing such cooperation.

12. **Suspension /Termination of Payments.** In the event that Executive fails to comply with any of his obligations under this Agreement including but not limited to the provisions of the Agreement which have been incorporated by reference and has not cured such failure within thirty days of receipt of notice from the Company concerning such failure (to the extent that such failure reasonably can be cured), in addition to any other legal or equitable remedies it may have for such breach the Company shall have the right to terminate or suspend its payments to or made on behalf of Executive under this Agreement. The termination or suspension of such payments in the event of such breach by Executive will not affect his continuing obligations under this Agreement.

13. **Legal Representation.** This Agreement is a legally binding document and his signature will commit Executive to its terms. Executive acknowledges that he has been advised to discuss all aspects of this Agreement with his attorney, and that he has carefully read and fully understands all of the provisions of this Agreement and that he is voluntarily entering into this Agreement.

14. **Absence of Reliance.** In signing this Agreement, Executive is not relying upon any promises or representations made by anyone at or on behalf of the Company.

15. **Non-Admission.** This Agreement shall not in any way be construed as an admission by the parties of any liability or any act of wrongdoing whatsoever against the other party. The parties specifically disclaim any liability or wrongdoing whatsoever against one another.

16. **Enforceability.** If any portion or provision of this Agreement (including, without limitation, any portion or provision of any section of this Agreement or portions of the Agreement that have been incorporated by reference) shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or

provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

17. **Waiver.** No waiver of any provision of this Agreement shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

18. **Enforcement.**

(a) *Mediation.* In the event of any dispute arising under this Agreement, Executive and the Company shall first attempt to resolve such dispute through mediation facilitated by a single mutually acceptable mediator. In the event that the parties are unable to agree on a mutually acceptable mediator, the mediator shall be appointed by the Boston office of JAMS/ENDISPUTE. In this regard, the Company shall pay the reasonable cost of the mediator.

(b) *Jurisdiction.* In the event that the parties are unable to resolve any dispute through mediation, Executive and the Company hereby agree that the courts of the Commonwealth of Massachusetts shall have the exclusive jurisdiction to consider any matters related to this Agreement, including without limitation any claim for violation of this Agreement. With respect to any such court action, Executive (i) submits to the jurisdiction of such courts, (ii) consents to service of process, and (iii) waives any other requirement (whether imposed by statute, rule of court or otherwise) with respect to personal jurisdiction or venue.

(c) *Relief.* Both parties agree that it would be difficult to measure any harm caused to the Company that might result from any breach by Executive of his promises set forth in Sections 7, 8, 9, 10 or 11 or any harm to the Executive caused by a breach by the Company of its promises set forth in Section 8, and that in any event money damages would be an inadequate remedy for any such breach.

Accordingly, if either party breaches, or proposes to breach, any portion of his or its obligations under Sections 7, 8, 9, 10 or 11, the other party shall be entitled, in addition to all other remedies it or he may have, to an injunction or other appropriate equitable relief to restrain any such breach, without showing or proving any actual damage to such party and without the necessity of posting a bond.

19. **Governing Law; Interpretation.** This Agreement shall be interpreted and enforced under the laws of the Commonwealth of Massachusetts without regard to conflict of laws principles. In the event of any dispute, this Agreement is intended by the parties to be construed as a whole, to be interpreted in accordance with its fair meaning, and not to be construed strictly for or against either Executive or the Company or the “drafter” of all or any portion of this Agreement.

20. **Entire Agreement.** This Agreement specifically supersedes any other previous agreements or understandings between Executive and the Company relative to Executive’s departure from the Company.

21. **No Transfer.** Executive represents that he has not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim against any of the Releasees or any portion thereof or interest therein.

22. **Binding Nature of Agreement.** This Agreement shall be binding upon each of the parties and upon the heirs, administrators, representatives, executors, successors and assigns of each of them, and shall inure to the benefit of each party and to the heirs, administrators, representatives, executors, successors, and assigns of each of them.

23. **Modification of Agreement.** This Agreement may be amended, revoked, changed, or modified only upon a written agreement executed by both parties. No waiver of any provision of this Agreement will be valid unless it is in writing and signed by the party against whom such waiver is charged.

24. **Counterparts.** This Agreement may be executed in counterparts, and each counterpart, when executed, shall have the efficacy of a signed original.

25. **Definition.** For purposes of this Agreement, the term "Company" shall include the Company and its affiliated and related entities, and its and their respective predecessors, successors and assigns.

This Agreement has been executed as a sealed instrument by Executive and the Company.

EXECUTIVE

Frederic M. Burditt Date: July 31, 2013

CIRCOR INTERNATIONAL, INC.

By: _____
Name: Scott A. Buckhout Date: July 31, 2013
Title: President & CEO

Schedule A

<u>Award Date</u>	<u>Nature of Award</u>	<u>#Options/RSUs</u>	<u>Original Vesting/Exercise Date</u>	<u>Accelerated Vesting/Exercise Date</u>
2/28/2011	Options	8,203	2/28/2014	Separation Date
3/5/2012	Options	2,911	3/5/2014	Separation Date
2/28/2011	RSU's	1,212	2/28/2014	Separation Date
3/5/2012	RSU's	1,259	3/5/2014	Separation Date
3/4/2013	RSU's	1,528	3/4/2014	Separation Date

Exhibit A

GENERAL RELEASE

This General Release ("Release") is executed by the undersigned (the "Executive") in favor of CIRCOR International, Inc. and its affiliates (collectively, "Circor" or "the Company").

WHEREAS, pursuant to Section 3 of the Agreement entered into between the Company and the Executive on July 31, 2013 ("the Agreement"), the Company has agreed to pay certain separation benefits (the "Separation Benefits") if the Executive signs this general release of claims; and

WHEREAS, the Company agrees to provide Executive with, and the Executive desires to receive the Separation Benefits in the Agreement; and

WHEREAS, the Executive and Company understand that the Agreement remains in full force and effect.

NOW, THEREFORE, the Executive hereby agrees as follows:

1. Release and Waiver of Claims. In exchange for the Separation Benefits contained in the Agreement, Executive hereby RELEASES, waives, and surrenders any and all claims, demands, and causes of action that the Executive, his heirs, executors, administrators, agents, attorneys, representatives, or assigns have or may have against the Company based on any event or circumstance arising or occurring prior to and including the date of Executive's execution of this Agreement, including but not limited to any claims relating to Executive's employment or termination of employment by the Company, any rights of continued employment, reinstatement or reemployment by the Company, and any costs or attorneys' fees incurred by Executive, PROVIDED, HOWEVER, that Executive is not waiving, releasing or giving up any rights Executive may have to test the knowing and voluntary nature of the Agreement under the Older Workers Benefit Protection Act or to workers' compensation or unemployment insurance benefits, to earned, banked or accrued but unused vacation pay, to vested benefits under any pension or savings plan, to continued benefits in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, to any rights of indemnification under CIRCOR International, Inc.'s Certificate of Incorporation, By-laws, Delaware law or the Director and Officer Indemnification Agreement in effect between the Company and the Executive, or to enforce the terms of the Agreement.

2. Representations Regarding Release and Waiver of Claims. Executive represents that he has no pending claim against the Company, has not filed a complaint, charge or claim with any court, agency, or other tribunal against the Company and has not assigned any claim against the Company to any person or entity. Moreover, to confirm parties' mutual understanding and intentions with respect to the release and waiver set forth in paragraph 1 above, Executive specifically acknowledges and agrees as follows:

- (a) that this Agreement is intended to be a general release that permanently extinguishes all claims by Executive against the Company (except for claims

- expressly excluded by the proviso at the end of paragraph 1, above) to the fullest extent permitted by law;
- (b) that this release includes both known and unknown claims, which means that the Executive is finally and forever waiving and giving up claims that the Executive does not know or suspect that he has or may have as of the date that he signs this Agreement;
 - (c) that without limiting the foregoing, Executive is waiving and giving up any rights and claims arising under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act (ADEA), the Older Workers Benefit Protection Act (OWBPA), the Equal Pay Act, the Americans with Disabilities Act, the Employee Retirement Income Security Act, the Family and Medical Leave Act, the Rehabilitation Act of 1973, Executive Order 11246, the False Claims Act, 42 U.S.C. § 1981, the Massachusetts Fair Employment Practices Act (General Laws Ch.151B), the Massachusetts Equal Pay Act (General Laws Ch.149, §105A), the Massachusetts Civil Rights Act (General Laws Ch.12, §§11H, 11I), the Massachusetts Equal Rights Act (General Laws Ch.93, §§102, 103); and including any other state, municipal or other federal law, statute, public policy, order, or regulation affecting or relating to the claims and rights of employees, including but not limited to any state, federal or municipal law, statute, public policy, order, or regulation of the Commonwealth of Massachusetts; and including any and all claims and suits in tort or contract.
 - (d) that Executive is waiving and giving up any claim that he has or may have to obtain any monetary recovery or equitable relief from the Company, including, but not limited to back pay, front pay, interest, attorney's fees and costs, liquidated damages, contract damages, punitive, compensatory, or consequential damages, and any other form of monetary or non-monetary relief under any theory of law or liability whatsoever;
 - (e) that Executive is waiving and giving up any claim he has or may have arising from the terms, conditions, or circumstances of his/her employment and/or the termination of such employment, but that the release and waiver do not affect any claims which arise after the Effective Date of this Agreement including but not limited to any claims for indemnification that might arise under under CIRCOR International, Inc.'s Certificate of Incorporation, By-laws, Delaware law or the Director and Officer Indemnification Agreement in effect between the Company and the Executive.

3. Release and Waiver of Age Discrimination Claims. Because this Release includes a release and waiver of claims under the Age Discrimination in Employment Act of 1967, Executive is entitled to and acknowledges the following disclosures to ensure that his release and waiver of age discrimination claims is knowing and voluntary:

- (a) Executive has been advised that this Release affects his legal rights, and that he should consult with an attorney prior to signing the Agreement;
- (b) Once the Executive signs the Agreement, he has an additional seven (7) days within

which to notify the Company that he wishes to revoke this Release;

- (c) This Release will not become effective until the eighth day following Executive's execution of this Release (as long as Executive does not provide timely notification of revocation).

4. **Revocation.** Executive may revoke this Release within seven (7) days after it is executed by Executive by delivering a written notice of revocation to:

Alan J. Glass, General Counsel
[at the Company's home office address]

no later than the close of business on the seventh (7th) calendar day after this Release was signed by Executive. This Release will not become effective or enforceable until the eighth (8th) calendar day after Executive signs it, which date shall be known as "**the Effective Date.**" If Executive revokes this Release, the parties shall have no obligations under this Release, and this Agreement shall be considered null and void.

/s/ Frederic M. Burditt
Frederic M. Burditt

Date: July 31, 2013

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott A. Buckhout, certify that:

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

Date: October 31, 2013

Signature: _____ /s/ Scott A. Buckhout

Scott A. Buckhout
President and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frederic M. Burditt, certify that:

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

Date: October 31, 2013

Signature: _____ /s/ Frederic M. Burditt

Frederic M. Burditt
Vice President, Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officers, who are the Chief Executive Officer and Chief Financial Officer of CIRCOR International, Inc. (the "Company"), each hereby certifies to the best of his knowledge, that the Company's quarterly report on Form 10-Q to which this certification is attached (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott A. Buckhout

Scott A. Buckhout
President and Chief Executive Officer
Principal Executive Officer

October 31, 2013

/s/ Frederic M. Burditt

Frederic M. Burditt
Vice President, Chief Financial Officer
Principal Financial Officer

October 31, 2013